TEEKAY

Teekay Shipping Corporation
First Quarter 2007 Earnings Release Conference Call
May 10, 2007

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Teekay Shipping Corporation's First Quarter 2007 Earnings Release Conference Call. During the call 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 you have, if you have a question participants will be asked to press star, one to register for questions. For assistance during the call please press star, zero on your touchtone phone. As a reminder this call is being recorded.

Now for opening remarks and introductions I would like to turn the call over to Mr. Bjorn Moller, Teekay's President and CEO, and Mr. Vince Lok, Teekay's CFO. Please go ahead.

Dave Drummond: Before Mr. Moller begins and before I read the forward-looking statements, I'd like to direct all participants to our website at www.teekay.com where you will find the copy of the first quarter 2007 earnings presentation. Mr. Moller and Mr. Lok will review this presentation during today's conference call. I will now read the forward-looking statements.

May I remind you that various remarks we may make about future expectations, (inaudible) prospects for the Company and the shipping industry constitute forward-looking statements for the purpose of the Safe Harbor provision under the 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 20-F dated December 31st, 2006 on file with the SEC.

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

Bjorn Moller: Thank you David, and good morning, ladies and gentlemen. Thank you for joining us on today's call. As the operator mentioned I'm joined this morning by our Chief Financial Officer, Vince Lok, and also by our Chief Strategy Officer, Peter Evenson. It's only been a couple of months since we reported to you on our year-end results and I realize that most of you have been through a lot of earnings calls these past few weeks so we will keep this formal presentation relatively brief so we can move on to the Q&A session.

Beginning with the slide number three, there were three major highlights in the first quarter. Good performance across all of our business segments resulted in net income on an operating basis at $83.8 million or $1.12 per share and produced strong cash flow from vessel operations, or

CFVO, of $180.5 million, two thirds of which came from our fixed-rate businesses.

In April we announced a third acquisition of 50% of OMI Corporation for $1.1 billion. This will add one of the world's premier Suezmax franchises to our fleet as well as increase our presence in the medium-sized tariff tanker market, and we announced plans to create a new publicly-listed entity, Teekay Tankers, to our conventional spot tanker business. We expect to launch Teekay Tankers during the second half of 2007. We're excited about the OMI and Teekay Tanker transactions. They will allow us to immediately strengthen our conventional tanker business through the addition of physical capacity and software and they create a foundation for long-term growth similar to what Teekay LNG and Teekay Offshore have done for our other business segments.

Turning to slide number four, we show the key developments in our offshore segment which comprises our shuttle, FPSO and FSO fleets. CFVO in the segment was $67 million in the quarter, up significantly from one year ago due to the addition of Teekay Petrojarl and higher than in previous quarter, in the previous quarter due to the consolidation of five, 50% owned shuttle tankers. At the end of the quarter we had two tankers undergoing conversion to shuttle (inaudible) under previously announced long-term contracts in Brazil. One of these vessels subsequently commenced this charter in April and the other vessel is expected to deliver by late June. We have one FSO being upgraded and this vessel is expected back in service this month commencing a new seven-year storage contract in Australia. These three vessels will all be offered to TOL, Teekay Offshore Partners, within a year of delivery.

Our involvement with Teekay Petrojarl continues on a positive path. The FPSO fleet is operating satisfactorily, the conversion of the (inaudible) FPSO is progression according to schedule and we're pleased that Teekay Petrojarl has just announced the hiring of Peter Lipson (sp?) as its new CEO. Peter comes from (inaudible), it's a leader in the FPSO business with over 20 years of offshore experience and I'm sure he'll be a great addition to our team.

Turning to slide number five and looking at our liquefied gas segment, CFVO increased to 25.8 million due to the delivery of two RasGas II LNG carriers. These two vessels, the second and third in the series, commenced their 20-year fixed-rate charters. The delivery of these vessels marks for a successful end to the construction phase of this major project, Teekay's first organically grown LNG project, with the ships all delivered ahead of schedule and on budget.

TEEKAY

Late in the quarter an LNG carrier in our fleet experienced some operational problems with its engine failure. The vessel was taken out of service for repairs which are ongoing and the vessel is expected to be off hire for approximately two months. Because of existing insurance agreements between Teekay and Teekay LNG the financial impair from Teekay's results is expected to be approximately $5 million while the impact on Teekay LNG's results is expected to be less than $1 million.

Turning to the developments in our conventional tanker segment on slide six, there were no notable developments in our fixed-rate tanker segment which performed in line with expectations in the quarter generating CFV of 24 million. CFVO in our spot tanker segment rose from the prior quarter to $63.7 million due to a strong tanker market with Suezmax and Aframax tankers benefiting from rising non-OPEC oil production. Aframax rates strengthened further from the previous quarter with our Aframax fee averaging $36,900 a day. This year we saw a relatively weaker start to the year in the Indo-Pacific market with our Aframaxes earning only $31,800 per day in this region compared to earnings of 31,200 per day in our Atlantic Aframax space. On a (inaudible) basis, excluding the effect of measures mentioned in the footnote on the table on page four of our earnings release, our Suezmax fleet earned $45,800 a day, good results but not as good as our future colleagues at OMI.

The second quarter is off to a very good start with rates well ahead of where they were this time last year. To date we've booked 50% of our Q2 spot Aframax (inaudible) space at and average rate of $35,000 per day. The key changes to our spot fleet in the quarter were the delivery of two LRII product tanker new buildings in Q1 and the subsequent delivery of the fourth and final ship in the series earlier this week. The combination of the ships we own and charter or managed by third parties has elevated us to the (inaudible) if not the second largest operator in the large (sp?) (inaudible) product tanker market. It is worth noting that that LR-II's can readily be switched into Aframax crude oil (inaudible) whenever rate differentials make it worthwhile to do so.

During the second quarter we completed the sale and lease back of two of our 1993, '94 built double hull Aframax tankers. This sale allows us to lay off residual risk while continuing to control the vessels commercially and technically for a number of years into the future.

On slide seven we've recently re-cast the OMI transaction. Teekay and TORM had agreed to buy OMI for $2.2 billion to be split roughly 50/50. The tender offer for OMI shares is expected to close May 25th. The addition of OMI's 20 Suezmaxes consolidates our position as the market leader in the medium-sized crude oil tanker space. It also adds eight vessels to our growing product tanker fleet. The acquisition is expected to produce substantial synergies with our existing business and should provide 10% accretion to earnings from 2008.

Charter rates for the majority of the fleet we are buying are (inaudible) an average of two years through a combination of physical contracts and derivative transactions. However, the OMI fleet offers additional upside potential through profit sharing (inaudible), (inaudible) exposure on three vessels as well as in the money purchase options and some in charter tonnage, and, OMI's fleet supports the launch of Teekay tankers.

In the OMI position conference call last month we mentioned the strong fundamentals in the Suezmax market. On slide number eight we provide you with a little more color of what's driving demand and supply in this dynamic market illustrating some of the changing trade routes. Overall Suezmax demand is growing due to a combination of increasing charter volumes, the emergence of new trades and longer transportation distances. Growing export volumes from key producers in West Africa, former Soviet Union and North Africa and growing import volumes in key countries like the US, India and China are resulting in Suezmaxes being used on new long-haul routes. Suezmax is also complementing Aframaxes on certain trade routes, for example, the North Atlantic space. A good example of the effects of longer transportation distances and comparing (inaudible) to West African crudes by major Asian economies, in particular China, so each one million barrel per day of imports sourced from West Africa, which is a 30-day haul, instead of the Middle East, a 19-day haul, the demand for Suezmaxes increases by 11 full-time vessels.

Looking at the Suezmax tanker supply numbers at the bottom of the slide, with 126 ships on order for 2010 the world's Suezmax fleet is expected to grow but we believe the growth rate will be in line with the increased demand. Year-to-date we have already seen nearly 4% or 11 vessels in the Suezmax group being sold for other uses. If you assume that all these 61 non-double hull Suezmaxes will be leaving the fleet by 2010 through either scrapping or conversion to other uses, then the 126 ship order book through 2010 would only result in annual net growth of just over 5%. In comparison, Suezmax tanker demand has been growing at an average of over 7% over the past three years according to MSI. These positive fundamentals have allowed Suezmax tanker rates to outperform other vessel sizes in the last few years. We expect the picture to remain positive going forward which is also why we have ten new buildings on order in this segment.

I'll now hand it over to you, Vince, to discuss the financials.

Vincent Lok: Thanks, Bjorn. Overall we had another strong quarter with slightly better than expected financial results. Excluding unrealized foreign exchange related items in Appendix A of our earnings release, net income for the first quarter was $83.7 million or $1.12 per share, up from $1.06 per share in the previous quarter. Looking at our operating results on slide ten we generated

$180 million of cash flow from vessel operations or CFVO during the first quarter, which is up 12% from the $161 million generated in the previous quarter as (inaudible) and we took delivery of two building product tankers and two more LNG carriers during the quarter. In the first quarter approximately 65% of our CFE earned came from our fixed rate businesses compared to 60% in the previous quarter.

Turning now to our segmented results and comparing them to the previous quarter the Offshore segment generated CFVO of $67 million, up about $6 million from the last quarter. This increase primarily reflects the consolidation of five, 50% owned shuttle vessels for a full quarter in Q1 which were equity (inaudible) prior to December 1st, 2006.

As we have seen in the past a portion of our shuttle tanker business has some seasonality which is merely due to (inaudible) maintenance activity in the North Sea. This usually results in higher shuttle utilization in the winter months and lower utilization in the spring and summer months. As a result, we have scheduled most of our planned shuttle tanker fleet dry dockings to be considered during the next couple of quarters with six vessels in the second quarter and three vessels scheduled in the third quarter. All of this will be partially offset with the addition of one shuttle tanker which (inaudible) will give to a fixed-rate charter (inaudible), one FSO which commenced a two year fixed-rate shuttle in May, and another FSO which returns to service in May, after completing a scheduled upgrade. As a result we expect that our Offshore segment CFVO to be in the 57 to $60 million range in the second quarter.

We announced we've (inaudible) changes to the fixed-rate tanker segment during the quarter. The CFVO for this segment declined slightly from the prior quarter to a fewer, due to the fewer calendar days in the first quarter and one small one-time adjustment that increased the fourth quarter revenues. In the second quarter we expect the CFVO from this segment to be roughly in line with the first quarter.

The CFVO from our liquefied gas segment which includes our LNG and LPG carriers, increased by (inaudible) in the previous quarter, primarily due to the delivery of the three remaining RasGas II LNG carriers during the first quarter. We will begin to see the full benefit of the three RasGas II vessels starting in the second quarter; however, this will be partially offset by the roughly 50 to 60 days of expected (inaudible) on the LNG carrier (inaudible) service. The (inaudible) fact of this is that we expect the CFVO from this segment to be approximately 26 million in the second quarter and 30 to $31 million in the third quarter, when the mix (inaudible) is expected to return to full service.

As a reminder, the reduced (inaudible) has only a limited financial impact to Teekay LNG Partners as Teekay provides Teekay LNG with (inaudible) insurance coverage. As a result the (inaudible) exposure to Teekay LNG is only seven days of off-hire, of which three days was incurred in the first quarter and four days will be incurred in the second quarter. We currently have another six LNG and three (inaudible) under construction which are scheduled to deliver in 2008 and 2009. The CFVO contribution from our spot tanker segment increased by 9 million over the previous quarter, primarily due to the increase in spot tanker rates. Our spot Aframax fleet had an average KCU rate of $36,900 per day in the first quarter which is up from the $34,800 per day earned in the first quarter of 2006.

Turning next to slide 11 and the review of the remaining (inaudible) figures which are carried from the previous quarter, G&A expenses were 58.8 million compared to 56.4 million in the fourth quarter of 2006. This increase was primarily due to an increase in expense associated with our restricted stock units as a result of the increase in our share price during the first quarter and costs associated with Teekay Offshore Partners. We currently expect our G&A expenses to be in the high $50 million range in the second quarter.

We did not have any vessel sales during the first quarter; however, one of our older shuttle tankers, the Nordic Trim (sp?), will be sold in the second quarter which will result in the gain of approximately $10 million. Net interest expense increased to 44.2 million in the first quarter, up from 41.3 million last quarter primarily due to new building deliveries.

We recognized an income tax recovery of 4 million this quarter. Excluding the effect of foreign exchange gains for a net income tax recovery was $7 million in the first quarter and we're estimating a tax recovery of about $5 million in the second quarter. Equity income from joint ventures was a loss of $1.6 million in this quarter compared to an income of $3.7 million in the fourth quarter. This decrease was primarily as a result of the consolidation of the five 50% owned shuttle tankers that I mentioned earlier which would prove (inaudible) accounted for under the equity (inaudible).

Minority interest expense for the first quarter was 5.6 million and related primarily to the minority interest in the result of Teekay Offshore Partners, Petrojarl and Teekay LNG Partners. Excluding the foreign exchange rate tax minority interest expense for the first quarter was $7.5 million. We expect the minority interest expense will continue to be roughly in the 6 to $7 million range next quarter excluding the effect of any foreign exchange. The largest (inaudible) of $4.2 million is income from our BFC asset.

Turning next to slide 12 we have presented the March 31st balance sheet and compared it to the December 31st balance sheet. We took a cash increase by $87 million from the previous quarter which is primarily due to the funding of a restricted cash deposit that will be used to pay the lease balance on the two RasGas II vessels delivered in the first quarter. Other assets increased by $226 million from the previous quarter which was primarily due to our purchase of a small interest in OMI for the quarter, the advances during a (inaudible) 40% interest in the RasGas III vessels which are currently under construction, and an increase in vessels held for sale. In the second quarter we sold and leased (inaudible) for a period of five years, two of our older Aframax tankers. The $25 million gain from the sale and the amortized under the five-year lease period.

Vessels and equipment increased by $380 million primarily due to the delivery of two new building LNG carriers and three new building product tankers during the first quarter. Net debt including the (inaudible) increased by $432 million primarily due to the delivery of two new build LNG carriers and capital leasing and the drawdown of debt facility used to finance legal and (inaudible) and addition of restricted cash deposit. Included in other long-term liabilities is approximately 288 million of in-process revenue contracts which represents our 65% share as a negative value and we had (inaudible) Petrojarl existing charter contracts which are presently out of the money. Our consolidated liquidity as of March 31st was $2 billion of which $1.1 billion is at the Teekay parent level and the remainder is in the (inaudible) and Petrojarl.

In addition, we have secured a new $700 million debt facility to fund the acquisition of OMI so our liquidity position will remain strong even after the acquisition. (Inaudible) restricted cash or net debt to capitalization was 51.5% at March 31st, an increase of 37.5% - increase from 37.5% at December 31st reflecting the increase in net debt as explained earlier. We currently have $98 million remaining under our current share repurchase authorization and the result of (inaudible) OMI acquisition and the (inaudible) requirements of other attractive growth opportunities, we do not expect to be repurchasing any of our shares in the near term.

Looking forward to the results in the second quarter of 2007, we have booked approximately 50% of our spot (inaudible) and an average Aframax PQ-related $35,000 a day. Our 513, a rule of thumb (inaudible) for the forward issue as of $0.06 for every $1,000 per day in Aframax (inaudible) above our net income (inaudible) of about $16,000 per day. However, for the second quarter, our net income (inaudible) may be slightly higher than the $16,000 per day in the large number of dry dockings scheduled for the shuttle tanker fleet in the quarter. Since the OMI acquisition is likely to close near the end of the second quarter it'll have a very minimal impact on our second quarter results. As we indicated earlier, we expect the OMI acquisition to be accretive to earnings and approximately 10% in 2008, based on GSX TC rate of $45,000 per day.

I will now turn it over to Bjorn to continue.

Bjorn Moller: Thank you, Vince. I'd like to continue with slide number 14 and provide our perspective on the tanker market and give you the context for the OMI transaction and carve out of Teekay Tankers. In late 2006 we had quite a few comments and concerns about the outlook for the market. And we thought it'd be interesting to compare the three 2007 concerns with the actual and now likely outcomes as we see them today, and I'll quickly run through each of the sections on the slide starting with oil demand. The global economy was expected to moderate this year but this has been upgraded due to higher growth in key economies. Also higher oil prices are expected to (inaudible) demand but here a weakening dollar has offset increases in energy prices for most of the world.

The IEAs in fact are still expecting strong oil demand growth at 1.8% this year. Tanker demand was predicted to experience lower ton/mile intensity due to higher non-OPEC oil growth and a decline in oil (inaudible). Now, delayed non-OPEC start-up and large stock creation in the first quarter have set the stage for an increased call on OPEC oil to drive tanker demand up by some 5% in the coming winter compared with today. Tanker supply was expected to grow by a net 6 to 7% and I've also seen a surprisingly large number of tankers leaving the active trading seas to scrapping or conversion projects and four months into the year the size of the world's fleet is only up by 1%. As a result not only have we not seen at the duration of freight rates, five fundamentals have caused Aframax rates year-to-date to increase by 22% from last year and today there is essentially no spare capacity in the world's fleet to deal with any of the trading disruptions that almost inevitably come around, either hurricanes, strikes or political upheaval.

Looking to the medium term increased ship earning capacity was expected to lead to the decline in asset values a few years down the road. In fact, the opposite is now happening. (Inaudible) tankers, offshore vessels and large container ships is continuing. But the big story is this huge number of orders being placed for drive out ships in response to record high trade routes. (Inaudible) for Cape size bulk carriers are up by 25% this year and there are more than 125 of these large ships ordered year-to-date. This activity with now absorbing slots in 2010 and beyond that were originally allocated to tanker construction. Add to this the weak US dollar and rising steel prices and we see continued upward pressure on ship values. We're also seeing a number of (inaudible) demand factors in the tanker market. Overall we believe that higher tanker rates and higher asset values are likely to continue over the medium term.

Thank you for listening this morning and Vince, Peter and I are now ready to take your questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question press star, one on your touchtone phone. To withdraw your question press the pound sign. If you use a speaker phone lift your handset before entering your request. Please stand by for your first question.

Your first question comes from Jonathan Chappell, JP Morgan. Please go ahead.

Jonathan Keppel: Thank you. Good morning.

Bjorn Moller: Hi, John.

Jonathan Keppel: Bjorn, couple of questions on the Suezmax fleet. The first thing, I know you can't talk a lot about what's going on with OMI but has there been any development with the people aspect of OMI? You mentioned how their Suezmax has historically done better than the market and, you know, we figure that if you bought over, the OMI chartering desk it may help, you know, bring your Suezmax rates up longer term.

Bjorn Moller: Yes. We certainly hope that will be the case and we are in the (inaudible) stages of planning, what's going to happen ourself. We, there is the tender offer and (inaudible) over the Company. It's a bit of a challenge, and so we don't have any concrete moves yet (inaudible) but certainly we, we bought a business, not ships so I think that's really the message I can give you.

Jonathan Keppel: Okay. And then the footnote that you typically have in your (inaudible) on the Suezmaxes, the actual rates are as higher than the reported rate and I think some of that has to do with the FAAs. Are you looking at revisiting, maybe SSH strategy? Does it really provide any market intelligence that's offsetting kind of the financial impact that it seems to be having?

Bjorn Moller: Well, the particular issue that we keep returning, I would say that is really linked to one very specific transaction that was entered into in 2003 and that market was low at the time. Our customer wanted to enter into a contract with us at a fixed rate so we in-chartered tonnage and we also sold that freight to the customer and covered it off in the SSA market so we actually made, are making a profit on this transaction (inaudible) phenomenal number that the ships are earning (inaudible) market and that's why we had to certify that. So really when, what will it give you is when we adjusted it to give you the pure (inaudible) payment that a Suezmax fleet. So that's historical.

As far as the FAA strategy and the FAA is going to be, you know, of increasing importance and increasing interest having been tanker (inaudible) we certainly plan to be active along the way and we, I think

OMI has a very successful strategy in that as well so that is likely to be a more active future among those vessels.

Jonathan Chappell: And when does that contract with the customer expire?

Bjorn Moller: I think it ends in 2008, (inaudible) contract?

Jonathan Chappell: Yes, the one from 2003.

Bjorn Moller: 2008 if I'm not mistaken.

Jonathan Chappell: Okay and then just one last quick one for Peter. The RasGas II vessels were delivered early which has helped Teekay LNG's results. Any update on the RasGas III vessels? The shipyards, are they going to push those out a little bit earlier than expected or are they still on plan?

Peter Evenson: (Inaudible) they still on plan and they're being built at Samsung and we don't have any issues with those.

Jonathan Chappell: Thanks, Bjorn and Peter.

Operator: Thank you. Your next question comes from Red Sir (sp?) with Art Capital Markets (sp?). Please go ahead.

Red Sir: Hi, guys. Congratulations. Good quarter.

Bjorn Moller: Thanks, Red.

Red Sir: And better than I expected so that's, it's tremendous what's happening with the Aframax (inaudible) this well. But on the product tankers, sort of a broad question. We see the high crude oil inventories in the United States and trouble with gas inventories. How is this affecting product tanker demand into the United States? Is this spurring further growth and turning off demand for product tankers?

Bjorn Moller: Absolutely. That's a big feature of the product tanker market. As we're seeing the product tanker market is expected to grow by 6, 7% annually.

Red Sir: Yes.

Bjorn Moller: And that's obviously quite a bit stronger than the crude oil growth.

Red Sir: Yes.

Bjorn Moller: We do have, you know, a lot of traffic trans-Atlantic now because of the, so it's a combination of growing demand, bottlenecking and refineries in the US as well as, you know, some of the inefficiencies with different grades and so on, so this is really a growth story for the product tanker business.

Red Sir: Would you say, and you may not have a view on this, but would you say it's reasonable to assume that given the gas inventory situation in the United States that the generally strong rates the product tankers are achieving today should be maintained for the summer?

Bjorn Moller: Well, I think the windows will open and close.

Red Sir: Sure.

Bjorn Moller: I think those inventory adjustments that, the fact that inventories are this low, you know, coming into the driving season is, should bode quite well I would say for the summer market.

Red Sir: Yes. Yes. But it's something we've never seen, right?

Bjorn Moller: That's interesting to watch, yes.

Red Sir: Yes. I heard you, I don't know if I heard this correctly. Vince, maybe you can walk me through on the share repurchase program, did you say you don't plan to repurchase any in the near future? And what's the - any further comments on the repurchase program?

Vincent Lok: Well, as you know, we have $98 million left under the current authorization.

Red Sir: Right.

Vincent Lok: And because of the OMI acquisition and the fact that we still see a lot of attractive growth opportunities I expect for the next few quarters we won't likely be buying back any further shares.

Red Sir: Okay, all right.

Vincent Lok: With the planned IPO of Teekay Tankers and any future dropdowns with assets (inaudible) that will provide us additional capital to continue with that program.

Red Sir: Okay, very good. I just wanted to make sure I heard that correctly so it changes some assumptions and it's great. Thank you. One other question for you; you mentioned other income. I know this is a bit small, a small piece here but how do we look at that going forward? What assets are generating what line items?

Vincent Lok: Yes. These are DOT assets on our shuttle tankers.

Red Sir: Okay.

Vincent Lok: That are generating roughly $3 million a quarter as cash flow.

Red Sir: Okay. So we should sort of look at that number and assume that there's going to be something there going forward? It's not a one-time item?

Vincent Lok: That's correct. It's an ongoing.

Red Sir: Okay. That's cool, very good. Thanks and, yes, I mean that's it for me. Thank you very much. Congratulations and very good results.

Bjorn Moller: Thank you.

Red Sir: Okay.

Operator: Thank you. Your next question comes from Daniel Burk (sp?), Johnson Rice (sp?). Please go ahead.

Daniel Burke: Good morning, all. Bjorn, you've offered some small (inaudible) commentary on the tanker market. One thing I noticed looking at your Aframax average spot rates is that they're actually pretty consistent for the last four quarters or so and actually into Q2 '07. Do you think that that is actually happenstance or is demand becoming more rateable on a yearly basis?

Bjorn Moller: I think it's a bit early to conclude that the, say constant rate on the Aframax but I think it's very encouraging that, you know, there seems to be a floor of 35,000 and who would have thought that a few years ago? So, you know, I think that we're seeing the ability of the market to spike up to sort of 60, $80,000 a day and that's really nice. And so I think it illustrates really that we are dealing with, expect there'd be a very tight market and so all the facts around (inaudible) from the nation and shuttle changes and trading routes, these factors are obviously supporting the rates and it's difficult to document and supply for that exactly. That is, you know, we're experiencing it in the market. So I think it's an interesting observation you make but I think part of it is that thee appears to be a floor at the moment.

Daniel Burke: Great. Thanks, and then just one other. Most of the contracts from the shuttle side and on the LNG side have been with, you know, that, like the larger oil companies and the NOCs. You know, (inaudible) announced a couple of quarters back is a bit of a departure from that model, being struck with another ship owner. Maybe there's limits to what you can say but could you address your interest in the prospects for additional transactions along the lines of the (inaudible) deal as well as how you view the risk when the channel party is a ship owner instead of an NOC?

Bjorn Moller: All right. I think that's a good question. We actually look and see what is the profitability of all of our customers and we risk adjust it based on the credit side. But I think what we're finding is that, especially as we look at some of our floating production projects and as we move our shuttle franchise around the world, we're going to have a greater customer mix going forward. But the advantage that Teekay has, whether it's in the MLPs or as an operating unit, is that if we ever did get into trouble we could quickly re-employ those ships because we have a system. So I think we like that part of it because we're always keen to see what the credit quality is of our customers. But we're very happy with the (inaudible) as it relates to (inaudible). (Inaudible) is the leader in the ethylene trade and we like the ethylene market going forward so it isn't just a question of being in the fixed, or who this counterparty is; it's also knowing what the prospects are for that particular industry.

Daniel Burke: I see. Thanks for your comments.

Bjorn Moller: Thank you.

Operator: Thank you. Ladies and gentlemen, if you have any questions please press star, one at this time.

Your next question comes from Justine Fisher, Goldman Sachs. Please go ahead.

Justine Fisher: Morning.

Bjorn Moller: Morning.

Justine Fisher: The first question I have is just one about logistics. I know that you can't answer it but it's with respect to the decision about what is going to happen to OMI's (inaudible) going to happen, but I'm asking when we can expect to find out? Is that going to be the same day that the tender offer closes? So what would the timing be on that for us to look out for?

Bjorn Moller: No. That'll be after the tender offer closes and the confirmation. The purchase by Teekay and OMI, Teekay and TORM of OMI doesn't automatically trigger the repayment of the bonds. So as I said on the last call, that's a decision that'll be taken after we formally purchase the company.

Justine Fisher: So it could take weeks or months to kind of make that decision as far as the bonds?

Bjorn Moller: Yes. It'll happen after the purchase.

Justine Fisher: Okay, and then the only other question that I had is about the comments that Bjorn made about higher scrapping and conversion. And I think that, I think a lot of people in the market were saying, well, there's going to be increased scrapping and increased conversion as we get closer to the 2010 OMI (inaudible) but it's interesting that it's happening a lot earlier. I think people thought it would start happening in, maybe in late '08 or 2009 but the fact that it's starting to happen earlier in 2007 at least to me is interesting and I was wondering if you guys could comment as to why you think we're seeing it happen so much earlier than the actual phase-out date.

Bjorn Moller: Yes. If you look down the list of ships that have been involved in various phase-outs this year it's a significant number. I think it's around 30 vessels and a number of those front-line, for example, took out a bunch of Suezmax tankers, I think five ships that had about eight to nine years remaining (inaudible) life tankers and some very good to heavy lift vessels and apart from those the typical amount of remaining regulatory life on the ships leaving the fleet is about, sort of one to five years. So that indicates that people are pulling ships out significantly before the deadline and that's driven by, you know, the fact that offshore companies will pay relatively high prices, significantly above scrap prices which are also high, in order to get hold of these hulls. So obviously it's supply and demand at work.

Vincent Lok: Yes. But we also see that tankers have an alternative use and so when we talk about deletions from the fleet we aren't talking about scrapping. We are talking about tankers having found a higher value in an alternative use and that's, as Bjorn says, taking, has the effect of scrapping but actually it's enhancing the value of the asset size of the fleet because people realize they have a greater alternative use.

Justine Fisher: Great. So I guess it seems to be the, that previously I guess before the increasing conversions from tankers to offshore, everyone was saying, well it depends on where the scrap steel prices are and then it's just a matter of, can you make more money operating your ship as a tanker versus scrapping it and now it's not only that decision calculus which still comes into play but it's also, can I make more money converting it to offshore so it's the strength in offshore that's helping to drive that?

Bjorn Moller: And let me add that the cancel of the LCCs either already been converted or committed for conversion to dry dock because of the strong tanker market. So I think that's a pretty interesting development as well.

Justine Fisher: So would you guys still expect the rate of scrapping to increase from '07 to '09? Or would you expect it to be more of a stable curve because of the amount that offshore may take out of the fleet before '09?

Bjorn Moller: I think some of the ships that are being deleted now are probably, you know, within a year or two of their scrapping so you are going to eat in a little bit to the scrapping but we don't really mind why the ships are leaving. It's all a matter of them leaving and I think the net effect is that more ships will be leaving than are mandated to be leaving so we are proceeding as, that, the net growth is much less of an issue than maybe people thought.

Justine Fisher: Okay. Thanks very much.

Bjorn Moller: Okay.

Operator: Thank you. Your next question comes from Omar Nokta (sp?) of Stelman Rose (sp?). Please go ahead.

Omar Nokta: Hi. Good morning, guys.

Bjorn Moller: Hi, Omar.

Omar Nokta: I just, hi. I just have a question regarding the Petrojarl assets and, you know, the possibility of them going into Teekay Offshore. Is there anything currently that holds you back from being able to do that considering you only had about 54/65% (inaudible)?

Bjorn Moller: Yes. Right now they could be sold but if Teekay Offshore buys them it's just like a third party buying them. But what, if we purchased 100% of Teekay Petrojarl then the qualifying contracts would mean that those ships have to be, or production assets have to be offered to Teekay Offshore if they have a contract that is more than three years. That (inaudible).

Vincent Lok: But we fully plan that any new assets that qualify that come out of the Teekay Petrojarl system will definitely be offered to Teekay Offshore and I think that's the more exciting part.

Omar Nokta: Right. Have you at all been in discussions with (inaudible) about their position? Are they so (inaudible) just been pretty quiet about it?

Bjorn Moller: I don't think we wish to comment on any of those discussions.

Omar Nokta: Understood. Thank you very much.

Operator: Thank you. There are no further questions at this time. I would like to turn the call back over to Mr. Moller for closing remarks.

Bjorn Moller: Thank you very much. I think we managed to do it a little faster than other quarters and especially this time we had a Q&A session so thank you very much for participating and look forward to talking to you next quarter. Have a good day.

Operator: Ladies and gentlemen, this concludes the conference call for today. You may now disconnect your line and have a great day.