TEEKAY SHIPPING (CANADA) LTD.

Moderator: Peter Evensen
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Operator: Welcome to Teekay Corporation's Third Quarter 2012 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 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. Peter Evensen, Teekay's President and Chief Executive Officer. Please go ahead.

(Ryan): Before Mr. Evensen begins I'd like to direct all participants to our website at www.teekay.com where you'll find a copy of the third quarter 2012 earnings presentation. Mr. Evensen 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 third quarter 2012 earnings release and earnings presentation available on our website.

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

Peter Evensen: Thank you (Ryan). Good morning everyone and thank you for joining us today for Teekay Corporations Third Quarter 2012 Earnings Call. I'm joined this morning by our CFO (Vince Lok) and for the Q&A session we have our Chief Strategy Officer (Kenneth Bid) and our group controller (Brian Fortea).

During our call today I'll be walking through the third quarter of 2012 earnings presentation which can be found on our website. Beginning on slide three of the presentation I will briefly review some recent highlights for Teekay Corporation and our three publicly traded daughter companies.

For the third quarter of 2012 Teekay Corporation generated 192 million of total consolidated cash flow from vessel operations or CFVO or increase of approximately 11% from the third quarter of 2011.

Teekay Corporation reported a consolidated adjusted net loss of $20 million or 29 cents per share for the third quarter of 2012 - an improvement from the 58 cents per share consolidated adjusted net loss that we reported in the third quarter of 2011.

The reduction in our adjusted net loss for the quarter reflects the contributions from the strategic acquisitions and new building deliveries over the past year, the redelivery of in chartered conventional tankers during the same period and the progress we've made on our profitability enhancement initiative. And this improvement is despite the loss of around $9 million per quarter in cash flow due to the bank's FPSO being off higher since December of 2011.

In early October of 2012 we completed a 700 million Norwegian kroner or approximately 123 million US dollar equivalent three year unsecured bond offering in the Norwegian bond market at a fixed all in US dollar rate of 5.5%. This was our first Norwegian bond offering at Teekay parent following previous issuances in this market by Teekay offshore and Teekay LNG which provides further diversification of our capital sources.

On the project side of our business which I'll focus on more in a moment, the (Tidad Itashay) FPSO conversion was recently completed. And following sea trials the unit is expected to sail this weekend from the shipyard in Singapore for offshore Brazil.

Teekay parent also recently agreed to sell the Voyager Spirit FPSO to Teekay offshore for $540 million with the transaction expected to close in December upon production startup in the new field.

Our publicly traded daughter entities have also been active during the fall of 2012 executing on their respective business plans. Teekay LNG partners is currently actively bidding on several LNG and floating, storage and recap projects with startup dates in the 2015 through 2017 time frame. With the September equity raise, Teekay LNG has available liquidity of $559 million and is well positioned for investment in one or more quality growth opportunities without the need to issue equity.

For the quarter ended September 30th 2012 Teekay LNG declared a cash distribution of 67.5 cents per unit which based on Teekay parent's current GP and LP ownership interest in Teekay LNG will result in $23 million of cash flow to Teekay parent for the quarter.

As mentioned a moment ago the Teekay offshore board recently agreed to acquire the Voyager Spirit FPSO from Teekay parent. This acquisition is fully financed included a new $330 million debt facility secured by the unit.

For the third quarter Teekay offshore declared a cash distribution of 51.25 cents per unit which based on Teekay parent's current TP and LP ownership interest will result in $14.6 million of cash flow to Teekay parent for the quarter.

Teekay parent has continued to tactically manage its fleet employment profile. In the face of a softening global economic outlook Teekay tankers has been adding to its fixed coverage. In October Teekay tankers extended an existing time charter out contract at an attractive rate - excuse me - increasing the company's fixed coverage for fiscal 2013 from 38% to 42% in fiscal year 2013.

For the third quarter Teekay tankers generated cash available for distribution or CAD of 12 cents per share down from 15 cents per share in the second quarter of 2012. Cash available for distribution decreased in the third quarter due to a combination of seasonally weak spot tanker rates, a higher than usual dry docking schedule and lower time charter revenue.

For the third quarter Teekay tankers declared a cash dividend of 2 cents a share which reflects the higher reserves for debt principal payments following the company's 13 vessel acquisition in June.

Turning to slide four with the one year anniversary of our Sevon transaction approaching at the end of this month, I'm pleased to note that this important transaction is yielding tangible results. As a reminder last year we agreed to acquire all three of Sevon's cylindrical FPSO's and invest in a 40% equity interest in the recapitalized Sevon.

I want to take a moment to update you on the progress of each of these investments. Last November we agreed to fund the remaining capital upgrades to prepare the Voyager Spirit FPSO for a new contract with Eon in the North Sea and then acquire this unit from Sevon once it was operating on the field.

In September after completing upgrades which primarily related to the top side processing equipment the unit left the shipyard in Norway and arrived on the Huntington field in early October. The merge on this unit has now been completed and we and Eon are in the process of pulling in risers.

The five year charter contract with Eon is expected to commence shortly following First Oil which is targeted for mid December at which time the sale to Teekay offshore will be completed. In addition to the firm period, the time charter contracts at Eon includes extension options for up to a total of 15 years.

Factoring the approximately $130 million of capital upgrade payments funded by Teekay is some set of Sevon's $230 million debt facility secured by the Voyager Spirit and payments to Sevon bond holders. Teekay off shores $540 million purchase price is expected to be approximately $90 million above Teekay parent's cost.

Moving on to the Hummingbird Spirit, this FPSO was acquired by Teekay parent as part of the Sevon transaction but it came with a shorter duration contract. During the past few months we successfully negotiated with Centrica to extend the current contract to December 2013 at a higher rate. This contract also has five additional three month extension options which if all exercised by Centrica would extend the contract out to March 2015. However we're already working on new long term charter contract to begin once the Centrica contract expires.

Finally the Perinea Spirit FPSO which was acquired directly by Teekay offshore as part of the Sevon transaction is operating under a contract with Petrabraus with five years currently remaining and eleven one year extension options.

After acquiring the unit we made improvements to the operation of this FPSO which eliminated a $7000 per day penalty starting in June 2012 and results in approximately 2.5 million of additional run rate cash flows annually.

Our equity investment in Sevon Marine has also yielded results. After using the proceeds from the sale of its FPSO's to clean up its balance sheet, Sevon has stabilized its cash flows and is now operating properly. The new asset like Sevon has been allowed to focus on its core engineering competency and during the past year has been successful generating new business including feed studies with Dana Petroleum in the Western Isles project and Start Oil on the Screw Guard Field and a licensing agreement for use of its cylindrical hull technology on the Western Isles project.

Prior to November Teekay petrel and Sevon were often competing on offshore projects in both the North Sea and Brazil. Now through the cooperation between these two businesses Teekay petrel and Sevon now have the broadest offering in the FPSO space able to offer competitive solutions using either ship shape or cylindrical hull technology.

Turning to slide five - during the last quarter's earnings call I provided an overview of the numerous projects underway at Teekay and our current focus on project execution. During the third quarter and fourth quarter so far we've continued to make good progress. The ability to deliver these projects on time and within manageable cost parameters is critical for achieving targeted returns and through the dropdown sell to our daughter companies frees up capital and resources to deleverage Teekay parent's balance sheet and focus on new growth projects in the future.

I'll provide brief updates on a few of these projects I touched on during last quarter's earnings call. However I'd like to take a moment to discuss the status of the Petrel One FPSO. In late

October we received notification from Start Oil that commercial services of the Petrel One will no longer be required on the Glitna Field in the North Sea beyond April 2013.

Overall we view this as a positive development since production on the Glitna Field has been in decline and the Petrel One has been generating only modest cash flow. This development allows us to start planning the redeployment of the Petrel One into more lucrative employment ahead of schedule. And we currently have strong leads on several attractive project opportunities.

The re-contracting of the Petrel One FPSO is aligned with one of our core strategic areas of focus which is improving the profitability of our existing assets. Turning to slide six I'll update you on a couple of these notable cost saving initiatives that are currently underway.

In our conventional tanker operations, establishment of Teekay Marine Limited or TML has been completed. This new subsidiary company which is 51% owned by Teekay and 49% by Anglo Eastern Group was formed to provide efficient technical management for Teekay's conventional tanker fleet. The new company combines Teekay's operational leadership and customer service with Anglo Eastern's economy to scale and access to marine resources.

The transition of technical management to TML commenced in September and the transfer of all employees and systems is now complete. Through this initiative we've consolidated operations to Singapore and Glasgow from four locations previously significantly reducing our overhead cost.

In September we also commenced a reorganization of our onshore shuttle tanker operations based in Stabunger, Norway. This reorganization is expected to be completed by mid 2013. Once the cost savings initiatives and our conventional tanker and shuttle tanker businesses are completed we expect to realize an annual run rate GNA cost savings of approximately $15 million. In addition we're also exploring other opportunities to generate vessel operating cost savings going forward.

Turning to slide seven I'll provide an update on the (Sidod Itashay) FPSO conversion project. In late August the shipyard encountered issues during sea trials which resulted in a two month delay in delivery. The delay will have no material financial impact to Teekay and the (Sidod Itashay) conversion has now been completed and new seat trials on the unit are currently underway. The unit is now scheduled to depart the shipyard in Singapore on November 10th for its field in the compost space in offshore Brazil.

Startup in Brazil is scheduled for early Q1 2013 at which time the (Sidod Itashay) will commence a nine year time charter with Petrabraus. Under the omnibus agreement between Teekay parent and Teekay offshore - Teekay parent intends to offer its 50% interest in the (Sidod Itashay) FPSO Teekay offshore following First Oil in the first quarter of 2013.

Turning to slide eight - I'll provide a brief update on the Petrel Cañar FPSO new building - our largest FPSO project. In September of 012 the hull was launched from the dry dock at the Samsung shipyard in Korea and installation is now proceeding on the unit's top side equipment and turret.

I will note that the line share of work and complexity on an FPSO construction project is in the top sides. Following topside integration and mechanical completion the Petrel Cañar FPSO is scheduled to sail for the Cañar Field in the North Sea and is expected to commence its time charter contract with BG following First Oil in the first half of 2014.

I'll now turn the call over to (Vince) to discuss the company's financial results for the quarter.

(Vince Lok): Thanks Peter and good morning everyone. Today I will review our third quarter results and later on I will provide our outlook for the fourth quarter.

Starting with slide nine I will review our consolidated results for the fourth quarter comparing an adjusted income statement for Q3 against an adjusted income statement for Q2 which exclude the items listed in appendix A to our earnings release.

Please note we have also adjusted both our Q3 and Q2 income statements for the impact of the pre delivery activity of the Voyager Spirit FPSO which is treated as a variable interest entity or VIE for accounting purposes which is consolidated into our accounts even though we will not acquire the vessel until it commences operations.

You will notice that the VIE results are non cash to Teekay and have no impact to our bottom line as the net VIE results is backed out of the non controlling interest line.

Starting at the top net revenues decreased by 10 million mainly due to higher level of scheduled maintenance activity in our FPSO fleet which is typical during the summer season in the North Sea, a decline in spot max rates, a heavier dry dock schedule and in charter redeliveries in the conventional tanker fleet.

These were partially offset by higher project revenues from the shuttle tanker fleet and higher revenue from the LNG fleet as there was a scheduled dry dock for one of our LNG carriers in the second quarter.

Vessel operating expenses increased by 7 million due to the North Sea maintenance fees for the FPSO and shuttle tanker fleets and a heavier dry dock schedule for the conventional tanker fleet in Q3. Although vessel outtakes increased in Q3, the increase was much smaller than we expected as a result of better cost management and some timing differences.

Time charter hire expense decreased by 4 million due to the in charter vessel deliveries over the past two quarters partially offset by higher spot in chartering in our shuttle tanker fleet.

Depreciation and amortization decreased by 2 million due to vessel sales and the completion of dry dock amortization on certain vessels.

GNE expenses came in slightly below our expected range and were consistent with the prior quarter. Net interest expense was slightly lower in the third quarter due to higher capitalized interest on our new buildings under construction. Equity income increased by 5 million due to primarily to higher equity income from our LNG joint venture.

Non controlling interest expense decreased from 34 million as a result of lower adjusted earnings in Teekay tankers partially offset by higher adjusted Q3 earnings and the September offerings in both Teekay offshore and Teekay LNG.

Looking at the bottom line adjusted net loss per share was 29 cents in the third quarter - a slight decline from the previous quarter's adjusted net loss of 25 cents. However overall the third quarter results came in better than expected.

Turning to slide ten we have provided some guidance on our consolidated financial results for the fourth quarter of 2012. Starting with our fixed rates fleet, revenues from the Foinhaven FPSO is expected to increase in Q4 by a total of 29 million. 25 million of this is the additional revenue we recognized in the fourth quarter of each year under the Foinhaven contract upon meeting certain annual operating performance measures, oil production levels and is based on the average oil price for the year.

An addition of 4 million of revenues is expected from the Foinhaven due to the unit returning back to service after its planned shutdown in Q3. This is partially offset by a net reduction of 2 million due to lower project revenues in our shuttle tanker fleet partially offset by the Naveon Saga SSO returning to service after its scheduled dry docking in Q3.

Spot revenue days are expected to increase by about 90 days as a result of vessels that underwent scheduled dry dockings during Q3 returning to service in Q4. So far in Q4 we have fixed approximately 40% of our spot affermax and sewagmax revenue days at average TC rates of $15,000 a day and $13,000 per day respectively compared to 12,200 per day and 13,700 per day respectively in Q3.

As a rough rule of thumb for each $1,000 per day change in spot tanker TC rates, that results in a $2 million change in our consolidated revenues per quarter. Overall vessel operating expenses are expected to decrease by approximately 2 million in the fourth quarter due to the completion of our scheduled summer maintenance which is partially offset by some of the life extension work on the Foinhaven FPSO previously scheduled for the third quarter and now for Q4.

Time charter hire expense is expected to decrease by a further 2 million in the fourth quarter reflecting the redelivery of an in charter vessel during Q3 combining with a lower spot in chartering expected in the shuttle fleet. There are no scheduled redeliveries during the fourth quarter. Depreciation and amortization is expected to remain consistent with Q3. We expect GNA to be in the range of 48 to 50 million for Q4.

Net interest expense for Q4 is expected to increase by 1 million due to the impacts of the Teekay Norwegian bond issue in October. Equity income is expected to be consistent with Q3 and income tax expense is expected to be approximately 2 to 3 million in Q4. Non controlling interest expense is expected to be approximately 35 to 37 million in Q4 reflecting higher expected adjusted earnings in Teekay tankers and the fourth quarter impact of the September equity offerings in Teekay offshore and Teekay LNG.

So in summary Q4 is expected to be meaningfully stronger than Q3. Please note that this guidance does not yet include any income from the Voyager Spirit FPSO and thus there’s additional upside should first all be reached during December for that unit.

The Voyager Spirit is expected to contribute annual EBITDA of approximately 70 million. However we also expect an increase to non controlling interest expense as a result of the unit being owned in Teekay offshore.

The unit is fully financed so there's no need to issue further equity as a result of the already completed September equity offering in TOL and the related 330 million debt facility is on track to be completed in December.

There's also additional upside earnings potential going forward should Teekay LNG be successful in making a creative acquisition with the 180 million of equity that TGP raised in September.

With that I'll turn the call back to Peter to conclude.

Peter Evensen: Thank you (Vince).

Turning to slide eleven - as I mentioned at the start of the call, 2012 is a year of execution for Teekay. After committing to approximately $3 billion of investments in 2011, we're now primarily focused on executing on our current project portfolio and our initiatives to lower operating costs and enhance the profitability of our existing businesses.

As the graphic on this slide illustrates, Teekay has a lot on the go and our projects span the globe. This requires an internationally minded Teekay team with the knowledge and capabilities to efficiently execute on multiple projects simultaneously leveraging key relationships with shipyards, vendors and customers in all of our operating regions from Singapore to Brazil to Norway to name just a few.

Thank you for joining us on the call today. Operator, we're now ready to take questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing the star key followed by the digit one on your telephone keypad. If you are using a speakerphone please press - please un-mute your phone. If you have signaled for a question prior to hearing these instructions on today's call, please repeat the process now by pressing star one again to insure our equipment has captured your signal. We'll pause for just a moment to allow everyone the opportunity to signal for a question.

Our first question comes from Justin Yagerman from Deutsche Bank. Please go ahead.

Justin Yagerman: Hey, good morning guys. So I guess the first question is more of a strategic question. Peter, you just kind of summed up by saying you're going to be executing on current projects in the portfolio and it feels like a lot of the bidding that's being done right now for new projects is at the daughter level. So how should we think about new projects coming in to the parent level company? What are you guys looking for? You didn't touch too much on LNG here in the presentation. What kind of projects fit your criteria to really get you over the hump to want to do new stuff at the parent level right now?

Peter Evensen: Well that's right. Our concentration on the parent level right now is to de-lever the balance sheet. And so when the Voyager Spirit gets dropped down that'll be about $500 million in de-levering. And then we have the Cañar FPSO which will move through in 2014. So we're back on a path of rearming the gun as I like to say up at Teekay parent and that's by executing on these projects and dropping them down and that includes the (Sidod Itashay) although that's much smaller.

And so the focus on the new projects is for the daughter companies. When we look at new LNG projects or offshore projects we always look at whether they'll be accretive in the daughter companies because that's who we're working for. And on the LNG side - as I mentioned - we're seeing a lot more tendering activity but it's for liquefaction plans that are going to come on in 2015 to 2017. And we're really excited about that opportunity.

What we're seeing in the near term is of course that LNG prices in Asia have come down from the summer from $18 down to about $13 and that's meant that a little bit of the steam or froth has come off of that market. And so you've seen fixtures both drop in the actual rate that they're getting and the actual amount of fixtures. But that doesn't affect us at Teekay LNG partners because everything we have is fixed out.

The other thing that we're trying to look at is that the daughters can do direct acquisitions. And that's why Teekay LNG partners raised its money to look at a near term acquisition and not wait for the tendering activity. And in of course Teekay offshore partners they have the shuttle tankers which they bid on directly and which will be delivered in succession over the back of 2013.

So if I go back and talk about what's happening at Teekay Corporation, they're benefiting from these GP cash flows and we're really not looking to add fixed assets at the Teekay Corporation.

Justin Yagerman: Okay. And so looking at a couple of the projects you'll be working on - when you think about the Petrel One, what type of charter do you guys want to get in order to get that asset to a place where you can potentially drop it down and use that as another new levering opportunity.

Peter Evensen: Well the Petrel One has been redeployed something like ten or eleven times since it was delivered. So it has this benefit of being a unit which is acceptable on the North Sea. And because it's an older unit it has a replacement cost that it competes against new buildings. So we're quite confident we'll get a much - well we're very confident we'll get a much better rate than what we had on the Glitna Field. But it competes favorably because and the alternative is to order a new building.

Justin Yagerman: And there are upgrades that would be needed to make that asset more competitive?

Peter Evensen: Yes. There's always upgrades that you put in place that are usually field specific. And since it's been out on the Glitna field for a while we would make upgrades but that is of course covered in the new contract.

Justin Yagerman: And Peter looking at the Petrel, you guys have talked a little bit about JV possibilities there. I didn't hear anything new there. Is that something that you're still looking to market or you intend on going it alone on that asset?

Peter Evensen: I don't think we've given specificity on whether we would bring in partners on that. Right now we're concentrating - we put in place a pre-delivery financing and we're waiting for BG to declare whether it'll be a six year or ten year asset and then we'll put in place post delivery financing and then we'll look at whether we dropped it all down into Teekay offshore or whether we've looked for partners.

Justin Yagerman: Okay. And then the last question just on vessel given that was where at least some of the beat was in our estimates. I'm curious if you can go into a little bit more detail on how the relationship with ((inaudible)) is benefiting Teekay parent and where you see the real advantages to that scale that they audit.

Peter Evensen: Well I'll talk about the advantages but actually we haven't seen the benefit of Teekay Limited yet in our numbers. That's something that's going to flow through mostly a little bit in the fourth quarter but much more in 2013. So the savings that we had in this quarter were really by our guys working the assets much harder especially on the operating costs that we had in the summer.

(Vince) would you add anything?

(Vince Lok): That's right. I think as we said before Anglo Eastern provides us with additional scale but also access to a bigger pool of sea shares. And so overtime we hope to achieve additional vessel optex savings in addition to the GNA savings.

Justin Yagerman: Fair enough. Thanks a lot guys. I appreciate the time.

Peter Evensen: Thank you.

Operator: Thank you. The next question comes from Michael Webber from Wells Fargo. Please go ahead.

Michael Webber: Hey, good morning guys. How are you?

Group: Fine.

Michael Webber: Hey. I wanted just to jump in first and talk about the FPSO's and I'll follow-up first I guess on the Petrel One. You know, we had that rolling off in 2014. Did that terminate early or were we just banking in options there? And then in terms of putting it back on the market, can you maybe give some sort of EBITDA range as to what you guys might expect. I think we're using 10 to 15 million now. Is that still viable?

Peter Evensen: Yes, it did terminate early. We had planned on 2014 but startup put a rig out on the field, drilled it and got a dry hull. So then they realized that they would cease production earlier. And the amount of EBITDA that we'll get on the contract really depends on which opportunity we take. So we're not in a position to give guidance on that right now.

Michael Webber: Fair enough. Is there going to be a termination payment for ending that contract early?

Peter Evensen: No.

Michael Webber: No, okay.

On the Voyager, you know, I think we had kind of a November time frame baked in. I think that's what you guys have been out with at the investor day and it's December now. Is there a significant delay there - I guess a material delay there - or is that just kind of just the slight movement. What's happening with the Voyager?

Peter Evensen: Well we're ready but the subsidy that Eon is responsible for - they're having a few issues with. And therefore we're a little dependant on when they get to hook it up. And so they've had some rough weather and so unfortunately the date is moving around a little bit and we might miss the mid December. But in any case we're there, we're hooked up, we're pulling in the risers but they do have some subsidy - not material I want to go ahead - not material issues. But they do have some subsidy issues with hooking up. So that's Eon's responsibility but it could delay the First Oil.

Michael Webber: Got you. Okay. So that mid December time frame is kind of floating at this point to...

Peter Evensen: It is.

Michael Webber: And I guess the one that's going to be my follow-up question to that, I mean, I guess the idea behind not raising TO distribution now are announcing it now and waiting until Q1. Is that just kind of a nod to the kind of incremental possibilities of delays there - some lingering risks - and maybe just a little I guess some color on your thought process around kind of delaying that TO move?

Peter Evensen: No, that's just the way we do business which is we wait for the cash flow and we raise it. We don't preempt it. And so when we earn the cash we increase it. And that's what I indicated in the release for Teekay offshore.

Michael Webber: Okay. I guess one more with the FPSO's. You already touched on the Cañar briefly in Justin's question but you mentioned first kind of mid 14 kind of page one 14 - is that still on page to deliver at the beginning of the year or has that time frame changed at all?

Peter Evensen: Well the time frame is floating because BG is thinking about whether they should make any changes to it. So that's why we widened up the field startup to say first half of 2014. So it'll either be at the beginning of that year or toward the middle of the year.

And that depends on BG. If they come and say they want to make some variations then that'll make it later rather than earlier. And that's just a normal part of when you're building an FPSO.

Michael Webber: Right. But nothing from the construction - from the yard. Nothing coming from that end?

Peter Evensen: No, that's going very well - especially as a new building. Yes.

Michael Webber: Okay. I guess maybe kind of moving kind of higher level. I wanted to talk a bit about the Cañar bond you guys did as the parent. You know, obviously you've got some kind of built in leverage here to de-lever. So I guess I would kind of like to get the thought process around, you know, kind of a sigh from getting a foothold in that market is, you know, to why the, you know, what the thought process was in terms of adding that incremental debt as the parent and, you know, potentially uses and how that factors in to your buyback map potentially in the first half of next year.

Peter Evensen: Well the Norwegian bond is, you know, we've been successful in accessing that market in the TGP and TOL. And so it's following that success. Quite simply we wanted to access that market - the parent - to gain some financial flexibility. As you know we have the Petrel FPSO that's out of commission right now and requires some upgrades. We may need some upgrades on the Petrel One for redeployment. So it just really gives us additional financial flexibility towards that.

Michael Webber: Okay. I mean, in terms of potentially returning value to shareholders down the line, does raising that money at a higher yield in the equity - does that factor in I guess to the guidance you guys talked about like that you guys gave at your investor day around, you know, potentially buybacks as it related to the first half of next year and potential dividend outside in the back half of 2013, 2014. Did that factor in at all or is this purely from a short term flexibility kind of rate?

Peter Evensen: No. We didn't give any guidance on that first of all and we actually measure ourselves more by net debt. So if we raise a little bit of debt and put it in as cash to have financial flexibility as (Vince) said, that doesn't affect any of our plans.

Michael Webber: Got you. Alright. I guess just going back to the buyback dividend, I mean, it wasn't necessarily guidance but it was definitely a talking point at the investor day. Can you maybe talk about how you think about buybacks here and or dividend upside and has that changed at all I guess since we all got together in June in New York?

Peter Evensen: Well again I would say we didn't give guidance on it. So all I'm saying is Teekay has been quite clear that we levered up and we're in the process of de-leveraging - moving down. And there's a lot of movements going forward, especially the financing of the Cañar. And so that's what we're putting in place. And so that's why we put the share buyback on hold for a while.

Michael Webber: Got you. Alright that's helpful. One more for me and then I'll turn it over.

On the LNG side, you know, you guys talked about FSRU there for a while and we've seen some of your competitors go out in business kind of using some new build slots and we're starting to get to the point where those new build deliveries would start delivering kind of in the timeframe you guys have talked about starting to warm up to us having some LNG exposure.

Is it reasonable to think that you guys could place LNG new orders sometime in the next year?

Peter Evensen: Yes. That's what TK LNG has said. When I was on that call I said that's something we're looking at which is ordering LNG new buildings. I think it's a better window to order right now. Steel prices have come off. Supplier equipment doesn't have the tightness in the supply chain and frankly shipyards are more eager. But as we've been pretty public about we wouldn't want an analogy carrier in 2013 or 2014.

We want it when the equity GAC is coming in 2015, 2016, 2017. And now with the Panama Canal opening, you know, we're seeing the Atlantic max which is more 170, 173,000 cubic and that just freights better than 155,000, 160,000 cubic. So we're doing what Teekay does which is go out, listen to the customers, hear what they want and then go look at the specs that will meet that customer requirement.

We're more conservative I would say. And so we have a build to suit type of strategy or understand the customer requirements and then order against that. But the land on the FSRU, we bid on a lot and we've lost it but that's okay because that means that we're always looking for the most profitable type of unit.

And I would just say that the FSRU's are changing as well. It used to be something where you would convert an existing one and now people are once again asking for a bigger cubic on the floating storage. You know, people were converting 125,000, 145,000 cubic but with the standard size being more like 160 to 173,000 cubic you want a big enough storage vehicle so that when you pull out you don't have to wait there for an extra three or four days.

So I mean there's real economics involved with this. So I'm quite pleased that we can go and do new FSRU's straight out of the yard rather than look to conversions.

Michael Webber: Right. And I guess along those lines Peter, I mean, having a new build voter book with those loiter assets. Has that gotten in the way a little bit of some of that FSUR activity to date and do you think new build voters should significantly help that?

Peter Evensen: I didn't understand the question.

Michael Webber: I guess the lack of an order book at TGP and the lack of those larger slots, has that gotten in the way of any FSRU contenders to date? And do you think, you know, placing some would potentially help?

Peter Evensen: No. I would just say that we've been more conservative in our bidding. That's all I would say. And, you know, there's a lot that's involved in an FSRU. And maybe we've taken some of our knowledge on bidding on FPSO's and moved it over to the gas side as well.

Michael Webber: Yes. Alright, that's all. I'll jump back on the queue. Thanks guys.

Peter Evensen: Thanks.

Operator: Thank you. The next question comes from Omar Nokta from Dahlman Rose. Please go ahead.

Omar Nokta: Thank you. Good morning.

I just wanted to bounce back onto the Petrel One. You know, it's obviously gone you said to maybe ten or more fields over the past several years. Should we expect a downtime for upgrades? Is that a couple of quarters that we would expect or is this more like a two year type of situation?

Peter Evensen: No. When it goes in between fields it generally I would say would be out for six months - maybe worst case nine months. And then during that time we would capitalize the upgrades that would go on. So you won't see it as much.

It was only making - the Glitna Field was producing around 4000 barrels of oil a day and that unit can produce, you know, 30 to 40,000 a day. So it was underutilized. So that gives us the chance to redeploy it onto a field where you can get much higher production and therefore get much higher EBITDA.

Omar Nokta: Got you. And I think the vessel - was it originally delivered I think was it the mid 90's?

Peter Evensen: No. It's 1986. It was the very first FPSO. It came into the North Sea. I'm going to date myself here but...

Omar Nokta: How much like do you think there's left on the vessel?

Peter Evensen: We see that with upgrades we could last another ten years comfortably because as I just repeat myself, not all FPSO's are compliant in the Norwegian sector of the North Sea. So it has a scarcity value. And because some of the fields that people are looking at, you can't afford a new build on. It's the perfect kind of unit for a smaller type of field which is why it's been redeployed successfully many times.

And as I said in my prepared remarks we've got some good strong leads that we're working on.

Omar Nokta: Got it. Thanks Peter.

Also just you mentioned the projects that you're seeing in the LNG segment. Is there any opportunities that you see in LPG? You've obviously operated some of the smallest ships at Teekay LNG. Do you see yourselves getting into that market maybe on a bigger scale?

Peter Evensen: Yes. We continue to look at the LPG market. We think it's interesting. We're down in the ethylene side of things a little bit conservative working with Scowgan but we see that as a good niche opportunity. You have to be very careful about which sizes that you go into and we would certainly never be in a size smaller than where we are on the ethylene side. If we did anything it would be more mid size large side.

Omar Nokta: Okay. And so are you saying maybe that, you know, maybe not conventional, you know, LPG would be more something along the sides of, you know, ethylene or some of the similar refrigerated tankers? Is that more your specialty that you're looking for?

Peter Evensen: Yes. We have the crews so it's just a matter of getting the customers. And so if we go out and talk to people and as you know I know a lot of times it's a byproduct of the LNG production. So if we find the right opportunity with contracts, yes we would look at that.

Omar Nokta: Got it. And then just one final thing and more kind of strategic, you know, five years ago you had a pretty sizeable in charter conventional tanker fleet and you've obviously scaled it down significantly here. Do you envision, you know, looking out of ever, you know, ramping that business back up and if you did I presume it would be a Teekay tanker? Is that - obviously you want to keep Teekay asset light going forward. But I guess, you know, looking ahead do you ever see yourself ramping that business back up again?

Peter Evensen: Well I never say never. It is not the intention of Teekay parent to go back into the in chartering side. Teekay Corporation - if you go back and look at it five years ago and now - tankers is, you know, 15% of what we do. So we're much more focused at Teekay Corporation on growing our offshore and LNG business and there's a wealth of opportunities there.

So I don't see Teekay Corporation getting back into the in charter business. You can ask (Bruce) in about an hour what he would do on the Teekay tanker side but he's already starting to in charter some ships there more on a short term basis. So that's something that Teekay tankers has - I guess I would say - inherited from Teekay parent.

Omar Nokta: I got it. Thanks a lot Peter.

Peter Evensen: Thank you Omar.

Operator: Thank you. The next question comes from Brandon Oglenski from Barclays. Please go ahead.

(Keith Moore): Hi guys. This is (Keith Moore) filling in for Brandon.

Peter Evensen: Hi.

(Keith Moore): Hi. I just wanted to start out with some higher level questions maybe. You know, at the analyst day you spoke about some of the growth initiatives outside of FPSO's and things. Can you maybe give us an update of where you are with some of those?

Peter Evensen: Sure. We talked about two - analyst day - we talked about two real things that are outside of our core markets. And they were our wind farm installation and the - well I guess the One Spirit conventional tanker as well.

And on the wind farm we continued to develop it. I'm pretty adamant over the fact that we have to have a customer. So we're waiting for - so we go out and listen to the customer, get the right specs. And if we do that and get a customer contract then you might find that we will order.

Similarly on One Spirit conventional tanker which is a fuel friendly. If anyone's interested there's a great video on our website showing that. We continue to talk to customers as well as shipyards. And so if we were to complete an order, you'd find that as something Teekay tankers would do.

(Keith Moore): Okay. That's some good color there. I appreciate it.

And I guess going into the quarter a little bit. I think we expected a little bit more expense on the assets operating in the North Sea. Maybe you could talk a little bit about the normalized expense there, you know, going forward. Should we maybe expect third quarter next year to be similar to this year or is it, you know, what is more of a normalized expense there?

Peter Evensen: Yes. There is some seasonality to some of the optex for the offshore fleets just because they typically do more maintenance during the summer months. So we did expect Q3 optex to be higher as I mentioned. So we did manage to reduce our cost and just better manage our cost. There was some of that work on the Foinhaven being deferred into Q4. So there are some timing differences.

So we are expecting Q4 optex to be down a little bit - about a couple million - so that's a good sort of run rate for the winter months. The summer months for next year in Q3, you know, all things being equal I guess you would expect maybe the optex would be a little bit higher if we were actually able to do more of the maintenance. But overall I think, you know, we moved into these business units. We organize our business units so that they have full PNL. And what we're seeing is those business units are better managing those costs and making better decisions both technically and commercially.

So hopefully that will yield the results going forward.

(Keith Moore): That's great. I'll keep it to two questions. Thanks guys.

Peter Evensen: Thank you.

Operator: Thank you. Ladies and gentlemen, as a reminder if you would like to ask a question please press star one on your touch-tone phone. There are no further questions at this time. Please continue.

Peter Evensen: Okay. Thank you very much. Those were great questions and we enjoyed answering them. We look forward to reporting to you next quarter. Thank you.

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

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