TEEKAY SHIPPING (CANADA) LTD.

Moderator: Bjorn Moller
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10:00 a.m. CT

Operator: Welcome to the Teekay Shipping Corporation First Quarter 2006 Earnings Release Conference Call.

During the presentation, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in a question-and-answer session. At that time if you have a question you will need to press star one. As a reminder, this conference is being recorded.

And now for opening remarks and introductions, I would like to turn the conference over to Mr. Bjorn Moller, President and CEO of Teekay Shipping Corporation. Please go ahead, sir.

Scott: Before Mr. Moller begins and before I read the forward-looking statements, I would like to direct all participants to our web site at www.teekay.com where you will find a copy of the first quarter of 2006 earnings presentation. Mr. Moller and Mr. Evensen will review this presentation during today's conference call. I will now read the forward-looking statements.

Please allow me to remind you that various remarks we may make in both future expectations, plans and prospects for the company in the shipping industry constitute forward-looking statements for purposes of the Safe Harbor provision under Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors, including those discussed in our most recent Annual Report on Form 20F dated December 31, 2005, on file with the SEC.

I will now turn it over to Mr. Moller to begin.

Bjorn Moller: Thank you, Scott, and good morning, ladies and gentlemen. Thank you for joining us. I'm pleased to report to you on another positive quarter for Teekay Shipping, and I will begin with the highlights on slide number three.

We generated net income of $101.7 million dollars, or $1.35 per share, and cash flow from vessel operations, or CFVO, of $193 million dollars in the quarter. Approximately 90 million of our CFVO came from fixed rate businesses. Rates in our spots fleet remain strong with our (Aftermax) fleet achieving an average of more than $44,000 per day. While this was down by eight percent from last quarter, it was 12 percent higher than the same quarter last year.

We continued the long-term investment in our spots fleet exercising in the money options for two Suezmax tankers bringing our Suezmax order book to six ships, and we repurchased a further 700,000 shares for total costs of 27.5 million during the second half of the quarter.

Let me put these last two points into a broader context on slide four. We have stated in the past that the order of priority in the use of our cash is, first, profitable growth, thereafter debt repayment, and then return of surplus capital to shareholders. As you can see on this slide, over the past 12 to 18 months, we have in fact done all three. Over the past year we have committed significant capital to growing our three business segments, securing 1.3 billion in profitable new projects. We have strengthened our financial flexibility by reducing net debts to total capital from 42 percent to 37 percent, and by maintaining liquidity of almost a billion dollars, and we have aggressively returned capital to our shareholders, repurchasing 22 percent of our outstanding shares and increasing our regular dividend payments for the third consecutive year.

As we maintain our focus on growing the business and rewarding shareholders, our allocation of cash to these elements will vary over time as dictated by the industry landscape.

On slide five we show an updated sum of the parts valuation for Teekay. As shown in the box in the middle of the slide, our ownership of 68 percent of the units in Teekay LNG Partners is worth $9.89 per Teekay share based on Teekay LNG's implied EBIT to EBITDA multiple of 13.5 times.

On the left we calculate the value of our fixed rate tanker segment to be $24.61 per share based on an EBITDA multiple of 10 times. ON the right we show the value of our spot tanker segment to be $20.16 per share based on the current fair market value or breakout value of our spot fleet. Adding $3.51 per share for the value of our joint ventures and bulk assets, the sum of the parts valuation of Teekay adds up to $58.17 of equity value per share, without taking into account the value of Teekay's spot tanker franchise.

Put differently, at our current share price of around $38, our spot tanker segment consisting of more than $1.6 billion dollars worth of almost debt-free assets is valued at zero. I should add that our share repurchases have increased some of the parts value by approximately $3.25 per share, and I can assure you that both the management and our Board are committed to bridge the valuation gap.

Next, I'll review the main developments in our business segments, beginning with our fixed-rate tanker assessment on slide six. CFVO was $73 million dollars in the quarter, an increase of three percent from one year ago.

Shuttle tanker utilization was high due to seasonally strong winter demand, but Tier II and to some extent Tier III shuttle tanker CFVO is expected to fall more than normal due to above average oil field maintenance being planned in the North Sea this year.

In Teekay's shuttle tanker contracts, day rates are fixed, but we are exposed to volume variations giving rise to seasonality in the shuttle CFVO.

Brazil continues to provide strong support for our shuttle segment. In addition to the three long-term shuttle deals we've reported to you a couple of months ago, we have expanded the charter periods for two Aframax shuttle tankers already serving in Brazil at rates well above the current contract rate. On average, these extensions last through 2008 with the customer having options to further extending the term of the charters.

We continue to develop our Teekay petrol off-shore venture which will pursue the growing market for floating production solutions, and the marketing of the joint venture is underway. We believe that the growth prospects are very attractive for our integrated offshore marine platform which comprises floating production, floating storage and shuttle. You only have to look at the record level of deep-water drilling activity to get a sense of what's going to happen a couple of years down the road in terms of increased offshore oil production. So, we're very excited about the opportunities.

Turning to slide seven, looking at the developments in our fixed-rate LNG segment, we generated CFVO of 16.6 million, unchanged from the previous quarter. Teekay LNG Partners recently increased its annual cash distributions by 12 percent to $1.85 per unit, raising the amount of annual distributions that Teekay will receive to $44 million dollars. This amount is expected to continue to rise further as LNG vessels currently under construction are delivered and commence their long-term charters.

Our LNG new building construction program, which consists of nine ships, is progressing according to plan. The first of these ships is due for delivery around the middle of Q4 this year. The growth outlook from new LNG projects remains strong. Our internal estimates based on

LNG projects that we are aware of indicate a need to an additional 125 LNG ships to be delivered by 2011 over and above those already on order.

Turning next to the developments in our spot tanker segment on slide number eight. Our spot tanker fleet enjoyed a strong quarter both in absolute and relative terms. As shown on the left side of the table, our Aframax fleet earned TCE of $44,300 per day, and our Suezmax fleet $54,100 per day as reported in our earnings release. These figures include the effect of our freight hedging activities. Our pure spot TC results shown in the middle column were $45,100 and $64,500 a day, respectively, outperforming the Clarkson benchmark shown on the right.

Our product tanker fleet also enjoyed a very good quarter. Our fleet of eight large to medium-sized and 10 smaller product tankers produced the highest quarterly average TCE. We expanded our position in the large rage product tanker market, declaring an option to operate another Aframax newbuilding to LR2 specifications and bringing our LR2 order books to four ships.

We expanded our series of Suezmax new buildings by emphasizing in the money options for a further two ships, and we hold options for further vessels. This brings our Suezmax order book to six ships for deliver in 2008 and 2009. These new vessels provide us with greater exposure to the market upside later this decade, leading up to the 2010 IMO deadline, beyond which most countries are expected to ban single-hold tankers. These ships will also be a source of conversion candidates for use in our shuttle and offshore business.

We have taken an advantage of a dip in new building prices that took place in the second half of last year, and we discussed this in more detail on the next slide.

On slide number nine, the yellow line showed that in U.S. dollar terms, Suezmax's new building prices dipped by about eight percent between the second and fourth quarters last year, but are now on the rise again. Because newbuilding contracts are priced in U.S. dollars, the recent strengthening of the Korean won to an eight-year high against the U.S. dollar means that shipyards in Korea, the world's leading ship building nation, are getting fewer won per dollar in new contracts. This is placing their future profits under a lot of pressure. We expect this to provide support for new building prices and ship builders in general going forward, especially given the very full order book being enjoyed by shipyards.

In turn, the ships support the current net at the value of tanker companies, and it certainly highlights the deep value that Teekay shares represent.

Looking at the key tanker market dynamics on the next few slides, on slide number 10 we highlight some of the key factors that caused the strong market in the first quarter, namely record oil production, growing oil demand, albeit at a slightly slower pace, resurgent import growth in China and growing Japanese demand, increased Taiwan demand as more oil is moved the long distance from the Atlantic basin to meet this growing Asian demand, the lingering affect of last-year's hurricanes on U.S. oil production refining, including an above-normal refinery Spring maintenance schedule this year, and finally, geopolitical factors in Nigeria, Venezuela and Iran.

On slide number 11 you can see from the light blue line that Aframax tanker rates are following a normal pattern, dropping significantly during March or April as we head into the weaker tanker demand season.

In terms of the outlook for Teekay's second quarter results, we can advise you that we have fixed approximately 55 percent of our Q2 spot Aframax days at an averaged TCE of $30,000 a day. However, our most recent bookings have been averaging closer to $20,000 a day in line with Clarkson.

Turning to slide 12, we are projecting that 2006 should see no major change from last year in the balance between tanker supply and demand, and we expect rates to remain highly volatile. Positive factors influencing tanker demand include an estimate 4.9 percent growth in the world economy and the IEA estimating that this will lead to oil demand growth of 1.8 percent this year, continued high OPEC production coupled with growing non-OPEC production, continuing adjustments to global crude and product trading patterns driven by regional refining and balances.

On the negative side, we can expect net growth in the world tanker fleet of around six percent this year due to the large number of new buildings delivering. We could end up with smaller fleet growth if we see a higher-than-expected amount of scrapping or further acceleration in the demand for tonnage for use in the offshore conversion sectors.

As we approach the tipping point in the ratio between double hull and non-double hull tankers in the world fleet, currently about 75 percent of the existing Aframax world fleet is double hull, but discrimination against older tonnage will become ever more pronounced.

On slide number 13, we highlight the IEA's latest forecast that oil demand growth will accelerate considerably in the second half of the year, reaching 2.8 percent in the fourth quarter. Of course, tanker demand may not feel the full impact until – on this until all production is increased in response to this oil demand. Fundamentally, however, this level of oil demand growth should eventually translate into tanker demand growth of around six percent.

In conclusion, even though we can expect seasonally weaker results over the next two quarters, we remain of the view that overall 2006 will turn out to be a good year for Teekay.

I'll now hand it over to Peter to discuss our financials.

Peter Evensen: Thank you. As Bjorn indicated, we had a strong first quarter with net income of 101.7 million, or $1.35 per share. This included a number of items that on a net basis had the effect of decreasing net income by 17.3 million, or twenty-three cents per share. Without these items which primarily relate to non-cash items resulting from the decline in the value of the U.S. dollar, net income would have been 119 million, or $1.58 per share for the quarter.

Looking at the operating results for each of our segments on slide 14 of the presentation, overall CFVO for the first quarter decreased to 192.6 million compared to 222.2 million in the first quarter of 2005. Our fixed rate segment generated 73.2 million in CFVO during the quarter compared to 70.8 million in the first quarter of 2005. This increase was primarily due to the commencement in April of 2005 of a three-year fixed rate charter out of the company's only charter NVLCC.

Since the three new Brazil shuttle tankers announced last quarter will be coming online starting in the second half of 2006 and through to the first quarter of 2007, coupled with the fact that our shuttle tanker business has some seasonality, the cash flow from vessel operations will vary somewhat from quarter to quarter in this segment as you've seen in the past.

We are expecting that oilfield maintenance in the North Sea will commence earlier this year and be at a higher level than normal. Accordingly, we're scheduling to complete a larger portion of our planned dry dockings and maintenance work for 2006 during this seasonally-low period. As a result, the CFVO in the second quarter for the fixed rate segment is expected to be lower than the first quarter by approximately $15 million dollars.

Again, as Bjorn indicated, longer term we see strong growth prospects in the offshore oil sector which should bode well for our shuttle tanker and FSO business, as well as our recently-announced FVSO joint venture with PGS.

Our fixed rate LNG segment generated 16.6 million in CFVO during the first quarter, which is virtually unchanged from the first quarter of 2005. We currently have nine LNG newbuildings scheduled to deliver between the fourth quarter of this year and early 2009, all of which will commence service under long-term fixed rate contracts upon delivery.

The contribution from our spot tanker segment decreased to 102.8 million compared to 134.4 million in the first quarter of 2005. This decrease was due primarily to a decline in revenue days resulting from the sales of a number of our significantly-depreciated older vessels during the past 12 months, partially offset by delivery of new buildings and an increase in spot tanker rates. Our spot Aframax fleet earned an average TCE rate of 44,300 per day in the first quarter of 2006, up from 39,600 per day earned in the same period last year.

Turning next to slide 15 in reviewing the remaining income statement figures in comparison to the first quarter of 2005. General land administrative expenses were 40.3 million compared to 33.7 million in the first quarter of 2005. This increase was primarily the result of the adoption of FAS 123R which required expensing of stock options commencing in the first quarter of 2006, the depreciation of the U.S. dollar and additional costs associated with Teekay LNG Partners.

We currently expect G&A expenses to run in the low $40 million dollar range per quarter for the next two quarters of 2006, which includes an estimated stock option expense of approximately two million per quarter as discussed.

During the first quarter of 2006, we incurred 1.9 million of restructuring costs, primarily relating to the relocation of certain operational functions which we discussed last quarter. During the remainder of 2006, we expect to incur approximately $5 million dollars of further restructuring charges as we complete this reorganization.

Net interest expense decreased to 24.6 million in the quarter from 29.5 million a year ago, primarily due to the reduction in interest expense from the repayment and refinancing of debt over the past 12 months, the repurchase of 89 million of our 8 7/8 bonds, and the conversion of our 7.25 mandatory exchange pool preferred units to equity in February 2006, partially offset by the expiry of certain of our more favorable interest rates loss. We are protected from higher interest rate swaps in general as a result of the swaps we entered into at lower interest rate levels.

We recognized an income tax expense of 3.8 million this quarter, of which 3.6 million was related to unrealized foreign exchange gains. Foreign exchange losses of 8.9 million netted the minority share of these losses, primarily results from the unrealized foreign exchange translation lawsuit related to the company's Euro denominated debt.

Other items net include a 3.1 million from the expiry of options to construct an LNG carrier, minority interest expense of 1.3 million and miscellaneous income of 2.6 million.

Turning to slide 16, we've presented our March 31 balance sheet and compared it with the December 31, 2005 balance sheet. You will notice restricted cash increased by 412 million, primarily due to the sale and lease back through a U.K. tax lease structure of three LNG newbuilding contracts for the RasGas II projects. The proceeds from the sale have been placed on deposit and will effectively be used to pay our obligations under these lease arrangements.

Advances on new building contracts has decreased 249 million from 473 million at December 31, primarily due to the previously-mentioned LNG carrier sale leaseback, partially offset by further advances made on our newbuilding.

Our total liquidity at March 31 was about a billion dollars, unchanged from December 31.

Net or restricted cash, net debts to capitalization was 37 percent at the end of the quarter, a decrease from 40 percent at the end of the prior quarter. This decrease was primarily due to the cash generated from operations during the quarter and sale and lease back of the RasGas II newbuilding contracts, partially offset by payment of newbuilding installments and our share repurchases.

As a reminder, please note that the interest expense associated with the debt related to our advances on new building contracts, which was 224 million at March 31, is capitalized and not expensed in the income statement. In addition, on February 16, our 7.25 mandatory exchange preferred units were converted to equity. This conversion resulted in the issuance of 6.5 million common shares, a reduction in debt of 144 million, which has reduced our interest expense accordingly.

Turning to slide 17, since our last update on February 22, we've repurchased approximately 700,000 shares for a total cost of roughly 27.5 million. If the remaining share repurchase authorization of approximately 36 million is completed at an average price of $38, we will have repurchased over 18.8 million shares or 23 percent of our outstanding shares since November 2004 when our first share repurchase was announced.

Looking at the second quarter results, we fixed approximately 55 percent of our (soft voyage stage) at an average Aframax TCE of 30,000 per day, and current Aframax rates are averaging around 20,000 per day.

On slide 18, I would note our current rule of thumb EPS guidance is five and a half cents per quarter for every $1,000 change in TC above 15,000. This is down from the six cents we indicated last quarter due to the redelivery of some of our in-charter vessels during 2006. We'd like to note the net income breakeven may be a bit higher than the 15,000 over the next couple of quarters due to the high level of oil field maintenance expected in the North Sea as discussed earlier. However, you will notice that our quarter-to-date TCE rate of $30,000 is significantly higher than the Clarkson TCE rates for the same period.

I'll now turn the mike over to Bjorn to conclude. Thanks to you all.

Bjorn Moller: Finally, I would note that the conference call for our publicly listed subsidiary, Teekay LNG Partners, will be held on Friday, May 5th, which is the partnership's one-year anniversary as a publicly-traded partnership, and to commemorate this occasion, Teekay LNG will be ringing the closing bell tomorrow at New York Stock Exchange.

The partnership is off to an excellent start with units trading around 40 percent above the ideal price, and is executing on our plan to increase the partnership's distributable cash flow both through acquisitions and building LNG carriers against long-term contracts.

Thank you for listening, and we are happy to take your questions.

Operator: Thank you, and the question-and-answer session will be conducted electronically. If you would like to ask a question today, please press the star key followed by the digit one on your touch-tone telephone. We ask that anyone who is using a hands-free phone or a speaker phone to please pick up the handset when asking your question. Once again, that is star one if you have a question, and we'll pause for just a moment.

And we'll go first to John Chappell with JP Morgan.

John Chappell: Thank you. Good morning. Bjorn, given your exposure to the Caribbean with your Aframax fleet and also your lettering operations, and as we approach the next hurricane season and the severity of the last one still fresh in people's minds, are you seeing customers locking up tonnage, whether it be to store product or to just to make sure they have the available capacity to meet demand given potential disruptions down there?

Bjorn Moller: You know, I haven't noticed anything. There could be something going on below the radar screen, but it's not been a prevalent trend that I've noticed, and I think – I guess you can have probably as many ships as you want, but the issue is getting rid of the cargo into shore facilities if ports are closed or if electricity is out or storage terminals are down or refineries are down. I think it's diffi – actually I think the problem is less the shipping side and more the rest, and so of course disruptions occur a lot of time when ships were coming in with cargo and had to be diverted, and in a few instances they were held up with cargo and in most instances the oil was sold elsewhere, so I believe that, you know, spot chartering gives you that flexibility, but it's something we should keep an eye on. I haven't seen it happening yet.

John Chappell: OK. And then just regarding your fleet expansion going forward, you mentioned the lower Suezmax prices and taking advantage of that, have you seen any debt, related debt in the secondhand market? You've kind of been holding out on acquisitions of secondhand tonnage given expectations, I guess that prices may come down eventually. Have you look at, you know, getting back into the secondhand market, does chartering in look more attractive, less attractive now given third term chartering rates?

Bjorn Moller: I now have a couple of comments on that. Firstly, I would say we are seeing that single-hull vessels and older vessels are beginning to show a decline in price, which is exactly what we expected would happen and why we sold our single-hull fleet at very firm prices in the last two years. So, I think that's the tipping point I was referring to because the proportion of the global fleet is increasingly, you know, the proportion of double hulls in the world fleet is growing. We are now beginning to see the marginalization of the single-hull ships and any weakness in the market will accentuate that.

As far as buying secondhand modern ships, I think we're seeing some continued, you know, heat in the prices, if the price of five to six-year-old ships is the same as the price of new ships, and while the current market is volatile and you can get good earnings, the market is not as strong a year or two ago. So we believe that right at the moment, the best bet is to try and be optimistic about new buildings, although if they – some of the quotes we're seeing just this week for ships, I mean, it's indicating a bit of heating up in the price of new buildings again, so then we would step back. So this option series we've obtained has become quite valuable …

John Chappell: Yes.

Bjorn Moller: … and so we're pleased with that. As far as in-charting is concerned, again I think the option value that owner's see in the volatility in the market means that we're not really seeing any softening in the in-charter rates for time charter ships even though the stock market has had weaker periods. So that is something we're doing. We did in-charter vessel recently for three years at a price that, you know, I would say five years ago I would have swallowed pretty hard to do.

John Chappell: Yes.

Bjorn Moller: But given the outlook and the volatility of the market, we think it's worth keeping our toe in the water there.

John Chappell: OK. I appreciate it. Thanks, Bjorn.

Bjorn Moller: Thank you.

Operator: And we'll go next to Scott Burk with Bear Stearns.

Scott Burk: Good morning. I wanted to ask a couple – about your cash flow from vessel sales. Was that just the assets that were sold during the quarter or is that just the LNG vessels that you mentioned or were there additional vessels sold?

Bjorn Moller: We didn't sell any LNG; those were just the ones we settled in the quarter.

Scott Burk: The sale leasebacks that you mentioned from the …

Bjorn Moller: Oh, OK. We did do the sale leaseback, yes.

Scott Burk: OK, and that really counts for the cash from asset sales?

Bjorn Moller: Yes.

Scott Burk: OK. Do you have any additional planned sales and leasebacks for – going forward for the next several quarters?

Bjorn Moller: Well, I think we were one of the last people who completed U.K. tax lease arrangements under the old legislation, and the new legislation hasn't been finalized, so we're always looking for opportunities to be able to lower our financing costs through various structures, and I think I'll leave it that way.

Scott Burk: OK. Can you go through your decision process to not order the two LNG vessels that you had an option for? Is that driven because Qatari is looking to build some ships on their own or is that more of a return-based decision?

Bjorn Moller: I think we basically take kind a cannibalistic view of where we see the opportunity to line up projects against delivery dates, but the Qatari activity is, you know, basically known. They've ordered or reserved a large number of slots in Korean yards and their various projects are basically then sort of chopping off another chunk of ships against their reserve berths. So, you know, whether those ships are ordered by the Qataris and then subsequently passed on to others or kept by themselves, that doesn't influence the balance of ships needed against new projects as we see it. So I guess it's a judgment call, we keep looking at these things and the decision, based on this particular delivery window, was to pass.

Scott Burk: OK. And then one kind of outlook question, is there any effect at all on your operations from the Bolivian decision to nationalize their oil reserves, or is most of that just used internally?

Bjorn Moller: The – we are not directly involved. It will have an effect on, I guess, on the margin, on LNG projects potentially, but it's, I think as long as it doesn't become a trend, I don't think it's a big factor.

Scott Burk: OK. Thank you very much.

Bjorn Moller: Thanks.

Operator: And our next question will come from Justin Yagerman with Wachovia Securities.

Justin Yagerman: I'm sorry, asked and answered.

Bjorn Moller: OK. Thanks.

Operator: We'll move on to Doug Mavrinack with Jefferies & Company.

Doug Mavrinack: Great, thank you. We just had a couple of questions on your product tanker fleet, and noticing historically that you prefer to charter and product tankers, but can't help but also notice that you've converted another Afrarmax newbuilding to an LR2 product tanker. Can you share your thoughts with us on that decision, the strategic – whether it was a strategic decision to increase your presence in the long-haul product tanker market over the Aframax) crude oil market, or if there's more of an opportunistic decision and nature?

Bjorn Moller: The – I guess the strategy we adopt when it comes to our various spot tanker segments is a combination of ownership and in-chartering, and so I guess the product market, especially the smaller product market or medium sized, is a quite a diverse ownership group and there are a lot of very homogenous vessels, so that's a segment where there is a lot more in-chartering activity in the marketplace than there is, for example, in the crude oil sector. So that lends itself more to being able to take a trade on totality for companies like Teekay. So that's something we continue to hone, those skills, and that will be part of out strategy going forward. The long haul large product tanker market is much more ((inaudible)), so in order to gain access to that market, I think you have less option to charter and ownership is more logical, but also, of course, the interchangeability of those ships between our Aframax crude fleet and the product market means that this is much more adjacent to Teekay and it gives us some optionality and it gives us, you know, a strong position in a very niche market in the LR2.

Doug Mavrinack: Great and then just one other question as it relates to your chartered end product tankers. Yes, I notice that one of the biggest changes from your fleet profile last quarter to this quarter was a handful of chartered end product tankers, the contracts weren't renewed on them. From a trading perspective, you know, is there anything to take in or take out of that decision to not renew some of those time charters, you know, as it relates to maybe what the outlook is for – in the near term for product tanker rates?

Bjorn Moller: No, you shouldn't conclude anything on that. I guess the ships that are coming off now, we have other ships to join our fleet, the typical term of smaller to medium product tankers is 12 to 24 months, so that's a lot of rollover, and as we had a very strong product tanker market in the last six to nine months, so that's influenced some ship owners' ideas for their ships, so we'll step back whenever we see the rates being overheated and we'll step back in when we think the window opens, so, that will be our trading – our trading activity.

Doug Mavrinack: OK, great and then just one final question. As it relates to what you're seeing from charters and their appetites to secure tonnage not just for, you know, the next few months, but have you seen an increase in demand from some of your customers to secure vessels, both on the crude and product side, you know, over the next couple of years?

Bjorn Moller: We're seeing some activities and I guess – but I guess it all depends on which oil company you're talking about. Some oil companies have a more shipping intensive control strategy and others have a very ((inaudible)) strategy, but there's no key change in the way they look at it. I think there's, you know, ongoing activities. If the window opens up now to a weaker rate environment, I think we could see more activity on that because I think they will probably want to cover more of the volatility that they've been experiencing in the stock market recently.

Doug Mavrinack: OK, great. Thank you very much.

Operator: And next we'll go to Jordan Alliger with Deutsche Bank.

Jordan Alliger: Yes, hi. With the rates on the Aframax that you generated in the first quarter somewhat above Clarkson's and certainly at this point given what we've seen at Clarkson's you're $30,000 a day as you noted is above the levels that we've seen in the market thus far. Are you starting to get back some of your old premium in some sort of way?

Bjorn Moller: Well, Jordan, we do have a great chartering team, so I think that would not be unrealistic. We have the ability to trade both the Pacific and the Atlantic, and especially when you have a volatile freight environment the voyages in the Pacific are longer than they are in the Atlantic on average, and so our guys ready to dialing in what the market's doing, and it allows them to either aggressively pursue long-haul voyages or, you know, avoid them by steering towards more short-haul if they can see, depending what movement they see in the markets, so I think they do a great job.

Jordan Alliger: So, have you seen – make sure I understand, are you seeing some shift in terms of the split of your vessels? Have you moved more into the Pacific, is that the takeaway?

Bjorn Moller: We haven't done any real changes, we just – I think when you have big volatility as we have, I mean, we had a very precipitous Fall in rates …

Jordan Alliger: Right.

Bjorn Moller: … between, you know, end March through April, and so the benefit of having locked in longer voyages becomes much greater. And so this year was an exceptionally steep decline in rates. It's since rebounded quite a bit. But I think maybe one quarter is difficult to draw a trend from, but I think we're very happy with our numbers.

Jordan Alliger: And then, obviously some, I guess, noise with the drydock days on the sixth fleet this quarter, you know, the redelivery of some of the in-charters, is the leverage rate or leverage factor of five and a half cents, is that a one or two-quarter phenomenon and you think maybe it goes back up to six, or just stay in this range for the time being?

Peter Evensen: Well, it ranges between five and a half and six, as Bjorn said, it's mostly depending upon whether we take in more ships on the soft side of things. You could just as well take the 15,000 and just subtract the 15 million of revenues from the second quarter, but we're more comfortable with the five and a half cents right now given the redeliveries on the in-charters. If that changes materially, we will update you on that, but as Bjorn says, it depends upon our trading activities.

Jordan Alliger: OK. Thank you very much.

Peter Evensen: Right.

Operator: And next we'll go to Philippe Lanier with Bank of America.

Philippe Lanier: Yes, good morning. One quick question following up on your chartered in-fleet. You know, I've noticed as well there are a number of those product vessels that come off, do you guys have any guidance as to how that's going to affect your chartered-in expenses in the next quarter?

Peter Evensen : No.

Philippe Lanier: OK.

Peter Evensen: ((inaudible))

Philippe Lanier: Pardon me?

Peter Evensen: No …

Philippe Lanier: OK. And then just a second question regarding just kind of your sensitivity to the Asian market, given the flows that you've seen, do you have a sense as to how full or not full non-early CD inventories in Asia are relative to what we see as a full inventory situation in the Western hemisphere?

Bjorn Moller: What I understand to be the case, although the data isn't always great from that region, is that they have declined quite a bit, but there is a bit of a rebuilding going on at the moment. I don't have a very good handle on that.

Philippe Lanier: OK. Thank you very much.

Peter Evensen: Let me just go back and say that, to answer your question on the time charter expense, it should be down approximately eight to 10 million.

Philippe Lanier: OK, great. Thank you.

Operator: And our next question will come from Omar Nokta with Dahlman Rose.

Omar Nokta: Hi, good morning. You've had to make some significant expansions within the shuttle tanker business and are starting to expand into the offshore services. With respect to the crude tanker sector, you know, you mentioned significant investments with the Suezmax new buildings, do you see yourselves growing that business and having a fleet comparable in size to Aframax's fleet?

Bjorn Moller: Suezmax's segment is much smaller number of ships than the Aframax market by a factor of two or three, so I guess the issue is to us, you know, building a meaningful platform that we can use to effectively triangulate and cross-trade our vessels, so we see really Aframax and Suezmax very adjacent to each other. Many of our customers made the change in the use of some of those vessels, so in a way it's part of a medium-sized crude oil plain, so we will probably look to build both of those fleets over time.

Omar Nokta: OK. And I just have a question about your PGS joint venture, do you have an update on that or is it still too early with respect to finding suitable vessels for conversion?

Bjorn Moller: I think it's too early, I think unlike the spot market I think we are going to have a lot of quarters where we update you that things are progressing but we may be awhile before we have projects to announce. However, we are actively marketing the joint venture and I believe, if anything, what we saw as the growth potential when we set out has only grown stronger in the last three to six months.

Omar Nokta: Alright. Alright. Thanks a lot.

Bjorn Moller: Thank you.

Operator: And we'll take our next question from John Kartsomas with Citigroup.

John Kartsomas: Good morning. Actually I have only one question related to your fixed rate segment, and in your presentation you apply a pretty high multiple on these cash flows and I assume that you are relatively comfortable with the lack of the contrast and the certainty of these cash flows. How do you think about the segment, you know, given that you have declining production mostly in ((inaudible)) how do you think about replacing the fleet or what's happening in North Sea in terms of production?

Bjorn Moller: Well, the North Sea has been known for a long time to be a province that will see declining oil production, the question is at what pace, and nothing we have ever based ourselves on has suggested that that would not be an underlying factor. However, there are a lot of – I think we've demonstrating taking the shuttle tanker business from one continent in 2001 to five continents earlier – a couple of quarters ago that we can use our international reach to develop that business. The Brazil business has been a huge win. I think we've – I think 15 percent of the world's shuttle tankers are now in Brazil and they're all Teekay's, so I think that shows you that growth potential. We also would expect the Artic to offer some very interesting opportunities for shuttle traffic and with our position in the shuttle business with our location in Norway, I think we have a good shot at that. So, I mean, we believe that our fixed rate segment and our offshore segment in particular is a very positive story, so we – as far as the average fleet age is concerned, new ships we are building, the Brazil deals we are doing, I think you'll find that that fleet is, if anything, modernizing right now.

John Kartsomas: Do you think that the major of the ((inaudible)) much different from night to regular time ((inaudible)) I mean, where is it different there?

(Peter Evensen): Absolutely, because most of these are licensed field contracts so that what you have to realize is as the oil price has gone up to 60, $70, the duration of the contracts, the effective life of field for most of these oil fields has been extended because they didn't like to have a physical life, they have an economic life, and that's been extended at a higher oil price, so we don't have exact data on it, but we certainly are hearing from people that these oil fields are going to last much longer than what we had originally envisioned when they were being brought in at 15, $18 break-even prices, and so the nature of our contracts is that we will continue lifting as long as they have oil, so we're going to see the situation of oil production in the North Sea, as we've seen over time, has – it hasn't peaked out. Everyone talks about when the peak is, but it's been extended, and that's even without enhancements that they may make to the reservoirs in order to keep up production.

John Kartsomas: So when it comes to pricing of these contracts, how are you renegotiating these contracts if it's for the life of that, of the field?

Bjorn Moller: Well, I guess the life of field contracts are priced as, you know, some contracts are for term and many are for life of field, so those that come up with term are negotiated and those that are life of field, price is already set.

(Peter Evensen): But on the new contracts we're getting much higher prices which reflects higher fixed asset prices in general and the bullishness people have for the shuttle tankers, and for example, if you look at – in Brazil on our pre-contracts even including shuttles, the shuttle tankers, I'm talking about the old – the three new projects that we announced last quarter, you can see an increase of $20 million dollars in either side, you can take into account for bringing in the joint venture partner. And that's net because we're moving one vessel out of the North Sea. And as Bjorn said, as we move outside of the North Sea, the older vessels which may not qualify in the North Sea are perfect for areas like West Africa or Australia where you don't have as much harsh conditions as you do in the North Sea.

John Kartsomas: OK. Thank you very much.

Operator: And we'll go next to Stephen Errico with Locustwood Capital.

Stephen Errico: Good morning. Thank you very much. My question is, when I look at your company, what I see it is not often in my life I can buy 1.6 billion worth of ships for free, and it's been about a year since you guys have put out some of the parts valuation tables, and Bjorn, you mentioned at the beginning of the call that the management and the Board were committed to bridging that valuation gap. I was wondering if you were prepared to talk about, I mean, there's been some speculation that you might put the shuttle business down into an MLP, at what type of transactions or what type of things you're considering to, in doing to bring that valuation out, which by the way would say is even understated because I think one of your most valuable assets in the next couple of years could be the general partnership interests you have in the current MLP and any future MLPs. Thank you.

Bjorn Moller: Thank you. That's a very good question, and I can assure you that we are looking continually for specific ways to illuminate the value in our business segments and to close the valuation gap, as I said earlier, and – the comment I made about Teekay LNG having had its –

having its one-year anniversary as a publicly listed company tomorrow, I think, is very apropos because it demonstrated the viability and success of a strategy of illuminating value through floating parts of our business. However, I guess if we want to list the company, for example, as you outlined about floating parts of our business, we would want to do so at a time when we want to gain a valuable currency and where there's momentum in the business. I would say that it's reasonable to say that some of those factors are coming into play around our offshore activity. We're not prepared to speculate what the company is considering doing, but, you know, I think there are a number of options available to us. We're considering all of them, and we will do what we think is right.

Stephen Errico: To follow up on that, some of the – could you give me an idea of what your pipeline is looking like in terms of some of those offshore projects? I mean, I know you have the Brazilian contracts and then you're doing this joint venture with (Petrigeo), is the pipeline fuller than you thought it was three or four months ago or about the same?

Peter Evensen: Yes, I would say that rather than having described that business as being mature, which we did 18, 24 months ago, we now see it as a growth business, given that we moved – we had last year, we had a shuttle tanker on five continents. So we see it moving just as much out of the North Sea and then we see the North Sea moving into the Arctic region as Russian production comes on. So, we now see that as a growth sector.

Stephen Errico: So then, my one last question, will the – I guess (Petrigeo) is spinning off their FPSO business sometime this June. What impact will that have on your joint venture and given the valuation that people are talking about that is getting, how does that relate to how you're looking at your business?

Peter Evensen: Well, that's a great question. I mean, if you look at some of the parts, we're basing it just on what we have in the house on asset values, whereas when you look at the FPSO's base we notice that several of those companies which don't have any assets have positive value and so people are paying up for the FPSO franchise. We have half a franchise if you want to call that, because any new project, half will go to petrol with this being spun off by DGS, and half will come to Teekay, so hopefully we aren't asking people to value that growth premium the way that they are giving it to FPSO companies right now, but certainly we expect when we start to announce momentum in that space that people will hopefully give us some sort of growth premium for this.

Stephen Errico: Well, thanks for your time, and best of luck.

Bjorn Moller: Thank you.

Peter Evensen: Thank you.

Operator: And we'll go next to Terese Fabian with Sidoti & Company.

Terese Fabian: Hello, good morning. I have just one remaining question, most have been answered. But to get back to some clarification on the rate differential that you reported between what you've booked on your Aframaxes so far and what the Clarkson averages are on the Caribbean and the Eastern route, to get a handle on modeling for the rest of the quarter, it's a pretty steep difference. Clarkson shows about 20,000 averaging so far, and you're at 30,000. Are you trading on different routes or is there something that we can fit into the rule-of-thumb model that you provided last time around?

Bjorn Moller: I would stick with the rule of thumb, but I guess what I said earlier is we're very proud of our chartering guys for having read the market exactly right and having locked in a lot of long voyages at very high rates, so I think we are experiencing kind of a delayed – a delay in getting to the same reality that others have been facing for about a month. So I would say if you, if you're going forward, assume that we'll follow the rule of thumb, then you won't be too far off.

Terese Fabian: OK, and those locked-in rates that you have on the long voyages, are they going to be extending through the third quarter, do you know?

Bjorn Moller: No, that's included in the 55 percent of base book for the second quarter.

Terese Fabian: OK, thank you.

Operator: And our next question will come from Adam Duarte with Cobalt Capital.

Adam Duarte: Good morning. One quick question on liquidity, given your capital commitments over the next two years, can you discuss how you plan to fund the remaining portion of your share buyback, and then as a second part to that, given that your stock price is at $38 now, relative to the average share repurchase price of $41.70 in the past, does your stock seem like a much better buy now than it was before, and would you consider accelerating or implementing a new share buyback program and how would that be funded?

Bjorn Moller: Let me start with the last piece of your question and hand over to Peter to cover the rest. I think, what I indicated was that we will use all three strategies around the use of our cash which is investing, repaying debt and returning capital. So we'll use a mixture of those strategies. So what we decide to do on the share repurchase front will depend on what opportunities we see. We still have an outstanding authority and we'll see what happens with that. So, it's not – you know, we may still see that our share value is low, but we may find projects that we consider to be more attractive than doing repurchases, but we may do a mixture of them both.

Peter Evensen: And, Adam, we have 36 million left, so, compared to our billion dollar liquidity that isn't very much, and in our press release we talk about the fact that we basically financed most of our outstanding ((inaudible)) going forward when we're looking at it, and if you look back at what our pattern has been, we've announced share repurchases four times. We've done that because we had excess cash from ship sales as well as from the cash flow from operations, and our general modus operandi is to announce the sale – announce a share buyback and then implement it rather than to put in one big one that will last for several years. So when we finish this one, then we'll make an appraisal as Bjorn said about how we're going to use our cash, but the company continues to generate good cash at these levels.

Adam Duarte: OK. Thanks. One quick follow-up, just a follow-up on the comment about your general partnership interest in TGP, can you help us understand sort of what – once all the LNG tankers get delivered, what would sort of be the run rate GP cash flow related to that interest for you guys, and what type of multiple you think that should trade at?

Peter Evensen: Well, we have noticed that general partner multiples are selling up at 30 times, but we're not giving guidance out on where the general partner's cash flow will be when all of the present nine new buildings are delivered. We're giving guidance out on CGP two years on a rolling basis, so you can see that, so I guess you have to do a little work yourself.

Adam Duarte: Darn. And, sorry, lastly, on the timing of, as you guys put it, closing this gap, can we expect a certain timeframe for other actions potentially to be taken?

Bjorn Moller: I guess you should just keep watching what goes on and we'll announce whatever we have to announce when we're ready.

Adam Duarte: OK, thanks. Good luck.

Bjorn Moller: Thank you.

Operator: And next we'll hear from Rory Stewart with Simmons & Company.

Rory Stewart: Yes, most of my questions have been answered, but just one quick – you mentioned that production maintenance in the North Sea might be more severe than normal. I just wondered if you'd care to obtain some kind of delta on that so the shuttle tanker business over the next couple of quarters.

Peter Evensen: Yes, I guess we've given guidance that the EBITDA will be down by 15 million from the first quarter, so I think probably that's a little too much technicality to try and assess the exact percentages and so on, but I think in particular there's an element of front loading from the third quarter into the second quarter which is why we expect higher shortfall in revenue, but, I mean, I don't have all – very specific details I can give you here.

Rory Stuart: OK, and just in conjunction, I guess, with one of the earlier questions in the PGS spinning off the FPSO business, and I guess you can't really talk to why you wouldn't do this with the valuations, but I was just wondering if you are happy with the ((inaudible)) would be interested in taking some kind of stake in this with the FPSO business?

Bjorn Moller: Well, we would certainly not want to discuss what we might be considering on that kind of front, but I think the benefit we have is that we are providing value in the joint venture and therefore adding value with respect to skill sets, so we've acquired access to that skill set, we think, in a very low risk and low-cost manner. Investments in offshore assets, we think they are correctly valued, generally they are valued a lot better than Teekay, so the fact that we're getting launch to offshore I think should suggest that Teekay should be valued in a very different way.

Rory Stewart: OK, that's fine for me, thanks.

Operator: And we'll take our next question from Martin Roher with MSR Capital Management.

Martin Roher: Thank you. I have a longer-term question regarding your financial leverage targets. You pointed out the decline from 42 percent to 37 percent in the last 12 months in spite of the big asset expansion and the almost three quarters of a billion dollars in share repurchase. If large new projects and/or acquisition opportunities were to develop, how much would you be willing to take to leverage up, and particularly given that as I look back on the history of the company, the leverage ratio is toward the low end of what the targets used to be before you built up such a large fixed rate cash flow.

Peter Evensen: Yes, well that's a great question. As the company has gotten into more fixed rate business, and I know fixed rate is the passion this quarter, but our fixed rate business as you point out is fundamentally different, meaning that we aren't taking spot assets and converting them to fixed rate. These businesses like the shuttle tankers and our LNG start out and end as fixed rate businesses, so we're able to carry a higher debt-to-cash ratio because of the changing business mix, that is to say, higher fixed rate, less spot. You've seen when we've taken acquisitions we can move the net debt cap comfortably up to 60 percent and then we try to repay it down. The other issue that comes in is the fact that where we consolidate Teekay LNG Partners, and so although we consolidate it we don't guarantee that debt, so that debt comes onto our balance sheet and with the expansion of Teekay LNG both as a warehouser and with the consolidation of the statements, we are more comfortable carrying a higher level of debt to capitalization than we would have in the, you can call it, a few years ago because of these two factors.

Martin Roher: That's helpful. Thank you for the answer and for the great presentation.

Bjorn Moller: Thanks, Marty.

Operator: And as a final reminder if you do have a question, please press star one at this time. And we'll go next to Daniel Burke with Johnson Rice.

Daniel Burke: Good morning, guys. Asked and answered, actually. I'll follow up offline. Thanks.

Operator: We'll go next to Justine Fisher with Goldman Sachs.

Justine Fisher: Good morning. Most of mine asked and answered, too. I apologize, I was also had to jump on some other call, but Peter did you mention whether or not you guys bought back any of your bonds this quarter?

Peter Evensen: Yes, I did. We've bought back about 87 million.

Justine Fisher: Apologies for the repetition. Thanks.

Peter Evensen: Oh, sorry, that's for the year.

Justine Fisher: OK. Year to date in '06?

Peter Evensen: Yes, the last 12 months, that is.

Justine Fisher: Oh, the last 12 months. OK. OK. Thanks.

Operator: And we have no further questions at this time. I'll turn things back over to our speakers for any additional or closing remarks.

Bjorn Moller: Thank you very much for your active participation. That was very stimulating ((inaudible)). Have a great day.

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