# TEEKAY CORPORATION

## Moderator: Bjorn Moller
## February 24, 2011
## 10:00 am CT

Operator: Welcome to Teekay's Corporation fourth quarter and fiscal 2010 earnings results 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 if you have a question, participants will be asked to press star 1 to register for a question.

For assistance during the call, please press star 0 on your touch-tone phone. As a reminder, this call is being recorded.

Now for open remarks and introduction, I would like to turn the call over to Mr. Bjorn Moller, Teekay's President and Chief Executive Officer; please go ahead, sir.

(Ken): Before Mr. Moller begins, I would like to direct all participants to our Web site at www.teekay.com, where you will find a copy of the fourth quarter and fiscal 2010 earnings presentation. Mr. Moller and Mr. Lok will review this presentation during today's conference call.

Please allow me to remind you that our discussion today contains forward-looking statements. Actual results may differ materially from results projected by those forward-looking statements.

Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the fourth quarter and fiscal 2010 earnings release and earnings presentation available on our Web site.

I will now turn the call over to Mr. Moller to begin.

Bjorn Moller: Thank you, (Ken) and good morning everyone; thank you for joining us today for Teekay Corporation's fourth quarter and fiscal 2010 earnings call.

As usual, I'm joined today by our CFO, Vince Lok. And for the Q&A session, we also have Peter Evensen, Teekay Corporation's Chief Strategy Officer and CEO-elect as well as our Corporate Comptroller, Brian Fortier.

Beginning on slide 3 of the presentation, I will briefly review some of Teekay Corporation's recent highlights. For the fourth quarter, we generated $157 million of cash flow from vessel operations or CFVO, up 22%from the same quarter last year. In Q4 we recorded an adjusted net loss attributable to shareholders of Teekay of $37.8 million or 51 cents per share, an improvement to the 73 cents per share net loss we recorded in Q3.

This was due to better results in our offshore business, which more than offset the weakest spot tanker market that prevailed in the quarter. Our unique business model enabled us to complete $520 million of asset sales during the quarter to Teekay Offshore and Teekay Tankers. Proceeds received from these asset sales allowed Teekay parent to further reduce its debt to $338 million as of December 31, 2010, which represents a net debt to total capitalization of only 15%.

During the quarter, we opened an office in Shanghai and expanded our business with Chinese interests of which the highlight was the ordering by Teekay Tankers of the group's first VLCC since the early 1990s scheduled for delivery in 2013.

During the first quarter of 2011 to date, Teekay Parent has remained active, initiating two notable transactions. Firstly at the end of January, Teekay Parent offered to sell its remaining 49% interest in Teekay Offshore Operating LP, which I'll refer to OPCO to Teekay Offshore. If completed, Teekay Offshore will own 100% of OPCO, which includes most of Teekay's shuttle tanker fleet while Teekay Parent will continue to control Teekay Offshore and remain its largest shareholder.

Secondly this week Teekay Parent agreed to invest $70 million in a new first priority mortgage loan secured by a 2011 billed VLCC. The vessels' owner is located in Asia and is not affiliated with Teekay. The investment, which we expect to close tomorrow, February 25 will pay interest at a rate of 9% per annum.

Finally we have also been buying back our own shares and since announcing our intention last fall to reactivate our existing $200 million authorization, we have repurchased $1.36 million shares at a total cost of $44 million.

Turning to slide 4, I'll review some of the key highlights from fiscal 2010. Given the volatility which characterized the spot tanker market in 2010, our diversified and predominantly fixed rate business model proved to be a significant advantage. For the year, we generated $632 million of CFVO overall.

CFVO from our fixed rate business totaled $662 million, an increase of 18% over 2009. Both CFVO figures exclude $59 million of catch up payments, received under our amended (Point Haven) FPSO contract in 2010. By contrast, our spot tanker business generated negative $30 million of CFVO due to a combination of weak spot tanker rates and out of the money in charters.

The weak spot tanker market was also the key reason why we recorded an adjusted net loss attributable to Teekay of $121 million or $1.67 per share for the year. During 2010, we took several steps to further reduce our exposure in the spot market. We redelivered five in charters, sold two older vessels to third-party buyers and chartered out four of our spot tankers on new fixed rate time charter contracts at rates above the prevailing spot market.

We expanded the fleet size in the Teekay managed commercial ((inaudible)) pools allowing us to maintain our commercial footprint and our economies of scale. One of the key highlights of 2010 was the significant momentum we saw in our offshore business. This included being awarded a 9-year FPSO contract with Petrobras to service the Tiro-Sidon offshore fields in Brazil commencing in 2012. And the successful restructuring of certain major North Sea shuttle tanker contracts.

These developments are expected to drive further growth in our fixed rate cash flows. On the cost side, continued discipline allowed us to hold the line on total operating and overhead costs and thereby consolidate the significant cost reductions achieved in 2009.

Finally we continue to make good progress in our multiyear efforts to increase Teekay's financial strength and flexibility. Over the course of the year, we completed approximately $900 million of asset sales to our daughter companies, who in turn were able to raise approximately $680 million of equity capital in a series of successful offerings. Proceeds from these asset sales enabled us to reduce Teekay Parents net debt by roughly $540 million in 2010 and grow our consolidated liquidity to $2.4 billion.

On slide 5, we focus briefly on the growth in our fixed rate CFEO. As shown on the bar graph, over the past several years our investments in offshore and gas assets have resulted in an increase in and a diversification of Teekay's fixed cash flows.

From 2007 to 2010, our fixed rate cash flows grew at a compound annual rate of 13% from an already significant base. Over the past year, much of this growth has come from our offshore business mainly from the improvements we have been able to negotiate in a number of existing FPSO and shuttle contracts. As a result, in 2010 our Offshore CFVO was up by 40% over 2009 and this excludes the point even catch up payments I mentioned earlier.

Given the opportunities we are seeing, we expect Offshore to remain our fastest growing market segment for the next 2 to 3 years. Slide 6 illustrates how Teekay's corporate structure provides flexibility to invest across our business segments and at different levels.

The matrix on the slide is one we first presented at our investor day last October. And we have used recent examples to show the different ways Teekay can invest and grow in each of its business areas. For small to medium size pure asset transactions, our daughters now have sufficient size and liquidity to make acquisitions directly from third parties.

Recent examples include Teekay (LNG)'s investment in a joint venture with Exmar, also Teekay Tankers investment in two first priority VLCC mortgage loans and its investment in a VLCC new building joint venture.

The larger build to suit projects or fleet acquisitions, Teekay Parent will still use its project expertise to create value in its balance sheet to warehouse the assets during the construction phase before offering it to the respective daughter company. This is the approach we have taken with the recent new building (shuttle anchor) program and with the Tiro-Sidon FSPO project, which are relatively capital intensive and complex to develop.

Tiro-Sidon also involved an element of us picking up a distressed asset acquiring the partially converted FPSO unit out of a restructuring situation during 2010 and finding a customer that wanted Teekay to operate the unit on a long term contract. Teekay Parent retains the flexibility to

invest in new opportunities such as our just announced discretionary investment in a new first priority VLCC mortgage loan.

The takeaway here is that we have considerable flexibility across our corporate structure to invest in different types of growth opportunities that may emerge in each of our business areas. Over the next few slides, I'll walk through some of the key market developments and near term business priorities in each of our main business areas.

Turning to slide 7, I'll start with our offshore business. Following the financial crisis, global oil demand has now recovered and crude oil prices have returned to historically high levels with an average oil price of $80 a barrel over the last 12 months. In this market, offshore activity is flourishing and the number of visible floating production projects has doubled compared to just 2 years ago.

In Brazil, recent giant offshore oil discoveries are expected to generate strong demand for FPSOs and shuttle tankers for years to come. In the North Sea, higher oil prices have stimulated a new round of offshore investment involving fields previously deemed to marginal or too uneconomical to develop but now being commercialized.

Again, we expect this to create new demand for FPSOs and shuttle tankers in the coming years. Customers are increasingly focusing on qualifications that play to Teekay's competitive strengths, including our proven track record in harsh weather operations, our technical knowhow and our financial strength.

The FPSO market has undergone consolidation in the recent years. Gone are more of the small start-up companies, some of which had speculatively ordered FPSOs in anticipation of winning tenders. Today, the market is characterized by a smaller group of experienced FPSO companies

able to compete for projects in a more disciplined manner and resulting in higher returns in the range of 11 to 14% on a levered IR.

We expect strong growth for Teekay in this sector going forward. In the near-term our key priorities for our offshore business will be to complete the sell of our remaining 49% interest in out goods for Teekay offshore, secure new employment for our fourth shuttle new building, the Scott's Spirit, which is expected to deliver in Q4 this year. Complete the conversion of the Tiro-Sidon FPSO and commence its 9-year charter with Petrovis and leverage our competitive strengths in harsh weather operations to pursue newer FPSO projects in our call markets.

Turning to slide 8, I will review the outlook for our gas business. Over all we consider long-term prospects for L&G Shipping to be favorable. Demand for natural gas is expected to grow faster than any other carbon-based fuel over the next 25 years at 1.4% per annum. The demand for L&G is expected to grow even faster at 3.3% per annum. Over the past 2 to 3 years the market for long-term L&G Shipping projects has been in a lull but this is about to change with a number of new L&G liquefaction projects due to come online from 2013 onwards, particularly in Australia.

As a result the new L&G vessels is set to grow significantly over the next few years with as many as 100 new L&G carriers needed by the end of the decade. An increase in the demand for floating storage and re-cashification units or FSRUs represents a relatively new and very exciting growth market in the L&G space.

FSRUs are becoming increasingly sought after because they're able to deliver on natural gas, cost effectively to new markets with a shorter lead-time. There are currently ten floating re-cashification projects underway worldwide with a further 24 proposed projects on the horizon. The part and short-term time (travel) markets for L&G shipping have recently experienced increased activity due to a combination of seasonal factors and the emergence of arbitrage driven trades would serve to increase L&G on mild demand.

This has pushed L&Gs spot charter rates from a low of $25,000 today in mid-2010 to around $67,000 per day at present. It may be an indication that there is sufficient demand to absorb the existing L&G fleet leaving room for new buildings to serve the new point-to-point projects I just mentioned.

Over the near term, key priorities for our gas business will be to finalize a new contract for the Arctic Spirit L&G carrier which Teekay parent has under long-term charter with Teekay L&G partners. Complete the sale of our 1/3 interest in the four Angola L&G carriers to Teekay L&G and continue to build on our recent investment in our first FSRU to expand our involvement in the FSRU segment.

Turning to slide 9, the conventional tanker market in 2010 proved to be a year of two halves, with relatively strong rates in the first half of the year, giving way to a very weak second half. Tanker demand growth was robust at 7% on the back of global oil demand growth of 3.3%, which was the second highest level since the 1970s.

The global tanker fleet grew by 4.5% in 2010, lower than in the previous year. However, the unwinding of floating storage added a further 3% to it effective tanker supply during the second half of the year, tipping the market balance back into over supply.

Expected net fleet growth of approximately 7% this year is likely to offset tanker demand growth, thus creating the risk of another challenging year for spot tanker rates in 2011. The market upside lies in a potential increase in OPEC production from the Arabian Gulf. In response to strong oil demand and or to replace oil supply lost from the unrest in North Africa and the Middle East, such an increase could add meaningfully to tanker ton mild demand.

Looking further ahead to 2012 and beyond we see the beginnings of a potential tanker market recovery provided there is discipline in tanker ordering over the next 12 to 18 months. Tanker demand is expected to continue to grow at robust levels over the next 1 to 2 years, driven by energy intensive non-OCD economies and by China in particular.

If the level of new tanker ordering remains at the current low levels during the remainder of 2011 then the tanker market should be more finely balanced going into 2012 setting the stage for a recovery in tanker fleet utilization and rates given our expectation of further market volatility in 2011 Teekay's near-term conventional tanker priorities will be to finalize Teekay parent's $70 million investment in a new first priority VLCC Mortgage loan.

Continue our spot exposure through our charters if sufficiently attractive and through redelivery of expiring in-charters and pursue opportunities to invest through ownership or elsewhere in the capital structure in third party assets that may become available through attractive prices as a result of the weak tanker market.

Turning to slide 10, we have provided an update of our sum of the parts calculation. Although, you will be familiar with this slide we have included it to highlight the effect of pending sale of OPCO. For illustration purposes we have made approximate performer adjustments in the table for the sale of Teekay parents remaining 49% interest in OPCO to Teekay Offshore.

In addition to receiving an assumed cash component of $175 million, Teekay parent has offered to take the remaining consideration in the form of Teekay offshore units. Effectively Teekay parent would exchange a portion of its equity in OPCO which predominately owns shuttle tankers for equity in a more diversified offshore business that also includes FPSOs.

If completed this transaction will also further reduce Teekay parent's net debt and increase its ownership interest in Teekay offshore. Another benefit would be the simplification and

streamlining of our corporate structure. We hope to be able to update you on the status of this transaction in the next few weeks.

I'll now turn the call over to, Vince, to discuss the company's financial results for the quarter, Vince?

Vincent Lok: Thanks, Bjorn and good morning everyone. Starting with slide 11, I will review our consolidated results for the quarter.

In order to represent the results on a comparative basis, we have shown an adjusted Q4 income statement against an adjusted Q3 income statement, which excludes the items listed in appendix A of our earnings release and reallocates realized gains and losses from derivatives.

The respective income statement line items. Later on, I will also provide our outlook for the first quarter. Net revenues increased by $34 million due to several factors, personally Q4 revenues from our FPSO and shuttle fleets increased as operations returned to normal levels after completion of our FPSO planned shutdowns and North Sea field maintenance in Q3.

As well as a full quarter of earnings from the amended shuttle tanker contract which commenced in September. Secondly we recognized an additional $17 million in Q4 relating to the annual revenue true up for the ((inaudible)) FPSO as we described in previous quarters.

This annual true up is recognized in the fourth quarter of each year since it is based on various annual performance measures, oil production levels and average oil price for the year. Thirdly, we had fewer scheduled dry-docking and off ((inaudible)) days in Q4 with 235 days in Q4 compared to 370 days in Q3.

These increases were partially offset by lower average spot tanker rates in Q4. It's important to highlight that a greater proportion of our revenues are coming from fixed rate businesses as a result of the significant reduction in our spot in-charter fleet and the continued growth of our fixed rate businesses.

SO operating expenses have increased by $6 million, mainly due to unexpected repair costs associated with our shuttle tanker fleet in Q4 as well as the recent delivery of two new building shuttle tankers. Time charter hiring expense was in line with the prior quarter and looking back at the past year we have reduced our time charter hiring expense by over a $170 million in 2010 compared to fiscal 2009.

Depreciation and amortization increased by $3 million primarily due to the delivery of the new building shuttle tankers and higher dry dock amortization expense. G&A expenses increased by $4 million to $51.5 million primarily due to increased business development activity and project costs in our offshore businesses in Q4.

For the entire year, our normalized G&A expenses were $196 million in 2010 down from $207 million in fiscal 2009. Net interest expense was in line with the prior quarter. Non-controlling interest expense increased by $1.5 million due to higher fourth quarter earnings in Teekay L&G and Teekay Offshore, partially offset by lower fourth quarter earnings in Teekay tankers.

Looking at the bottom line, adjusted net loss per share was 51 cents in the fourth quarter compared to an adjusted net loss of 73 cents in the third quarter but the majority of this improvement coming from the foreign ((inaudible)) FPSO annual revenue true-up and the completion of the FPSO shutdowns in North Sea's field maintenance undertaken in Q3.

The bulk of the loss of the net income in this quarter and for the entire 2010 can be attributed to the spot market exposure of our conventional tanker fleet, which has declined as the percentage of the overall fleet throughout the year.

Turning to slide 12, we have provided some guidance on our expected financial results for the first quarter of 2011. Apart from the 17 million ((inaudible)) revenue throughout recognized in Q4 and any changes in spot tanker rates, overall we expect the revenues from our fixed rate businesses in Q1 to be roughly in line with Q4.

Overall, SO operating expenses in Q1 are estimated to decline by about 2 million compared to Q4 as we expect the Shuttle tanker operating expenses to return to more normal levels in Q1. Time charter hire expense is expected to decrease in Q1 by approximately 3 million reflecting the full quarter effect of a Q4 redelivery and less spot and chartering activity in our shuttle tanker fleet.

We have an additional 8 in chart conventional tankers scheduled to redeliver during the course of 2011 which will further reduce our breakeven levels and spot tanker market exposure. Depreciation and amortization is expected to decrease by approximately 2 million as a result of the asset write-downs we recorded in Q4. We expect G&A to be about 50 million which is slightly lower than Q4. Net interest expense is expected to decrease by approximately 2 million as a result of lower net debt and capitalize interest on the Tiro-Sidon FPSO project installments.

Income tax recovery run rate is expected to be approximately 2 million in the first quarter. Non-controlling interest expense is expected to increase to approximately 29 to 31 million in Q1 reflecting the recent equity offerings completed in Teekay Offshore and Teekay Tankers.

Turning to slide 13, we are pleased to report that Teekay is entering 2011 financially well positioned. Over the past 2 years, we have focused on enhancing our financial strength and

flexibility with the objective of positioning Teekay to take advantage of growth opportunities that may emerge as a result of the financial downturn and the weak tanker markets.

We have made significant progress towards this objective since the end of 2008, largely as a result of our flexible corporate structure which has enabled us to raise over 1billion in equity capital through our daughter companies and compete the sale of 1.6 billion of assets to our daughter's companies and third-parties.

This combined with substantial and growing fixed rate cash flows has enabled Teekay to reduce its leverage and build liquidity at both the consolidated and parent company levels. As shown in the top left graph of slide 13, we have reduced Teekay's consolidated leverage from 62% to 53% over the past 2 years. Despite taking delivery of new buildings and the relatively weak spot tanker rates during this period, the current level of gearing is appropriate given our substantial fixed rate cash flows.

As shown in the bottom left graphic the deleveraging is even more pronounced at the Teekay Parent level where we have reduced that debt by 800 million to 238 million, lowering net debt to total capitalization from 35% at the end of 2008 to only 15% at the end of 2010.

Looking at the right hand side of the slide Teekay has also built considerable liquidity totaling 2.4 billion on a consolidated basis including 1.2 billion at the Teekay Parent level and this is before including over 450 million of prearranged financing for our remaining new building commitments. Since all of our revolvers are currently undrawn at the Teekay Parent level.

We have over 500 million of cash on Teekay Parent's s balance sheet which is currently earning very little income at today's low short term interest rates. As a result this is having a negative effect on our near term profitability, however as we start to put this cash to work through new

investments such as the recent 70 million VLCC loan virtually all of the incremental investment returns will flow to the bottom line which will help improve our profitability.

In addition with one 1.2 billion of combined liquidity at our three daughter entities, they have the ability to make a creative acquisition on their own. Turning to slide 14, we believe Teekay has emerged from the financial crisis stronger. Our flexible business model is proving to be valuable with a significant and growing portfolio of fixed rate cash flows and an ability to source competitively priced debt and equity capital to finance our growth.

Teekay parent has delivery considerably over the past 2 years. It is now approaching net debt free. We have a favorable debt profile with no near term maturities or covenant concerns. We have a strong liquidity position at Teekay parent and each Teekay daughter entity and based on cash flows from directly owned assets, daughter dividends and proceeds from asset drop downs, Teekay parent is generating available cash that can be allocated to new investments and/or return to shareholders as we have recently done though our share repurchase program.

To summarize these factors combine to create a strong financial profile for Teekay which we believe differentiates us from our peer group and provides us with a competitive advantage. Teekay is not only financially stronger on an absolute basis, but given the challenging market conditions, Teekay is even stronger on a relative basis.

With that and for the last time, I will turn the call back to Bjorn to conclude.

Bjorn Moller: Thank you, Vince. Summing up, the weak tanker market in the fourth quarter highlights the contrast between Teekay's sustainable and diversified business mode from that of companies which are fully exposed to the spot tanker market. We are expanding our business at a time when others are lying low. Against this backdrop on this my last earnings call as CEO of Teekay

Corporation I reflect on slide 15, on the strong foundation Teekay has built for the future centered on four key strengths.

An agile world class organization with a global team of over 6000 experienced professionals unified by a deep rooted culture of safety, operational excellence, and customer service. Our people are the essence of the Teekay brand. Secondly a uniquely broad and deep business platform that includes industry leading positions and promising growth sectors like offshore and gas.

Third, a long standing relationship with our customer base of quality conscious blue chip national and international oil and gas companies who have a growing requirement for tailored high quality marine solutions and as Vince just described a company that is financially strong and with a highly flexible corporate structure that can support Teekay as we continue to pursue our full potential.

As previously announced I will be retiring as CEO of Teekay Corporation at the end of March and I'll be handing over the job to Peter Evensen. As chief strategy officer over the past 5 years Peter has worked very closely with me to build the Teekay you see today. I'm very confident that peter will do a great job as our new CEO supported by a committed and experienced management team.

And I wish the team every success in the future. I will remain on the Teekay Corporation board in a non executive role where I look forward to continuing my association with this great company. I'd like to take this opportunity to thank you, our investors and the analysts that cover Teekay for your support over the past 13 years.

With that, I will open it up to questions.

Operator: Thank you, sir. Ladies and gentlemen, if you would like to ask a question, please press star 1 on your touch-tone phone. To withdraw your question, please press the pound sign. If you're using a speakerphone, please lift the handset before entering your request. Please standby for the first question.

The first question comes from John Chappell from JP Morgan. Please go ahead.

John Chappell: Thank you, good morning.

Male: Hey John, how are you?

John Chappell: A couple of quick follow ups on the VLCC mortgage loan first. Are we accounting for this in the same manner as the first two at the Teekay structure?

Male: That's correct, John. The revenue which on an annual basis would be about 6 million will be shown as revenues on the Teekay's financials.

John Chappell: Okay, and then Vince, you mention the 500 million of cash on the balance sheet that you wanted to play. A couple of questions for that, first of all are there more of these type of mortgage loans out there? I know we ask the same question when Teekay first did these and clearly there were. And then how do you kind of rank these versus you know your investments?

And the follow up to that is, how did the investment returns kind of change I'd say since your analyst day? How would you categorize offshore versus L&G versus kind of core tanker business?

Vincent Lok: Are you done? Well let me take the first part of that question. We're looking at investing anywhere in the capital structure that makes sense that has shipping or offshore exposure. So

when we looked at the VL market we saw that it was better to be able to do a first priority mortgage loan in a specific instance rather than to have a part in the ownership whereas when we in contrast we ordered 50, or we took 50% of a VLCC new building which we were able to charter for 5 years.

And so we will move up or down depending upon the employment prospects and what we see. But we fully expect to be able to return back to deploying assets into the shipping side the conventional tanker side as the cycle evolves.

John Chappell: Okay.

Vincent Lok: If you think about offshore versus gas versus conventional tankers that's where I think our business model comes in pretty handy. We're going to invest most of what we're doing down at the daughter company and right now as Bjorn said we see the offshore side having the best returns and the best risk return that fits Teekay parent as well as ((inaudible)). So that's where you'll see most of the growth coming.

John Chappell: Right, so that hasn't changed? And then I need to ask this question as well. The buyback program was you know pretty well received back in October. And although there were no terms or you know timing put around it, I think maybe people were expecting a little bit more than what you've done in the 4 months since it's been announced. Is that a function of the stock price appreciating meaningfully since this deal was announced or the buyback was announced or is it a function of the returns or better maybe in the offshore space right now?

Vincent Lok: I think we're – well first of all we're commencing a $200 million buyback program at a time when the industry isn't doing so well. But we see compelling value in our stock. So we're continuing to evaluate it. We have a good track record of completing the share buybacks and

you'll remember 3 of 4 years ago we bought back a total of 25% of our stock. So we're committed to buyback program, but we're taking a measured approach.

There's a lot of volatility out there, and that's even before you get to what's happening in North Africa right now. And so, we have to gauge various opportunities, and so, we're committed to keeping going, but we're not giving specific guidance on exactly what we're buying, and when we're buying.

John Chappell: Okay. Thanks, Peter. Thanks, Vince and congratulations, Bjorn.

Bjorn Moller: Thank you.

Operator: Thank you. The next question comes from Gregory Lewis from Credit Suisse. Please go ahead.

Gregory Lewis: Yes. Thank you and good morning.

Male: (Hey).

Gregory Lewis: First, I guess, congratulations, Bjorn, and good luck.

Bjorn Moller: Thank you.

Gregory Lewis: Shifting gears – you know it looks like – you mentioned that you know you have a handful of Suezmax VLC – Suezmax rolling off in charters you know over the next, I guess, couple quarters. In terms of where (in) charter rates are today, is this something that we think is going to roll of, or are you in discussions actively about potentially re-chartering in these vessels to, sort of, keep your fleet size up?

Bjorn Moller: I believe that – I think you'll find that the bigger the ship, the less liquid the market for – in charters, so, I guess, the more liquid market is around the Aframax tanker. As soon as you get up to Suez and VL, rates are – take a little bit longer to adjust.

And I think what we've seen in the last month is people have finally decided, wow, there isn't, probably, going to be a winter market this year, so the volatility option hasn't got as much value this year, and that's why you're seeing time charter rates beginning to, actually, adjust in the downward direction.

So that begins to, I guess, create an environment where it may be more attractive doing charter, but I still think we are missing a liquidity in the market, so it's not going to be easy to amass a lot of ships, but we'll continue to follow it, and I think that, if rates stay weak, there should be some good opportunities in the coming months.

Gregory Lewis: Okay. Great and then just one …

Male: And so, you might find that we'll reset them back down at lower levels, which would be good for our cash flow.

Male: Yes.

Gregory Lewis: Sure – sure. And then, just – I mean, clearly you know when you think about the offshore sector, and you think about the growth in the FPSO sector you know you have that chart outline in existing tenders that are out there – in terms of going after these, I mean, you've done a good job of strengthening your balance sheet, and you do have you know ample cash on the balance sheet.

In terms of thinking about funding one of these you know – say you were to win a new project – I mean, if you think about that the time cycle between winning the contract, and securing – you know having the asset be delivered will be about 2 to 3 years most likely – I mean, how do you balance your existing capital structure, and going after those transactions, and really, what kind of capacity do you think you have? I mean, is it realistic to think that you could go get one of these things per year, or is it, maybe, two a year? I mean, how do you think about that?

Male: Well, first of all, I would say that the financial side of things isn't what we spend most of our time thinking about. We spend most of our time thinking about, do we have the human capital – do we have the resources, in order to complete a project on time, and on budget?

That, for us, is the first important thing. And we've been gearing up, in terms of our staff, as well as, hiring (end) contractors, to be able to have the capacity to grow with the market, and hopefully, faster than the market.

And so, that's where we start out. In terms of the financial side, we look at what the internal rate of return is on any given project, and we're not – and because of the financial strength that Vince outlined, we're not really focused in on whether it delivers in 2 years or 3 years because we have the capacity to warehouse those projects.

So we're, most of all – and I think we were right. If you look over the last 2, 3 years, a lot of our competitors were very aggressive on projects, and they came in over budget, or late, and both are bad for the ultimate internal rate of return.

A lot of people get excited about 10-year projects, or 15-year projects, but if you don't bring them in on time or on budget, then they can go from being an asset to a liability. So I think we were right to be conservative, and now, as you heard Bjorn say, we're on the march, but we've done it in a very deliberate way.

So the financial side is really an afterthought. We have the capacity, through the business model, to warehouse it, so we will take short projects, like Tiro-Sidon, and then, we'll look at longer projects that may involve new buildings.

Gregory Lewis: Okay. Great. So – and then, in terms of thinking about those 17 tendering PSO contracts that are out in the market at this point, I mean, how many of those, roughly, do you think you're bidding on?

Bjorn Moller: Well, right now, we are pacing ourselves on one big project per year. I think we'd like to take that to two big projects per year in the matter of the next few years. So I think there are probably five or six serious FPSO companies to be reckoned with, so I think there will be one to two projects available per company per year, if you look at the demand side.

Gregory Lewis: Okay. Great. Thank you very much for the time.

Bjorn Moller: Thank you.

Operator: The next question comes from Fotis Giannakoulis from Morgan Stanley. Please go ahead.

Fotis Giannakoulis: Hey – yes. Good morning, gentlemen, and congratulations to both of you. I want to ask you if you can give us an update about the situation in Libya, and if you have seen this situation impacting the Aframax market, in relations to the Mediterranean oil flows? And whether you anticipate that we might see long-haul oil movements from Saudi Arabia?

Bjorn Moller: Well, it's a very dynamic situation, as I'm sure you appreciate. We have picked up that some terminals have been – are now out of commission, and that all production has been shut in at a number of areas, although, not every area. We have at least one, maybe two, vessels that

are scheduled to load in Libya in the next couple days, so I guess we'll get – we'll be seeing – obviously, make sure that the vessel is safe. But one of the issues in Libya is communication.

Support agents are not necessarily available to help you coordinate the situation, so we'll be following it from a front-row seat, but if there is disruption, as it looks like there will be, then it certainly looks like, on the margin, we'll get more long-haul oil into the market. So that would clearly have turmoil – intensive effects since 80% of Libyan oil is delivered into Europe and other Atlantic region destinations, so if that has to be replaced from the Middle East, that's clearly a (creative turmoil) demand.

Fotis Giannakoulis: Do you anticipate the – some segments, for example, Suezmax, as benefiting more from something like that vis-à-vis Aframaxes?

Bjorn Moller: I would say it's a (tangible) market, sort of trickle down, but the VLCCs will be the first to benefit from the Middle East pickup, should that occur. This Libyan market is served mainly by Aframax and Suezmax, so they'll be a short-term drop in demand for those vessels, but I think, on the whole, any disruption that creates aggregates on mile increase is good for all tankers.

Fotis Giannakoulis: I want to ask, also, about your expansion plans in the ((inaudible)) sector. You mentioned that, obviously, that your main focus right now in the vessel opportunities are in offshore, but we've seen some signs of correction in the asset price.

Some brokers were reporting today Aframax being sold at the new building at 48-1/2, which is a steep discount to what another public company bought back in December. What is the entry point that you see? Where do you see your – the timing over you expanding again, and using your balance sheet to buy more assets?

Bjorn Moller: Well, we have a company called Teekay Tankers, which is very liquid right now, and which is – its sole job is to invest in the conventional tanker business, so clearly, at the Teekay level we're following the market very closely. We feel that the window of opportunity is beginning to open. And so, clearly, this is a time when we will be looking closely at that.

Fotis Giannakoulis: And my last question, again, is about oil flows. We've seen some significant oversupply in – (apart to) ((inaudible)) area. Do you feel that this might have an impact on U.S. imports, and what is your take on that?

Bjorn Moller: That, clearly, it's affecting U.S. imports because they're simply landlocked. Crude in Oklahoma, from a place like North Dakota, that's depressing the price, and that's why we're having this record spread between WTI and Brent crude.

But that's come in now into $10 a barrel from what was almost $20 a barrel, so I think that there is, clearly – people would rather ship their oil somewhere else at the moment. So that will be a balancing mechanism. We'll have to see where it's going to fundamentally affect U.S. imports in the long run. It's a temporary phenomenon, I believe.

Fotis Giannakoulis: Thank you very much, gentlemen.

Bjorn Moller: Thank you.

Operator: Thank you. The next question comes from Justine Fisher from Goldman Sachs. Please go ahead.

Justine Fisher: Good morning.

Bjorn Moller: Hello, Justine.

Justine Fisher: My first question is regarding the VLCC loans that you guys have done. Have you heard any commentary, perhaps negative, from your banks about what you're doing? Because on the one hand, if it's not – if your use of the bank debt is not covenanted or anything, then you can use your revolver for whatever, I think, you'd want.

On the other hand, the banks are, essentially, now taking counterparty risk that's not Teekay's by you guys lending to other shipping companies. So have the banks said anything about these loans?

Male: Well, in this case, we're actually using our excess cash balances at the parent to invest. We're not drawing on any revolvers to invest in this VLCC loan. And, overall, it's not a big percentage of our overall investment portfolio, so I don't think it's a major concern.

Justine Fisher: Well, I guess, you said that you would look to get – to obtain additional debt vis-à-vis the JV for the new VLCC loan, and so, if you've had any discussions on that so far, are the potential lenders for that debt concerned about the additional counterparty risk that's, essentially, being layered into Teekay?

Male: No. That JV, of course, is in Teekay Tankers, where we have a 50/50 joint venture with Wah Kwong, so we are currently in discussions with several banks to finance that VLCC, and there's no concerns there.

Justine Fisher: And then have you guys seen competition for these kinds of deals because even looking at your unsecured bonds that trade at a yield of around 7-1/2% for unsecured debt, if there's secured debt available at 9%, I would assume that there would be more than simply Teekay may be looking at these sorts of deals. So are you guys (pretending) to be the only one in town willing

to partner up in this or are there other entities that are looking to do some more types of business?

Male: Well we're not approaching it as a business. We're approaching it as a specific opportunity. And so we're not sort of in the business doing competitive type of analysis. So we look at each individual deal as a project and that was the best place for us to invest. And so I wouldn't say that – so I think you're misconstruing it.

We're not in competition with banks. We're not as part of anything. And our banks are very well aware of what we're doing. So it's just a transaction. It fits quite well with our cash flows. Making a short term loan is a good use of our liquidity before it gets moved into FPSOs or into other long term assets. So it's just a capital function.

Justine Fisher: Okay and then I have a question on the charter market as well. I'm wondering how the cookie crumbles over the next year or two in the charter market because on the one hand if charters such as yours or charters in such as yours are rolling off and they're not renewed, then other tanker companies that might be looking to charter out may not have the opportunity to charter.

And obviously there will still be some charter market as oil majors charter in tankers but the shipping company charters may reduce. And at the same time banks seem more willing to lend only against ships that are chartered out. And so if shipping company to shipping company's charters are not renewed, how do you see that affecting spot rates and maybe vessel values? Or alternatively do you guys expect most charters in to roll over at lower rates and so there's still a reasonably robust market, it's just at a lower dollar level.

Bjorn Moller: I think that would give you a combination of that, Justine. I think one of the reasons we have seen recent re-sales of new Aframax tankers is that the availability of (timed) charters for

that owner at rates that would cover his expenses and his debts, service and so on may be not there now because the market has adjusted.

So those owners are now forced to sell the vessels. I think other owners you know some of the ships we're redelivering are going back to owners that are relatively strong. So they will be able to bridge the low market. But it's going to be challenging. I think there are going to be some cheap deals from people who have – who are squeezed. And we hope we that we will be around to partner with them.

Male: I think that's very true that the banks are differentiating between ships that have charters and ships that are spot. And that affects whether they lend in the first place and the percentage at which they lend, which can have an effect on asset values. And if people are more squeamish about buying assets, I think that opens up a great opportunity for us as Bjorn was saying.

But it's – I want emphasize that it's – that you have to go sort of vessel by vessel, situation by situation. And while the brokers want to always say what the last done was, you have to recognize that when you're in the market as a buyer or a seller or as a charter or an (out) charter, people are looking at each specific asset in each specific situation. So the good news is Teekay is seeing a lot of potential deal flow. And so that allows us to be much more circumspect about what we do.

Justine Fisher: Okay, interesting and then – thank you very much for that detailed response. And I have one more question for Vince. Can you remind us of I think your revolver availability – obviously there's none drawn but the availability reduces I think by a couple hundred million this year and next year. Can you just remind us of the reduction in those revolvers in '11 and '12?

Vincent Lok: Are you referring at the (turn) company levels?

Justine Fisher: Yes, yes.

Vincent Lok: Yes, it varies of course by revolver but on average it's about 150 per year roughly.

Justine Fisher: Okay, thanks very much. Bjorn, congratulations, the analyst community will miss you.

Bjorn Moller: Thank you very much. I'll miss you too.

Operator: Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star 1 on your touch-tone phone. The next question comes from Sal Vitale from Sterne Agee, please go ahead.

Sal Vitale: Good morning, gentlemen and congratulations to Bjorn.

Bjorn Moller: Thank you.

Sal Vitale: Just first I have a question on the expense side. If I look at offshore vessel OPEX for the quarter was $77 million. How do I think about – I guess both for Offshore and for LNG? How do we think about that going forward? And I guess on a static basis because it's obviously going to increase as there are additional dropdowns. But just you know based on what the assets were say at December 31st, how do we think about that going forward?

Male: Yes, I think if you look at Offshore, we just dropped down the – what we call the (Seero) FPSO in the fourth quarter. And that unit is obviously in the fleet and operating starting when it comes out of the yard in March. It is – so I think we going forward we expect the Teekay Offshore based on the current fleet to be fairly similar over the next quarter or so.

There aren't any major changes in the fleet over the next couple quarters. Same with (TGP), I would say no significant changes in the fleet, so I think what you're seeing in the fourth quarter is fairly representative over the next couple quarters.

Sal Vitale: Okay and then just the – question on the LNG side. You had said that there was a significant increase in rates from the I think it was mid-20s to about $65,000 or $67,000, something like that. Now that's not something that will benefit you know (TGP) in the short terms because, excuse me, I assume most of the contracts are fairly long term. And then can just refresh – remind us when is the first contract expiring?

Male: Well the (TGP) contract coverage is indeed long term. I think the first contracts that will probably mature will be some of it's ((inaudible)) tankers in the next 5 to 6 years, 5 to 7 years. Whereas the LNGs are running I think to first come off about 8 or 9 years from now, those are the two smaller, older vessels that aren't time chartered to Teekay Corporation.

And then beyond that, you go way out into past 2020. The reason we see the spot market as having a benefit, it's like I guess a ripple effect. Over the past 3 or 4 years you've had some 20, 25 LNG carriers that were either ordered speculatively or in cases ships delivering early compared to the (liquefaction) projects they were scheduled to serve.

So there's been a slashing around of about 20, 24 vessels and we've seen a couple long term contracts that came out where actually smothered by people that had speculative ships. So with the apparent demand for some trading fleet emerging, it looks as if the next point to point deal will (require) new buildings, which of course levels the playing field for (TGP).

Sal Vitale: Okay so are you saying that you see the potential for the development of a quasi-spot market in the LNG space?

Male: Well I think that could happen but that isn't want Teekay LNG is, that's not what we operate in. But as Bjorn says as you take excess capacity out of the LNG market, it opens up the scope for many more new building point to point tenders, which is what we specialize in.

Sal Vitale: Okay, thank you and then the last question I have is on the capital deployment side. You know you've announced the share buyback and you've you know started to execute some of that. Looking at the dividend that's been fairly static for some time and you're throwing off very significant cash flow, at what point should we start to think of a you know significant increase in the dividend. And could you just remind us traditionally do you think of – and I say traditionally because excluding the you know 2009 downturn, do you think of dividend in terms of a target dividend payout ratio?

Bjorn Moller: Well I think we look at it in the way that we discuss it each year with the Teekay Corporation board, where we have a growth in fixed recurring flows that come into the parent, for example in the growth and distributions from the two (MLP) daughter companies. Those will be sustainable and things that the corporation can depend on. And that could flow into discussion at the board level about raising the dividend at Teekay Corporation.

Whereas the more ad hoc liquidity events for the Parent such as dropdowns or asset sales would be either redeployed into new investments or be used to return through share repurchases. So it's one that is being monitored all the time. And I guess we will be looking at it at the board level again on a regular basis.

Sal Vitale: Okay thank you and congratulations again.

Bjorn Moller: Thanks very much.

Operator: Thank you. Mr. Moller, there are no further questions at this time, please continue.

Bjorn Moller: Okay well I can't say that I look forward to talking to you next time because I won't be here next time. But it's been a real privilege to work with you and I wish Peter and Vince and the rest of the team all the best and thanks to our shareholders and the analysts, all the best. Bye-bye.

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

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