

TEEKAY CORPORATION

# Teekay's Second Quarter 2007 Earnings Presentation

August 2, 2007



TEEKAY - THE MARINE MIDSTREAM COMPANY®

[www.teekay.com](http://www.teekay.com)



## Forward Looking Statements

This presentation contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: the proposed initial public offering of Teekay Tankers, and the timing of filing a registration statement relating to the offering; the Company's expectations regarding the timing of the division of OMI's assets; the Company's future growth prospects; tanker market fundamentals, including the balance of supply and demand in the tanker market, and spot tanker charter rates; expected demand in the offshore oil production sector and the demand for vessels; the Company's future capital expenditure commitments and the financing requirements for such commitments; the timing of newbuilding deliveries; the commencement of charter contracts; the Company being awarded LNG vessels and associated long-term contracts to service the Angola LNG Project; and the level of OPEC oil production in the second half of 2007. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: the potential inability of Teekay to integrate OMI's operations successfully; conditions in the United States capital markets, changes affecting the conventional tanker market, and the need for the SEC to declare effective a registration statement relating to the offering of Teekay Tankers; changes in production of or demand for oil, petroleum products and LNG, either generally or in particular regions; greater or less than anticipated levels of tanker newbuilding orders or greater or less than anticipated rates of tanker scrapping; changes in trading patterns significantly affecting overall vessel tonnage requirements; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; changes in the typical seasonal variations in tanker charter rates; changes in the offshore production of oil or demand for shuttle tankers, FSOs and FPSOs; the potential for early termination of long-term contracts and inability of the Company to renew or replace long-term contracts; the potential that the conditions for the Angola LNG Project are not met; changes affecting the offshore tanker market; shipyard production delays; the Company's future capital expenditure requirements; the Company's, Teekay LNG's and Teekay Offshore's potential inability to raise financing to purchase additional vessels; and other factors discussed in Teekay's filings from time to time with the SEC, including its Report on Form 20-F for the fiscal year ended December 31, 2006. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.



## Second Quarter Highlights

- ▶ 2q07 net income of \$78.4m, or \$1.04 per share
  - ▶ (including specific items which increased net income by \$10.8m, or \$0.14 per share)
- ▶ Generated cash flow from vessel operations of \$165.2m, of which \$114.4m, or 69% from fixed-rate businesses
- ▶ Signed letter of intent to charter four newbuilding LNG carriers for a period of 20 years
- ▶ Ordered two additional newbuilding Aframax shuttle tankers
- ▶ Completed acquisition of 50% of OMI Corporation for \$1.1b
- ▶ Teekay fleet reached 182 vessels, including \$3.4b in newbuildings on order

## Developments in Teekay's Offshore Segment

- ▶ High oil prices are stimulating offshore oil field development
- ▶ Exercised in-the-money options for two additional Aframax shuttle tanker newbuildings to deliver in 2011
- ▶ Entered period of planned seasonal maintenance of North Sea oil fields in second quarter
  - ▶ Temporarily redeployed surplus tonnage to Eastern Canada
- ▶ Two Brazilian shuttle tanker conversions completed
- ▶ Latest converted FSO unit commenced fixed-rate charter in the North Sea
- ▶ Sold 1987-built shuttle tanker and equipment for \$11.6m gain
- ▶ Peter Lytzen commenced role as CEO of Teekay Petrojarl



## Developments in Teekay's Liquefied Gas Segment

- ▶ After period of inactivity, LNG projects are now being awarded
- ▶ Signed letter of intent to charter four newbuilding 160,400 cbm LNG carriers at fixed-rates for 20 years to the Angola LNG Project
- ▶ First Teekay LNG project in West Africa
  - ▶ Final award of charter contract subject to certain conditions, expected by September 30, 2007
  - ▶ Teekay has 33% interest in project; Mitsui & Co., Ltd. and NYK Bulkship (Europe) Ltd. have 34% and 33% interests, respectively
  - ▶ Must be offered to Teekay LNG prior to vessels' delivery



## Developments in Teekay's Conventional Tanker Segments

### OMI Acquisition Update

- ▶ Transaction closed in June 2007
- ▶ Integration progressing as planned
- ▶ OMI acquisition creates premier Suezmax tanker franchise and increases Teekay's product tanker presence
  - ▶ Adds 7 owned / 6 in-chartered Suezmaxes
  - ▶ "Gemini Pool" – Third party Suezmax (7 units) commercial management business
  - ▶ 8 medium sized product tankers



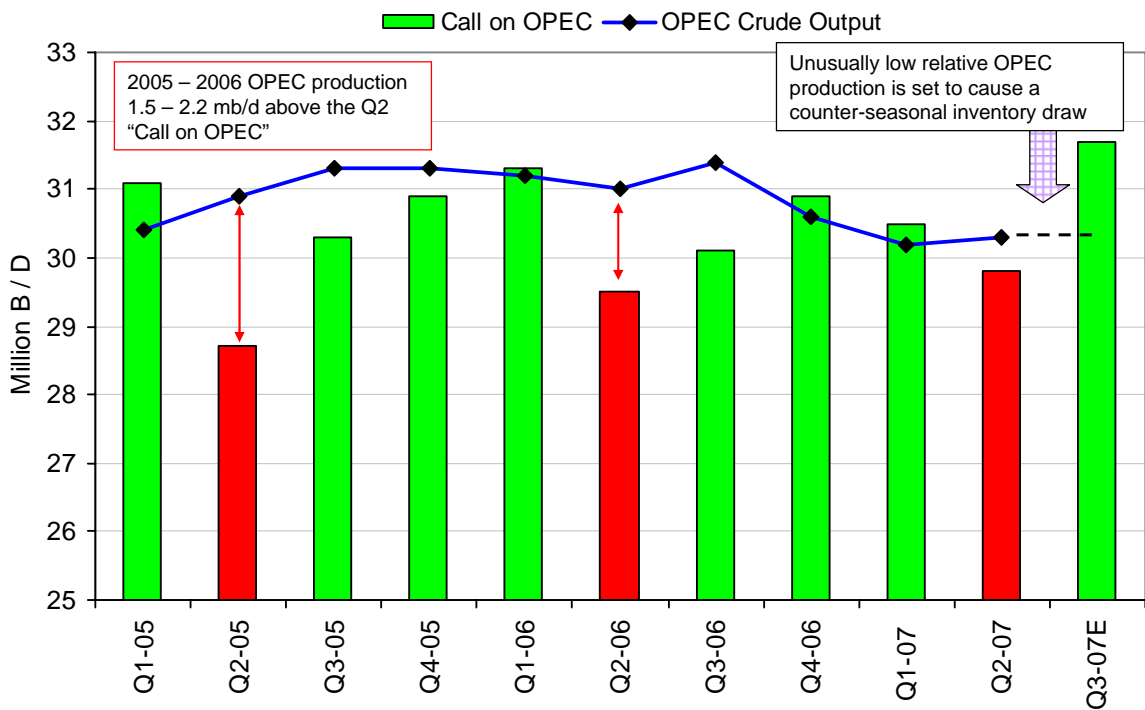
## Developments in Teekay's Conventional Tanker Segments

- ▶ Rates for medium sized crude tankers remained firm
  - ▶ Teekay Aframax fleet earned \$32,000 per day
  - ▶ Teekay Suezmax fleet earned \$50,000 per day\*
  - ▶ 45% of 3q07 spot voyage days booked at an Aframax equivalent of \$27,000 per day
  - ▶ Sale / leaseback of two 1993 / 94 built Aframaxes in Q2-07 and two 1992 built Aframaxes in Q3-07
- ▶ Strong product tanker market
  - ▶ Well timed growth in Teekay product tanker presence
  - ▶ Teekay's large/medium sized product tankers earned \$30,000 per day
  - ▶ 1 in-chartered and 2 commercially managed LR2 product tankers joined the fleet; 1 in-chartered MR product tanker left the fleet
- ▶ Owned / in-chartered conventional fleet stands at 111 units (including NB's); in addition, commercially managed fleet of 15 vessels

\*excluding the effect of hedges



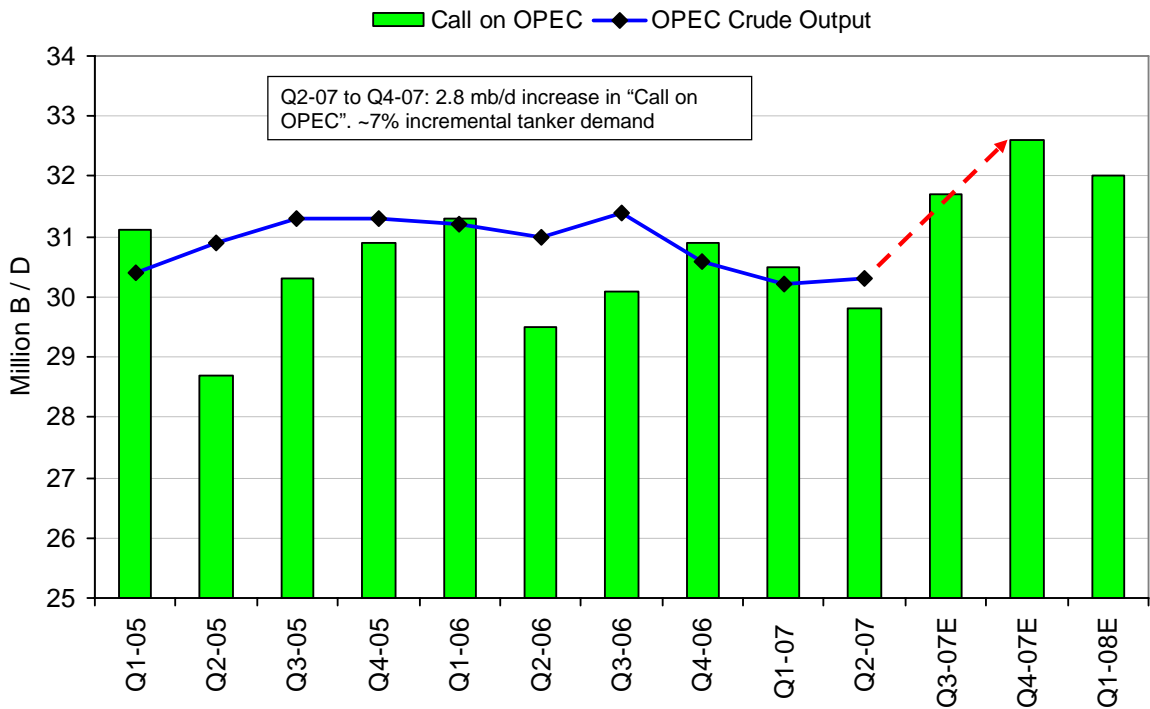
## OPEC Production is Unusually Low for this Time of Year



Source : IEA



## Large Step Up in 2007/08 Winter "Call on OPEC"



Source : IEA



## Market Fundamentals

### 2007

- ▶ 1H07 average rates were strong by historical standards
- ▶ Tanker sales for offshore, drybulk and other conversions continue to dampen growth in fleet supply
- ▶ Expect step-up in OPEC production in 2H07

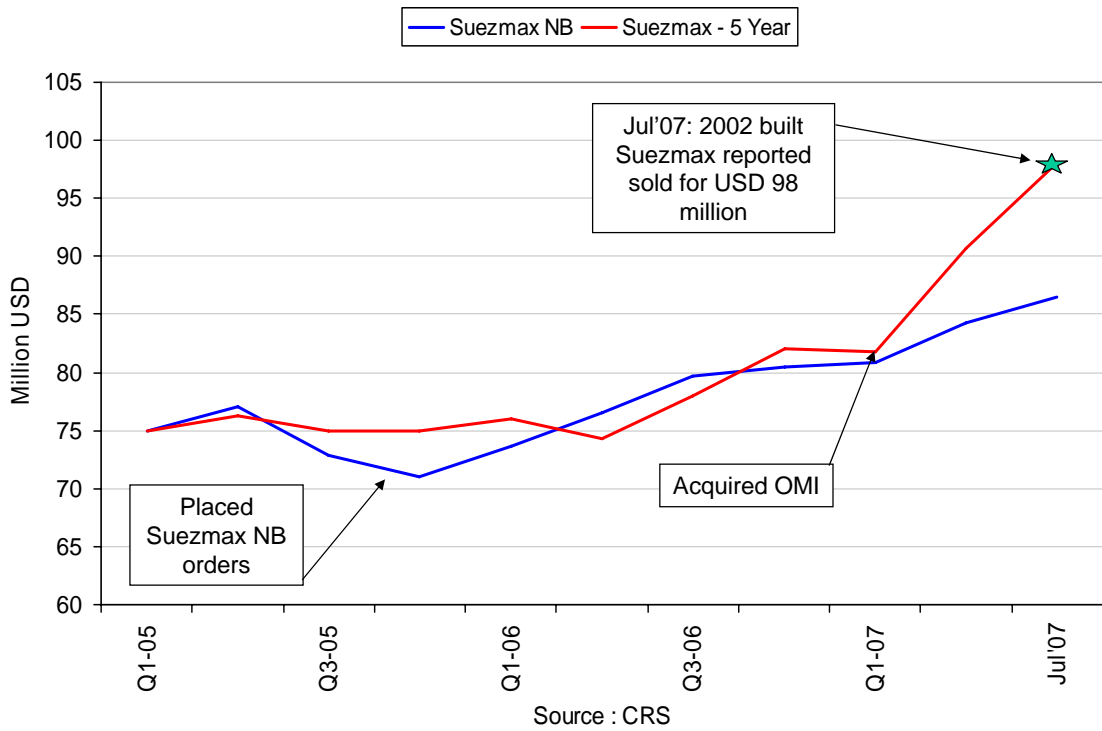
**2H07 – Expect a strong winter market**

### 2008

- ▶ Exceptionally strong global oil demand growth outlook
- ▶ IEA forecasts 2<sup>nd</sup> highest year of demand growth since 1970s
- ▶ Lengthening trade routes
- ▶ Expected to offset tanker supply growth

**Expect tightly balanced market through 2008**

## Asset Prices Continue to Rise



# Financial Discussion



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## Segment Operating Results

(in thousands of U.S. dollars)	<u>Three Months Ended June 30, 2007</u>				
	<u>(unaudited)</u>				
	<b>Offshore Segment</b>	<b>Fixed-Rate Tanker</b>	<b>Liquefied Gas Segment</b>	<b>Spot Segment</b>	<b>Total</b>
Net voyage revenues	210,169	45,195	38,488	148,721	442,573
Vessel operating expenses	74,427	11,822	7,881	14,721	108,851
Time-charter hire expense	39,549	3,981	-	57,717	101,247
Depreciation & amortization	35,627	8,260	11,571	12,637	68,095
Cash flow from vessel operations	64,398	24,870	25,118	50,777	165,163

Avg. Aframax TCE: \$31,992

(in thousands of U.S. dollars)	<u>Three Months Ended June 30, 2006</u>				
	<u>(unaudited)</u>				
	<b>Offshore Segment</b>	<b>Fixed-Rate Tanker</b>	<b>Liquefied Gas Segment</b>	<b>Spot Tanker Segment</b>	<b>Total</b>
Net revenues	114,629	43,344	23,376	129,821	311,170
Vessel operating expenses	22,043	10,411	5,386	13,863	51,703
Time-charter hire expense	40,297	4,165	-	50,241	94,703
Depreciation & amortization	20,856	8,162	8,031	13,108	50,157
Cash flow from vessel operations*	40,973	24,489	14,333	40,934	120,729

Avg. Aframax TCE: \$29,191

\* Cash flow from vessel operations represents income from vessel operations before depreciation and amortization expense and vessel write-downs/(gain) loss on sale of vessels. Cash flow from vessel operations is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. See the Company's web site at [www.teekay.com](http://www.teekay.com) for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable GAAP financial measure.



## Summary Income Statement

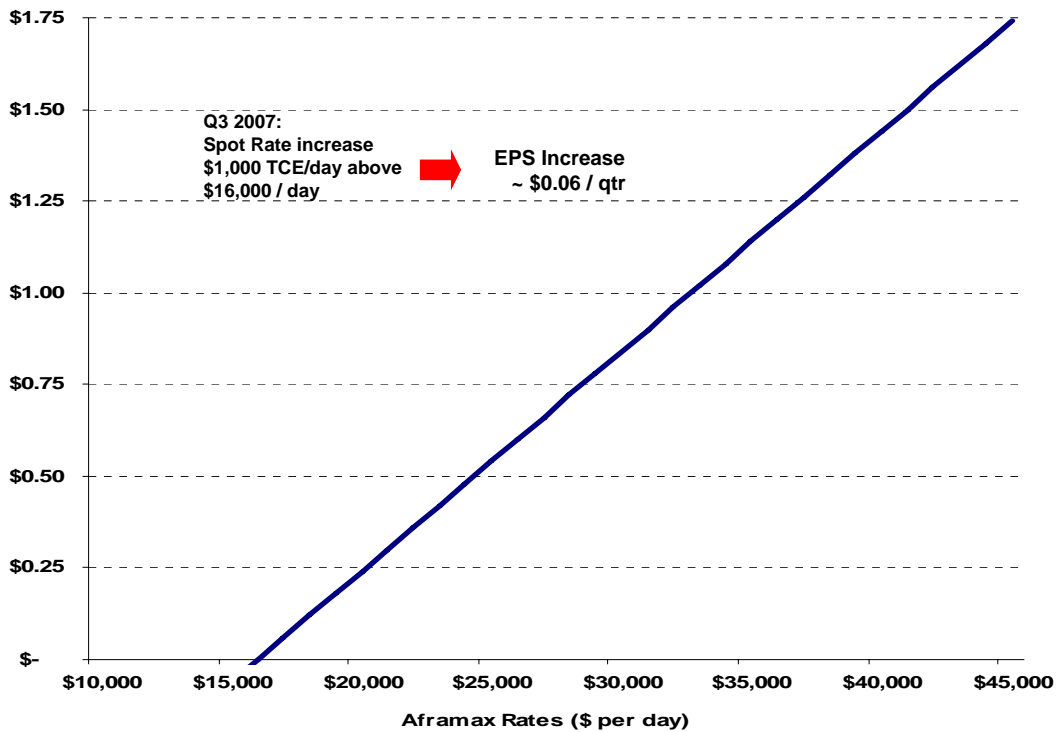
Three months ended '000s of USD (except per share data)	<u>June 30, 2007</u> <u>(unaudited)</u>	<u>June 30, 2006</u> <u>(unaudited)</u>
<b>VOYAGE REVENUES</b>	577,882	422,587
<b>OPERATING EXPENSES</b>		
General and administrative expenses	(58,358)	(41,456)
Gain on sales of vessels / (write down)	11,613	(1,650)
Restructuring charge	-	(2,579)
Other operating expenses	(413,502)	(307,980)
<b>Income from vessel operations</b>	117,635	68,922
<b>OTHER ITEMS</b>		
Net interest expense	(40,768)	(23,144)
Income tax expense	(287)	(7,040)
Equity loss from joint ventures	(2,092)	(851)
Foreign exchange gain (loss)	1,214	(21,804)
Minority interest (expense) recovery	(6,341)	3,871
Other items - net	9,050	439
Subtotal of other items	(39,224)	(48,529)
<b>Net income</b>	78,411	20,393

## Summary Balance Sheet

In 000s of USD	<u>As at Jun 30,</u> <u>2007</u> <u>(unaudited)</u>	<u>As at Mar 31,</u> <u>2007</u> <u>(unaudited)</u>
<b>ASSETS</b>		
Cash and cash equivalents	292,332	370,714
Other current assets	348,157	329,131
Total restricted cash	769,793	766,196
Other assets	904,672	761,512
Vessels and equipment	5,201,179	5,306,578
Advances on newbuilding contracts	429,171	366,092
Investment in and advance to OMI Corporation	899,894	-
Intangibles and Goodwill	565,529	540,753
<b>Total Assets</b>	<b>9,410,727</b>	<b>8,440,976</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	277,368	268,228
Current portion of long-term debt *	806,931	381,007
Long-term debt *	4,313,339	4,021,077
Other long-term liabilities / In process Revenue Contracts	625,248	693,677
Minority interest	576,604	456,118
Stockholders' equity	2,811,237	2,620,869
<b>Total Liabilities and Stockholders' Equity</b>	<b>9,410,727</b>	<b>8,440,976</b>

\*Includes capital lease obligations

## EPS Rule of Thumb





## Teekay: The Asset Manager – 2<sup>nd</sup> Quarter Highlights



Developer of Marine Midstream Projects

- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"> <li>▶ <b>2 shuttle tankers ordered</b></li> <li>▶ 74% of OPCO</li> <li>▶ Teekay Petrojarl / Siri FPSO</li> </ul> | <ul style="list-style-type: none"> <li>▶ <b>Angola LNG Project</b></li> <li>▶ Skaugen LPGs</li> <li>▶ RasGas 3</li> <li>▶ Tangguh</li> </ul> | <ul style="list-style-type: none"> <li>▶ <b>OMI fleet acquisition</b></li> <li>▶ Large spot tanker fleet incl. 10 Suezmaxes on order</li> </ul> |
|---|--|---|

### Teekay Offshore

NYSE: TOO

- ▶ Mgmt recommending 10% dist'n raise in Q3



Approaching 15% IDR split

### Teekay LNG

NYSE: TGP

- ▶ Announced 15% dist'n increase



Approaching 25% IDR split

### Teekay Tankers

NYSE: TNK

- ▶ On-track for IPO in 2H'07



# Appendix



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## Newbuilding/Conversion Deliveries

			3Q07	4Q07	2007
Offshore Segment			1		1
Fixed-Rate Tanker Segment					
Liquefied Gas Segment					
Spot Segment					
<b>Total</b>			<b>1</b>		<b>1</b>

	1Q08	2Q08	3Q08	4Q08	2008
Offshore Segment	1				1
Fixed-Rate Tanker Segment	1	1			2
Liquefied Gas Segment	1	4		2	7
Spot Segment			2	2	4
<b>Total</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>4</b>	<b>14</b>

	1Q09	2Q09	3Q09	4Q09	2009
Offshore Segment					
Fixed-Rate Tanker Segment					
Liquefied Gas Segment	1	1			2
Spot Segment	2	1	3		6
<b>Total</b>	<b>3</b>	<b>2</b>	<b>3</b>		<b>8</b>

	1Q10	2Q10	3Q10	4Q10	2010
Offshore Segment			2		2
Fixed-Rate Tanker Segment					
Liquefied Gas Segment					
Spot Segment					
<b>Total</b>			<b>2</b>		<b>2</b>

## Capex

### Capex by Segment

(in millions)	2007	2008	2009	2010	2011	Total
Offshore Segment	\$79	-	\$23	\$231	\$163	\$496
Fixed-Rate Tanker Segment	8	59	-	-	-	67
Liquefied Gas Segment	117	191	54	-	-	362
Spot Tanker Segment	35	366	132	-	-	533
Total	\$239	\$616	\$209	\$231	\$163	\$1,458

Company's remaining capital commitments relating to its portion of newbuildings (including the two recently announced shuttle tanker newbuildings) and conversions



## Teekay Fleet Growth (Excludes Commercially Managed Vessels)

	End 2006			End Jun'07		
	Existing	NB	Total	Existing	NB	Total
Conventional Crude Tankers	53	12	<b>65</b>	68	12	<b>80</b>
Product Tankers	23	3	<b>26</b>	30	1	<b>31</b>
Shuttle Tankers	38	4	<b>42</b>	40	4	<b>44</b>
FPSO / FSO's	9	1	<b>10</b>	9	1	<b>10</b>
LPG / LNG Carriers	6	11	<b>17</b>	8	9	<b>17</b>
<b>TOTAL</b>			<b>160</b>			<b>182</b>