TEEKAY CORPORATION

Moderator: Alana Duffy
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10:00 am CT

Operator: Welcome to Teekay Corporation's Fourth Quarter and Fiscal 2009 Earnings 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 their question. For assistance during the call, please press star zero on your touch-tone 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 Chief Executive Officer. Please go ahead.

Male: 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 2009 earnings presentation. Mr. Moller 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 2009 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 very much for joining us. As usual, I am joined today by our CFO, (Vince) Lok and for the Q&A session we also have Peter Evensen, Teekay's Chief Strategy Officer and also the CEO of Teekay LNG and Teekay Offshore, as well as our Corporate Controller, Brian Fortier.

If you would like to turn to slide 3 of the presentation, we recorded a net loss in the fourth quarter of 2009 primarily due to a continued weak spot tanker market for most of the quarter, although we ended the year with the market on a firmer note. For the quarter, Teekay reported an adjusted net loss of $33.3 million, or 45 cents per share, a slight improvement from the 60 cent per share loss in Q3.

Due to our profitable fixed rate businesses, we still generated significant positive cash flow from vessel operations or CFVO of $129 million an increase of 16% from the prior quarter. We declared our regular quarterly dividend of 31.625 cents per share. This dividend is entirely funded by the stable distributions we receive from our ownership in our two MLP daughter companies. For fiscal year 2009, adjusted net loss was $87.5 million, or $1.20 per share and CFVO was $526 million.

Reviewing recent highlights on slide 4, there have been a number of positive developments on the commercial side. We took delivery of vessels in each of our offshore gas and conventional tanker segments, our annualized fixed rate CFVO reached more than $550 million. We expect to continue to build our fixed rate CFVO as we are currently seeing increased customer inquiry of fixed rate contracts mainly on the offshore side.

In the meantime, spot tanker rates are off their Q3 lows due to improving demand even though they have fallen from the recent spike we experienced at the turn of the year. Another highlight has been the significant progress we continue to make on our financial priorities both building liquidity and reducing debt at the Teekay parent level.

Of particular note is the highly successful $450 million bond offering completed in January. Also earlier this week, we agreed to sell to our daughter company, Teekay LNG Partners, three tankers with long term fixed rate charters for $160 million. (Vince) will address our financial highlights a little later on the call.

Looking briefly now at each of our business segments I will begin with the offshore market on slide 5 where we have seen a recent uptick in project activity. Global ENP spending is expected to grow by 11% this year linked to a firm oil price outlook and this will drive demand for FPSO, FSO and shuttle tankers.

The graph on the top left shows the lull in new FPSO projects during the first half of 2009 following the collapse in oil prices and the subsequent rebound in new project awards in the latter half of the year once oil prices had stabilized. Ten FPSO contracts were awarded during this period. Brazil continues to be at the forefront of new offshore activity and we're also seeing new projects in the North Sea, and these are Teekay's two core offshore markets.

As I mentioned earlier, we are seeing increased customer inquiries for fixed rate business, much of it in FPSO and shuttle tankers. Slide 6 covers the recent highlights in Teekay's offshore activities. In December, we completed the conversion of the floating storage unit, Falcon Spirit, and the vessel commenced its 7.5 year contract in Quatar. The incremental CFVO will be approximately $8 million per year.

In our most recent shuttle tanker contract extensions, we have secured rate increases of 10% and over the past several months, we have achieved cost reductions through reflagging of certain shuttle tankers.

We're positive about the outlook for this part of our business. In 2010, our focus will be on completing contract renewal negotiations currently underway for two of our existing FPSO units and we expect to have more news in the next couple of months. We have a number of choices available to us for the deployment of our (Amanson Plus Shuttle) Newbuildings which start delivering in Q3 this year. We will turn our attention to this in the coming months and we intend to selectively pursue new FPSO and FSO projects that play to our strength in the harsh weather operationally intensive end of the market.

Turning to our gas business on slide 7, the market for new business is unusually quiet due to the delay in customers taking final investment decision on new gas field developments. In Q4, Teekay LNG Partners took delivery on the second (scalgon) LPG Newbuilding. Our fourth ship (angola) LNG project commenced construction. We are a 33% partner in the project, which will commence 20-year contracts upon delivery in 2011 and 2012.

We discontinued the (Kittymath) LNG project. While the technical concept was viable, the commercial economics of this specific project proved insufficient to proceed. In terms of new projects, we continue to investigate various niche opportunities in the absence of new point-to-point projects.

Looking at the spot market on slide 8, we have updated a chart we first showed you last November which looks at 2010 oil tanker fleet utilization scenarios. As it is a busy slide, I will walk you through it. The blue bar on the left shows that the estimated global tanker fleet utilization in 2009 was 84%, which as we've seen firsthand, yielded a weak tanker market overall for the year.

The second bar from the left indicates our base case for 2010 fleet utilization. Back in November, that base case, which you'll see it called old base case, had tanker demand growth of 5% being offset by 5% supply growth.

In the column marked new base case, we have updated assumptions based on recent developments. For example, on the demand side, the IMF has raised its forecast for GDP growth from 3.1% to 3.9%. Also, OPEC has increased its market share of world oil supply.

On the supply side, we have reduced expected number of tanker Newbuildings cancellations in the base case to 5 million tons to 2.5 million tons because following a flurry of cancellations 1 year ago, we have seen few recent tanker cancellations.

On the other hand, we have maintained our assumption for single hull tanker removals of 23 million tons because year to date removals are in fact on track to achieve this figure. Net effect of these changes in the new base case is the utilization of 85% suggesting a slightly improved rate environment in 2010, but from a low base.

What we illustrate in the recovery case is the anatomy of a market recovery. The green bars show the impact on utilization based on the outcomes in the right hand column in our table. The figures generally speak for themselves but I will just point out that we have added a new green and red bar on the right hand side relating to floating storage. Currently approximately 4% of the world tanker fleet is being used for floating storage driven by oil price (contango).

The red bar shows the effect the floating storage will reduce to 2% of the world fleet and conversely and green bar shows the effect of storage growing to 6% of the world fleet. Current (contango) pricing points to a likely drop in floating storage, so in the near term we are more likely to see a downward move into the red area than an upward move into the green area.

If all of the factors in the recovery case come to bear we could see 2010 fleet utilization rise from the base case figure of 85% to somewhere in the vicinity of 90% and effectively creating hopefully the utilization in a tide tanker market.

While it is improbable that all of these factors will materialize, it is more than likely that some will. For example, yesterday an update from the Energy Intelligence Group reported estimated year-on-year oil demand growth of 2.5% in February, a growth figure at the upper end of our recovery case assumption.

On slide 9, we provide an update on Teekay's conventional tanker business. Given the range of outcomes on fleet utilization that I've just described we expect rates in 2010 to be volatile.

Against this backdrop, we continue to carefully manage our spot market exposure. And during Q4 we redelivered four further in charted vessels and laid off additional risks by fixing out false spot Suezmax equivalents for 2010, three of which were done through (Ford) freight trade agreements yielding a TCE of approximately 24,000 a day with the fourth ship being fixed on a regular time charter with a minimum rate and a profit share arrangement.

We took delivery of our fourth and final Suezmax from (BoHi). This leaves Teekay with no conventional tankers Newbuildings on order for the first time since shortly after the millennium.

On this slide, we also provide our Q1 rate guidance. Some 40% of Teekay parent's conventional tanker revenues days are under fixed rate charters earning an average of $27,000 a day. Of the remaining days which are exposed to the spot market to date this quarter we have booked 70% of our spot days at an average rate of $19,000 for Aframax and $26,500 for Suezmax respectfully.

The spot Suezmax figure includes the three FFA contracts mentioned earlier since these are classified under the spot fleet. Our focus in 2010 will be to continue to actively manage our spot market exposure as we see the market unfold. In the near term, we expect to be on the sidelines with respect to new conventional tanker investment, instead we aim to expand our market share through Teekay tonnage pools and commercial management. I will now hand it over to (Vince) to review our financial results and discuss the significant progress we have made on our financial objectives. (Vince)?

Vincent Lok: Thanks Bjorn and good morning everyone. Turning to slide 10, I will review our operating results for the quarter. In order to compare the results on a comparative basis we have shown an adjustment Q4 Income Statement against an adjustment Q3 Income Statement which excludes the items listed in Appendix A of our Earnings Release.

It reallocates realized gains and losses from derivatives to their respective income statement line items.

Even though we operated fewer vessels in the fourth quarter, net revenues increased by 17 million, mainly due to higher spot tanker rates and fewer dry dock days in the fourth quarter compared to the previous quarter.

Vessel operating expenses increased by 12-1/2 million from the previous quarter, primarily as a result of the timing of repairs and maintenance activity, particularly relating to our FPSO fleet.

Overall we expect vessel-operating expenses to be about 5 to 7 million lower in Q1. Time charter hire expense decreased from the previous quarter by approximately 14 million, mainly due to the redelivery of four in charter conventional tankers and one in charter shuttle tanker during the Q4.

As a result of the Q4 redeliveries, and an additional redelivery during Q1, we expect time charter hire expense to decline by a further 8 million in Q1.

Depreciation and amortization increased by about 4 million mainly as a result of a full quarter of depreciation for vessels that were delivered in Q3 as well as an increase in the number of vessels that were dry-docked in the prior quarter. We expected depreciation expense to be similar in Q1.

G&A expenses remain consistent with the prior quarter as we've been able sustain the 20% reduction from the peak level in Q2 of 2008. Net interest expense increased over the prior quarter by 1.7 million mainly due to the delivery of new vessels during the second half of 2009.

As a result, the recent (rest) vessel deliveries and the 450 million-bond offering completed in January, net interest expense is expected to increase by approximately 6 million in Q1. Equity income in Q4 mainly reflects the results from our 40% interest in the (rasp gas three) LNG carriers and our 50% owned loitering joint venture SPT.

Equity income increased compared to the prior quarter primarily due to higher income from SPT. The income tax recover of 8.7 million in Q4 was usually high due to timing differences.

The tax recovery in Q1 is expected to be closer to the Q3 amount of about 4 million. Non controlling interest expense increased compared to the prior quarter due to the drop down of the Petojarl Varg FPSO to Teekay offshore in September, the Teekay LNG equity offering in November, and higher net income in Teekay tankers. Non-controlling interest expense in Q1 is expected to be in line with Q4.

Looking at the bottom line, adjusted net loss per share was 45 cents in the fourth quarter compared to an adjusted net loss per share of 60 cents in the third quarter. Based on where spot tanker rates have tracked so far this quarter, and the expected reduction in cost, Q1 is shaping to be an improvement over Q4.

Turning to slide 11, looking back over the past year, we have made significant progress towards our financial objectives mainly through asset sales to our daughter companies and third parties, we have reduced Teekay parent's net debt and Newbuilding ((inaudible)) by over 600 million during 2009.

Through our cost reduction initiatives we have achieved significant savings in both G&A and vessel operating expenses. The reduction in the in charter fleet has reduced our quarterly time charter hire expense by over 85 million compared to fourth quarter of 2008. A smaller in charter fleet not only reduces our spot market exposure but also our cash flow breakeven levels.

Our recent 450 million unsecured bond offering together with other financings completed during 2009 has allowed us to term out our debts such that Teekay parent currently has no balloon debt repayments due until 2014.

In addition we have arranged debt financing for 100% of our remaining Newbuilding program giving us a total of consolidated liquidity of 2.8 billion. This places us in a very strong position going forward in terms of liquidity and financial flexibility.

Looking at 2010, one of our key focus areas is to increase the profitability of our existing assets by controlling our costs while also increasing our revenues through contract renewals and potentially an improvement in spot tanker rates.

We intend to continue with our plan of reducing debt at the Teekay parent level mainly through selective drop downs of assets to our daughter companies in accretive acquisitions.

The recently announced sale of three conventional tankers to Teekay LNG for 160 million is a good example of that. This transaction will reduce Teekay parent's net debt while also increasing the value of our limited partner and general partner interests in Teekay LNG.

Given our priorities to delever and improve our profitability we have been and will continue to be very selective with any new capital investments and will only pursue projects with higher return hurdles.

With that I will now turn the call back to Bjorn to conclude.

Bjorn Moller: Well, thank you, (Vince). Summing it up on slide 12, as you just heard (Vince) describe, we have made excellent progress in building our financial strength and flexibility. The key focus area going forward will be to enhance our profitability through re-contracting existing assets and we are making progress on this front.

Even with spot tanker rates having come off their 2009 bottom you see 2010 is not a year of volatility so we're managing our spot exposure in a relatively conservative way. We have unrivaled forward fixed rate coverage with 11.5 billion of forward revenues and we generated more than 550 million in annualized fixed rate CFPO.

Our platforms in the offshore gas and conventional tanker businesses provide great optionally and will give us access to attractive investment opportunities in the future. However, as (Vince) indicated with our focus on continued delevering of Teekay parent's, we will be patient and selective in committing to future investments by targeting high hurdle rates.

In closing we're confident that Teekay is well positioned to create long-term shareholder value. Thank you for listening in and we are now open to your questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, please press star 1 now. To remove your question, please press the pound sign. We will stand by a moment to assemble the queue.

The first question on the line comes from (Michael Lepin). Please go ahead.

(Michael Lepin): Good morning guys, how are you?

Bjorn Moller: Good morning.

(Michael Lepin): Just a handful of quick questions. And I guess it's the macro questions first. On the supply side, can you give a little bit of color on where you think single hold utilization rates are right now? You know we're 2 months into the year, have you started to see some vessels actually come out yet or are they still actively bidding business?

Bjorn Moller: We have seen significant scraping ((inaudible)) the pace of last year so the pace of scrapping has increased and that's been on non-double hull vessels primarily. There's some use of single vessels for storage in some locations so that's obviously you know in that sense if you count the storage fleet as being taken out of the active supply then they have 100% efficiency as storage vessels.

But generally my sense is, although we're not directly involved because we don't have single hull vessels.

(Michael Lepin): Right.

Bjorn Moller: Anecdotally, the sense is that they very marginalized so very low effectiveness but they are being used for storage and they are trading in certain countries, in Asia in particular.

(Michael Lepin): Got you. That makes sense. On slide 8, you guys give I guess a 45% compliance rate through I guess your base case and 65% compliance free in your kind of recovery case. So I guess a little bit lower than we've seen I guess that's come from some competitors and I guess general market estimates.

What I guess – what is behind that 45% compliance number and what do you think it would allow the remainder of that fleet to continue trading this year?

Bjorn Moller: Well I just want to point out we're not really trying to give guidance here. We're just trying to show the mechanics of the what ifs. So it's an arbitrary number but it's also a pragmatic number knowing that you know this is not a steal box that they're putting people in.

It's a net with escape routes here and there. So I mean it's really a commercial hammer that's going to drive these ships to the scrap yard. The regulatory aspect has enough loopholes that you're not going to see every ship leave in 2010.

I think it's going to be driven by server dates and so on. So we think this will be effectively phase out, whether they leave the fleet or they just produce their efficiency further over time.

(Michael Lepin): On slide 4 you mentioned that you see an increase inquiry for fixed rate business. Can you give a little color I guess on the duration of that business and whether or not that's kind of spread evenly across your asset base or is that more concentrated within a specific asset class?

Bjorn Moller: There's the most inquiries from the off shore sector and the typical interest is sort of in the reach of 7 years I would say. And by then, in some cases with shuttle tankers it's 10 to 15 years.

There's a little bit more activity on time charter in the conventional space, but it's mainly 1 to 2 years. So that's not really what I would characterize as a change, but it's more the fact that the offshore market has become very active again.

Of course our involvement is sort of the part of the chain that follows the drilling. So there's a lot of activity that has taken place in the last several years in the drilling sector. This is now kind of assembly lining down to the production and the storage and shuttling sector.

So we see a nice cluster of activity coming up.

(Michael Lepin): Makes sense. Actually we've been to my – I guess my next question was in the offshore segment.

Has there been any thought or I mean is it a realistic possibility to potentially move into other asset classes within the offshore segment, potentially upstream to more drilling or potentially ((inaudible)) rigs?

Bjorn Moller: That hasn't been considered. I consider the drilling business very different from the production business. It's much more cyclical and very different, so we haven't looked at that.

(Michael Lepin): OK, all right guys that's, all I have. Thanks for the time.

Bjorn Moller: Thank you.

Operator: Thank you. The next question on the line comes John Chappell with JPMorgan. Please go ahead.

John Chappell: Thanks, good morning guys.

Bjorn Moller: Hi John.

John Chappell: I just want to follow up in the offshore business. I know you probably don't want to give away too much information on the pricing environment, given you're in the process of renewing those contracts.

Could you just give us a wide range of how things may have changed now versus when you were able to re-charter the Varg? We've heard a lot about you know rig prices, deep-water rig prices coming down on the contracts. Have you seen the same with the FPSO environment?

Bjorn Moller: No, I mean the big potential value ((inaudible)) there were two things. There was the operating platform, but then there were also (out of the) money charters, so I guess we see significant re-pricing potential.

Because by virtue of the ships being out of money in the first place. So I would say prices are pretty stable in the FPSO business. They have been on the firm side, there is more activity. I would say we're certainly not seeing the trends we're seeing on the drilling side.

John Chappell: So the magnitude of the out of the money contracts haven't changed at all over the last 12 months or so?

Peter Evensen: Yes, and I would add John, that on the drilling side you've seen a number of owners ordering speculative units with the idea that they would get charters, where the nature of the FPSO business is that there aren't that many speculative units and people.

And there isn't one size fits all so, the idea that on these tenders you have to supply a FPSO on a build to suit basis, and we haven't seen the shipyards reducing their prices by that much. So I think it's a question more of scarcity value.

As Bjorn said, the demand for FPSOs is starting to move up as the oil companies are now more confident about the oil price. And so that's what's giving the extra demand and giving us the chance to bid on many more contracts in FPSO, FSO, and shuttle tankers.

John Chappell: Got it, that makes sense. OK, on the selective growth opportunities for this year, I understand obviously the net debt free Teekay is something that you aspire to, but this may be the time or maybe the trough of the market and there may be opportunities out there.

Won't hold you to anything, but which areas of your pretty diverse business today have the most attractive kind of those return hurdle rates that you were talking about?

Bjorn Moller: Well I would say the we are most excited and the near time about the offshore market, so shuttle and FPSO, that's the place where we think we have a niche, and where the modest growing and there is not a lot of spare supply.

The gas business has indicated it is very quiet and I don't see there being a lot of investment opportunity. At some point there may be a consolidation play in that sector, but we haven't seen that yet.

And on the conventional side, while I agree that prices have come down significantly and may appear to have found a bottom, a slight uptick even, I would argue that with the backlog of new ships delivering, and the fact that the world is not yet out of the woods economically, we think we can afford to wait and watch the situation.

We think in 1999 and 2002, in those dips, there was a danger in acting too late. I think this time around there may be a danger in acting too early. We don't think the market will get away from us. Obviously if we see it turning, that may change our thinking.

But at this time we feel comfortable that the opportunities that will come down the road will be as good as or better than what we see now.

John Chappell: OK, so you don't necessarily view it as bouncing along the bottom? You think there's a very solid potential, once again not holding you to it, but a very solid potential that there is more downside in the conventional tanker assets?

Bjorn Moller: We certainly don't discount it, but we also have identified in our model for the anatomy of the recovery as we call it. That you can read it off, there is a possibility that you can get a stable to slightly firming market. We don't rule that out.

But I think there's volatility ahead.

John Chappell: And then finally on your charter end strategy, obviously you've been focusing a lot on unwinding some of the charter ends.

I did notice from your fleet list that you've chartered in a VLCC, I won't ask for the economics of that, but, are you starting to be a little bit more flexible on taking some back in on charter ends and has the time horizon changed on those?

Are you looking for much shorter term charter ends to meet kind of seasonal spikes in the environment?

Bjorn Moller: I think the VLCC is maybe an aberration in the reporting, we have one VLCC on in charter. We've had it for 5 or 6 years. It has annual extension options and the vessel has subsequently been re-let by us and our companies.

So that was a ((inaudible)) that we exercised one of the annual options and the vessel continued on its charter to an oil company through us. So there's no – we're not dabbling in VLCC and charters at this time.

John Chappell: OK.

Bjorn Moller: But you know in charters is something we have had the benefit of dialing up and down and of course our tonnage pools give us a very nice footprint in the market, even if the P&L fleet numbers for Teekay are down.

So we have a lot of flexibility on that and at this time we're not in chartering vessels. But we're looking at it and we can move quickly should we decide that the risk reward ration moves into the green territory.

John Chappell: OK, great. Thanks Bjorn, thanks Peter.

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

Gregory Lewis: Yes, thank you and good morning. Bjorn you mentioned some issues you know facing the gas market and that it was fairly quiet.

Could you go into some detail on the reason that the FLNG projects simply became less attractive and does that sort of give you concern for the longer-term outlook of these types of projects?

Bjorn Moller: Well the project that we were investigating (Kidemat) was a specialized needs project that had a different design concept than the typical projects you're seeing in the market.

In fact it was kind of a low tech, low complexity project, and the thing that made it not work was simply the size of the production and the cargos relative to the distance, relative to the price of gas.

And I guess the long term contracting of gas, in Asia in particular, is a dynamic that can be tricky. So if you look at FLNG more generally, I mean there certainly is still rumblings out there, but these are very large complicated projects.

Or at least there's a range of projects where the high end is very large and complex, and expensive. The sticker price of 5 billion was mentioned around a shell FLNG project for Australia, which I'm not sure whether we'll go ahead.

But it has been talked about that they ordered a unit in (Samsun). And then there are other lesser projects. It's something we're following and we have all the capabilities through our processing experience, our L&G containment, transshipment, conversion, top sides.

We have all the skill sets. It's just a matter of making a – I don't think you necessarily want to be first to be first on the industry.

Gregory Lewis: OK, and following up on that, given the huge capital outlay for those types of projects, do you have joint venture agreements in place or would those be something that would sort of be set up as projects came available?

Bjorn Moller: I think we would typically do that on a case-by-case business. I know that some other players in the industry have recently teamed up, but that I think that was more a function of trying to combine the skill set, the missing skill set, than necessarily a risk spreading.

But I think we clearly would not plunge into a huge project like that without very careful consideration to capital.

Gregory Lewis: OK, great. My last question is regarding to you know the announcement of the drop down of those three assets into (TGP).

I guess my first question regarding that is where those three vessels with those long term contracts, were those contracts already on those ships before those assets were targeted for the drop down?

Peter Evensen: Those assets were ordered with those contracts or converted with those orders in place. So those were existing assets up at Teekay, which Teekay LNG chose to buy because it fit our model of buying vessels with long-term contracts.

As the gas market wasn't yielding us enough assets to have an accretive transaction, we thought that was our best opportunity to continue to grow our distribution down at Teekay LNG. And as it relates to the gas projects in general there is a short-term hiatus but what we've been focusing in is these niche opportunities. What (Kitty Mat) was which was the export of gas from Western Canada was an interesting project because it was a quick to market project. And whereas most of these liquefaction plants are very large and take years to build we could supply a smaller unit but much quicker. And while the economics didn't work out there are these opportunities that we look at and one opportunity we continue to pursue is a floating storage re-gas unit in Israel for example which is on a joint venture basis.

And so there's all these nice opportunities that we look at, but it isn't part of a commodity trend it's just as the different requirements come up for both export as well as import.

Gregory Lewis: OK, great. Then when I'm looking at you know potential future drop downs, are there any existing vessels in Teekay parent in the form of I guess more traditional tankers that sort of have you know longer-term contracts at this point that could be future drop down candidates?

Peter Evensen: There are more assets up at Teekay that have longer-term contracts. We have three daughters one focused in on the gas, one focused in on offshore, one focused in on short-term tankers. So there isn't a natural place for tankers with long term contracts however, the Teekay LNG will continue to focus in on the gas side and the offshore side is for the offshore side. And then for the short-term tankers that just vessels that are on 0 to 3 year contracts.

Gregory Lewis: OK, great thank you very much.

Peter Evensen: Thank you.

Operator: Thank you the next question comes from Urs Dur Lazard Capital Markets please go ahead.

Urs Dur: Good morning and thank you for your time.

Bjorn Moller: Thank you, Urs.

Urs Dur: My question is sort of follow-up to (Greg's) initially on the drop down of the three ships. What's the gain on sale to the parent? I didn't see it listed anywhere or is that revealed?

Peter Evensen: Urs given that this is intra company sales with ((inaudible)) Teekay LNG there will no gain or loss recorded.

Urs Dur: OK, perfect yes, that's OK perfect makes sense. On OpEx it's a little bit higher than I expected I need to mention that you did a lot of maintenance in the fourth quarter which is fair enough. And you gave very nice guidance on many other items or ideas what's the outlook for OpEx in 1Q what should we be looking at.

Peter Evensen: As I mentioned I think again the Q4 number is higher than normal due to timing differences. In Q1 we're expecting it to be about 5 to 7 million lower on a consolidated basis.

Urs Dur: Five to seven lower. OK thanks I missed that. Very good and (Vince) can you tell us also what's the net debt to cap at the parent now?

Vincent Lok: Net debt to ca) is about 56% I believe around there but on the …

Urs Dur: Recourse sorry recourse net debt to cap.

Vincent Lok: When you look at the parent company only it's about 28% on the net cap …

Urs Dur: It's 28% yes, OK very good thank you that's extremely helpful and thanks a lot for your time guys.

Vincent Lok: OK great.

Operator: Thank you the next question on the line comes from (Justine Fisher) with Goldman Sachs please go ahead.

(Justine Fisher): Morning.

Bjorn Moller: Hi (Justine).

(Justine Fisher: So just to clarify on the question on the drop down. So you guys – so the reason why you dropped those down to Teekay LNG as opposed to the others is that Teekay tankers is focused on short-term. And then for Teekay offshore the tankers in Teekay offshore are on long term charters as well aren't they?

Peter Evensen: Yes, they're on charter back to Teekay and that was part of the tax planning that we put in place on Teekay offshore at the beginning but we – but there are plenty of assets for Teekay offshore to acquire in the offshore segment. So it's not interested in purchasing more tankers.

(Justine Fisher): Oh good so really then essentially the only daughter company that's appropriate for those long – for those time chartered out tankers is LNG.

Peter Evensen: I would say yes that's true.

(Justine Fisher): OK. And then I know that you guys are not looking at yields at the moment in the tanker segment. I think it makes a lot of sense as far as holding back if you think the market is going to become more troubled as far as asset values goes. But we've seen other shipping companies that's you know getting deals not that are too good to resist but you know deals where they'll get a serious discount on (bevels) if they pay more cash up front, et cetera. So if you guys were presented with opportunities like that as opposed to (Vanilla Acquisition) from a yard would you take that opportunity?

Peter Evensen: I think the environment for investing in the tanker market as Bjorn said is going to be better later on than sooner. And the real reason we think that is because the last (bo high) we took delivery of was ordered about 2-1/2 years ago when rates were and order prices were reasonable, so the vessels you're taking delivery of now are in the money or still worth their net asset value. But the ships that are going to be delivered later in 2010 and into 2011 were ordered at as much as 50% more than what they're worth today.

And that sets up an interesting dynamic so to buy now when you have some really interesting dynamics that are going to unfold over the next 6 to 18 months seems to us not to be the best way to use our shareholder funds. So we're waiting to see those opportunities we get to see a lot of opportunities coming our way, but we believe it will be better later rather than sooner.

(Justine Fisher): So as far as far as that dynamic I want to I'm – how does that dynamic unfold? Like if we've got these vessels coming at very high prices versus what they'd be priced at today is the dynamic that you would take advantage of because those owners may not be able to pay the rest of the price so the yards will be selling them at distressed levels. Or is it that the owners would turn around and flip them I mean how exactly does it create opportunities just because they were vessels ordered at …

Peter Evensen: Well, I think there's three stake holders here, there the owners, there's the banks that are financing the owners and then there's the shipyard and so depending upon the financial profile of the owner he may or may not have the money to complete that order. And his banks may or may not allow him to complete that even if he wants to. So there has to be a negotiation between the owner, between the shipyard and the bank will of course be involved. So we think there's opportunity and we can go in through the debt or we can go in through the equity or if they abrogate their contract we can come and help the yard.

And so we're focused in on working with all the different parties in mostly one off transactions and that's what think the opportunities will come, but it's a it's a slow moving dance. Everyone is focused a lot in on distress but as Bjorn said these things take time in order to work themselves out and I think that's what the market is finishing. But we're while we're more conservative about the tanker market is we think ultimately these vessels will come out on the market. The question is in what form and at what cost price and Teekay is good at harvesting these kinds of opportunities.

(Justine Fisher): Right OK. And then just one more question to make sure that we've got the vessel numbers going forward right so did you guys go over the time charters that you have expiring if any in 2010? And then when are these shuttle tankers and LNG carriers that are the Newbuilds on order being delivered?

Bjorn Moller: Shuttle tankers, I can answer that one, but first have one vessel in Q3, one vessel in Q4 of this year and then two more vessels in the second half of 2011. Do you have some numbers on time charter to ((inaudible))?

Male: In terms of in charter vessels we have one coming off in Q1 and then there's three coming off in Q2 and another two in Q3. We do give a summary of the conventional fleetson slide 17 as well of our presentation.

(Justine Fisher): Right. But I just didn't know if those included vessels that – that's the Teekay parent fleets. I didn't know if those included vessels that you're dropping down but that aren't necessarily leaving the corporate fleets. So that – OK I'll put those numbers in, that's fine thank you.

Operator: Thank you the next question comes (Daniel Burk) please go ahead.

(Daniel Burk): Yes, good morning guys. Question I do want to return to the shuttle tanker still on order you have a decent amount of capital invested there. Can you expand any on the outlook for the (Emmison) class? I guess we presume that given the way they're outfitted they'd be headed to the North Sea is that a reasonable presumption you know how do you see the – how do you see the market excepting those assets here as they get closer to delivery?

Bjorn Moller: Well there certainly are – these are some of the most sophisticated shuttle tankers ever built and they definitely have features that make them very useful in the North Sea. I should note that Brazil is also upping its technical requirements significantly. They have a tender out at the moment where they actually are looking for huge amount of thrusting capacity. And so they're upping the ante as well so I think having sophisticated Newbuildings on order in a market where there's little spare capacity and growing demand is very exciting. So I would say that it will be – it could be the North Sea but it may not necessarily be.

(Daniel Burk): OK. And then sticking with the off-shore just one other question on the FPSO side I'd assume then looking at sort of the harsher environments you'd similarly be focused pretty specifically on North Sea and Brazil opportunities is that a fair way of looking at it?

Bjorn Moller: I think where it's about those on the issues where I think Teekay has specialized skills, operation intensive markets, harsh weather and not necessarily ultra deep water but we can defiantly operate in those niches. There are a few other places around the world I'd say where harsh weather is an issue so I think we have a number of places we can go. We certainly have more options than people who are sort of benign whether to enter the market.

(Daniel Burk): OK. And then one last question coming around to the conventional tanker market you pointed out in the recovery case you know the roll that utilization of first gen double hulls could play in terms of you know potentially tighten in the market Bjorn. Have you seen maybe not recently but last year when the market was slower you know discrimination creeping into that first gen double hull market or how do you see that unfolding over the next couple of years?

Bjorn Moller: It's definitely there, it's reality and I would say you know we pride ourselves on the both the technical standard but also the cosmetic appearance of our vessels. I would say our vessels are of the high standard yet you know if you have a 17, 18-year-old ship and there's one little deficiency they flip the switch on being out of getting approval way faster than they ever used to in the past.

So I would say the oil companies, when they have a choice and there's lot of supply of modern tonnage you know they are being extremely selective. And so it is a reality I think you're going to see that – not – it will be a buffering.

Like the single hulls we're buffering there in the early transition to double hull the same will happen with ships over 15 years of age, in my view. They will be the last to get employed in most markets especially with a lot of Newbuildings coming in.

So I think you'll see stratification of the fleet. And that helps, I think, dampen any surplus supply.

(Daniel Burk): Thanks for your comments.

Bjorn Moller: Thank you.

Operator: Thank you. The next question comes from Scott Burk with Oppenheimer. Please go ahead.

Scott Burk: Hi guys. Just a couple of follow up questions here, you talk about the recovery case in your presentation. And kind of a median point would be say 88% utilization. But then you also talk about you know reducing – focusing on reducing your spot exposure.

So does this imply that you think the risks are higher to the downside near term? And also how actively will you be looking to charter out vessels on any kind of rate spikes?

Bjorn Moller: I believe we are being prudent and conservative. But we are certainly not running for cover. We have spot exposure and we are you know we have significant operating leverage still at this time.

We are hedging our bets a little bit because of an uncertain outlook. I mean you can look at the economy. People are talking about economic recovery but others are talking about sputtering economy, right.

So I don't think we're out of the woods. And we basically are playing right down the middle.

Scott Burk: OK.

Bjorn Moller: As far as chartering in or out on spikes I think we have to just play it by ear. We did cover some tonnage in the spike over the New Year. That's the four vessels that I referred to. ((Inaudible)) that we took.

Scott Burk: OK.

Bjorn Moller: In the meantime it's not like we don't have other projects to pursue. That's the beauty of the TK platform. We have good opportunities in the offshore sector that we can pursue.

Scott Burk: OK, all right. Thanks and then just one follow up for (Vince). I also missed the (DD&A) number guidance that you gave for first quarter, (Vince)?

Vincent Lok: Yes, we don't expect that to change too much from Q4. It might be up a little bit with a new billing in December.

Scott Burk: OK and then when you're looking out for the rest of 2010 and into 2011 is that first quarter indications is that going to have a good run rate going forward. Or what kind of changes could we expect throughout the rest of the year.

Vincent Lok: Well we have some Newbuildings scheduled to deliver in the second half. So, for example, we have the two shuttles in Q3. So that will increase (DD&A). And we've got another (scalgon) and vessel delivering in (DGP).

So you know the number will tick up as vessel deliveries take place.

Scott Burk: And I guess same for the – for operating expenses. Same idea?

Vincent Lok: That's right except the ((inaudible)). There is no (upticks) on that.

Scott Burk: OK and any upward pressure on G&A this year?

Vincent Lok: No, we're still maintaining the 20% savings from the peak from Q208. And we expect to be able to hold that during 2010.

Scott Burk: OK, all right. Thanks.

Operator: Thank you. There are no further questions at this time. Please continue.

Bjorn Moller: All right. Well thank you very much for listening in this morning. And we're still cleaning up from the Olympics in Vancouver. But it was a very positive event and look forward to talking to you next quarter. Thank you. Have a great day.

Operator: Thank you, ladies and gentlemen. That does conclude the conference call for today and we thank you for your participation. You may now disconnect your lines and have a great rest of the day.

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