



TEEKAY CORPORATION'S GENERAL UPDATE CONFERENCE CALL

Company: Teekay Shipping Canada
Date: Monday, September 30, 2019
Conference Time: 12:00 PT

Operator: Please standby. We're about to begin. Welcome to Teekay Group's Conference Call. For assistance during the call, please press star zero on your touchtone phone. As a reminder, today's call is being recorded. Now for opening remarks and introductions, I would like to turn the call over to Kenneth Hvid, Teekay's President and Chief Executive Officer. Please go ahead.

Ryan Hamilton: Before we begin, I'd like to remind you that our discussion today contains forward-looking statements. Actual results may differ materially from results projected by those forward-looking statements. Additional information concerning factors that could cause actual results to differ – materially differ from those in the forward-looking statements is contained in our press release issued this morning. Unfortunately, based on legal advice received, we are unable to engage in a Q&A session today.

I would now turn the call over to Kenneth to begin.

Kenneth Hvid: Thank you, Ryan, and thank you all for joining us. Today I will provide a brief update on the Teekay Group and, in particular, discuss the reason for the postponement of our investor event, which was previously scheduled to take place this coming Wednesday in New York City.

Senior members of the Teekay Group have been preparing for this day for the past few weeks and we were looking forward to presenting our strategic and market update to investors; however, various members from the senior team, including myself, must attend various meetings with CLNG, COSCO and



our customer, and focus our full attention on finding a prompt solution to the COSCO sanctions issues, which precludes the possibility of our participation in the New York presentation this week. Let me reiterate, the investor and analyst meeting has not been cancelled but merely delayed and we will provide details for the rescheduled events when the issues have been resolved.

Late last week, the United States Government, through an OFAC Executive Order, imposed sanctions on a number of COSCO subsidiaries, including COSCO Shipping Tanker (Dalian) Co. Ltd., for allegedly trading oil with Iran, using their owned vessels. Based on OFAC rules, the sanctions also impact any subsidiaries which COSCO Dalian owns 50% of or more. COSCO Dalian is a direct 50% shareholder in China LNG Shipping (Holdings) Ltd., or CLNG, which is Teekay LNG's 50% joint venture partner in our Yamal LNG Joint Venture, which owns 4 ARC7 LNG carriers on-the-water and 2 ARC7 LNG carrier newbuilds, which are scheduled to deliver later this year.

Since CLNG is 50%-owned by COSCO Dalian, CLNG effectively becomes a "Blocked Person" under OFAC rules, and, as a result of CLNG's 50% interest in the Yamal LNG Joint Venture, our Joint Venture in-turn also qualifies as a "Blocked Person" under OFAC rules, and therefore subject to the same sanctions.

Unfortunately, Teekay LNG has been impacted by this because of the ownership structure of our joint venture partner but we are in close dialogue with CLNG and COSCO to resolve this important issue to minimize any disruption to Teekay LNG's business.

It is important to note that the ARC7 vessels owned and operated by our joint venture with CLNG are purpose-built and therefore a critical part of the infrastructure to lift gas from the Yamal LNG project in Northern Siberia for delivery to the end customers, most of which are China customers, so, all parties are clearly aligned to resolve this issue as quickly as possible. Our ARC7 vessels account for 40% of total shipping capacity, servicing the Yamal project, which produces approximately 5% of the world's LNG and supplies not only China, but also Europe and the global markets.



For the sake of clarity, these sanctions do not directly impact our 100%-owned Yamal Spirit MEGI LNG Carrier on charter to the Yamal LNG project. The Teekay Group, including its Yamal Joint Venture, has not and will not trade with Iran or otherwise act in contravention of any trading sanctions.

Meanwhile on the crude tanker side, these same COSCO sanctions have provided a significant boost to crude tanker rates. Since the COSCO sanctions were announced late last week, average Aframax tanker rates have increased from approximately \$20,000 per day to approximately \$30,000 per day with rates hitting \$40,000 per day on some routes and Suezmax tanker rates have increased from \$20,000 per day to approximately \$30,000 per day. With significant operating leverage, Teekay Tankers is benefiting from this uptick in rates ahead of what we expect will be strong rates into the fourth quarter and into the 2020 due to projected underlying oil demand growth, an expected increase in US crude oil exports and significantly higher refinery throughput ahead of IMO 2020 regulations, coupled with lower tanker fleet growth.

In conclusion, we sincerely apologize for any inconvenience that this postponement may have caused and we are fully focused on finding a solution to these issues that minimizes any disruption to TGP's operations. We intend to provide further updates on these developments as and when appropriate and to provide details on the rescheduled analyst and investor meeting once a solution has been reached. Again, based on legal advice received, we are unable to engage in a Q&A session on today's call but we greatly appreciate your understanding and patience, and I assure that we are taking every measure to reach a resolution.

Thank you for joining us today and look forward to reporting back and to seeing you all in New York as soon as we can.

Operator: Thank you. And that does conclude today's conference. We'd like to thank everyone for their participation. You may now disconnect.