

TEEKAY SHIPPING

# Teekay's First Quarter 2006 Earnings Presentation

May 4<sup>th</sup>, 2006



# Forward Looking Statements

This release contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: the Company's future growth prospects; tanker market fundamentals, including the balance of supply and demand in the tanker market, and spot tanker charter rates; the growth prospects for shuttle tankers and FPSOs; the Company's future capital expenditure commitments and the financing requirements for such commitments; the Company's share repurchase program; the three long-term charter shuttle tanker contracts to Petrobras; the offers to Teekay LNG of Teekay's interests in LNG projects; and the timing of newbuilding deliveries and the commencement of charter contracts; and the valuation of the Company. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: changes in production of or demand for oil, petroleum products and LNG, either generally or in particular regions; greater or less than anticipated levels of tanker newbuilding orders or greater or less than anticipated rates of tanker scrapping; changes in trading patterns significantly affecting overall vessel tonnage requirements; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; changes in the typical seasonal variations in tanker charter rates; changes in the offshore production of oil or demand for shuttle tankers or FPSOs; the potential for early termination of long-term contracts and inability of the Company to renew or replace long-term contracts; shipyard production delays; the Company's future capital expenditure requirements; the Company's and Teekay LNG's potential inability to raise financing to purchase additional vessels; the potential inability to repurchase the Company's shares under its share repurchase program; and other factors discussed in Teekay's filings from time to time with the SEC, including its Report on Form 20-F for the fiscal year ended December 31, 2005. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.



# Highlights

- ▶ 1q06 net income of \$101.7 million, or \$1.35 per share (including specific items which decreased net income by \$17.3 million, or \$0.23 per share)
- ▶ Generated cash flow from vessel operations of \$193 million, of which ~\$90 million from fixed-rate businesses
- ▶ Strong first quarter spot Aframax rates - \$44,333, down 7.7% from prior quarter, but up 12% year-over-year
- ▶ Declared in-the-money options for 2 additional Suezmax newbuildings => total of 6 on order
- ▶ Repurchased 700,000 shares for a total cost of \$27.5 million



# Disciplined Use of Capital

- ▶ Made significant investment in growing our businesses during the last twelve months:
  - ▶ Fixed-rate: \$170 million
  - ▶ LNG: \$715 million
  - ▶ Spot: \$445 million
  - ▶ Total: \$1.33 billion
  
- ▶ Strengthened the balance sheet:
  - ▶ Leverage reduced from 42% to 37%
  - ▶ Total liquidity of \$966 million at March 31, 2006
  
- ▶ Returned capital to shareholders:
  - ▶ Repurchased ~22% of outstanding stock since Nov. 2004
  - ▶ Increased dividend 51% in Sept. 2005 – 3<sup>rd</sup> consecutive annual increase

**Growing the Business and Rewarding Shareholders**



# Teekay “Sum-of-Parts” Valuation \*

## Fixed-Rate Tanker Segment

CFVO	\$238m
Multiple	10x
Enterprise Value	\$2,382m
Less: net debt	\$(516)m
Segment Equity Value	\$1,866m
<b>Equity Value per share</b>	<b>\$24.61</b>

## Teekay LNG Partners L.P.

TGP market capitalization @ \$31/unit	\$1,106m
Pro forma CFVO	\$127.5m
Implied Multiple	13.5x
Enterprise Value of Teekay LNG	\$1,715m
Less: actual net debt	\$609m
Segment Equity Value (67.8% ownership)	\$750m
<b>Equity Value per share</b>	<b>\$9.89</b>

## Spot Tanker Segment

<b>Owned Fleet</b>	
FMV ‘on-the-water’ vessels	\$1,466m
In-the-money portion of N/Bs	\$169m
FMV of owned fleet	\$1,635m
Less: net debt	\$(228)m
Owned Fleet Equity Value	\$1,407m
In-charter Fleet Equity Value (1x LTM CFVO)	\$121m
Segment Equity Value	\$1,528m
<b>Equity Value per share</b>	<b>\$20.16</b>

## Other Assets

V.O.C. Assets	\$118m
Equity Inv. in JVs	\$148m
Equity Value of Other Items	\$266m
<b>Equity Value per share</b>	<b>\$3.51</b>

**\$58.17**

**Combined Teekay Equity Value / Share**

\* See appendix section of presentation for methodology, support and sources



# Update on Teekay's Fixed-rate Tanker Segment

- ▶ 1q06 CFVO of \$73.2 million, up 3% from one year ago
- ▶ Shuttle tanker utilization remained high during seasonally strong winter period
- ▶ Seasonal reduction in 2q and 3q CFVO expected to be greater than normal due to above average field maintenance
- ▶ Extended two medium-term shuttle tanker contracts in Brazil at higher rates through 2008/2009
- ▶ Teekay Petrojarl Offshore JV in operation. Project marketing underway
- ▶ Strong segment growth can be expected due to record high deepwater drilling



# Developments in Teekay's LNG Segment

- ▶ CFVO of \$16.6 million, unchanged from last quarter
- ▶ Teekay LNG Partners (NYSE: TGP) annualized cash distributions increased by 12% to \$1.85 per unit => Teekay share of annual distributions = \$44 million
- ▶ 9 newbuildings on-order, all progressing as expected
- ▶ Growth projections for LNG carrier demand remains strong



# Developments in Teekay's Spot Tanker Segment

- ▶ Teekay's spot fleet benefited from strong spot market and also outperformed indices

TCE / Day	Teekay (as reported)	Teekay (pure spot)	Clarkson *
Aframax	\$44,333	\$45,078	\$42,612
Suezmax	\$54,147	\$64,493	\$63,741

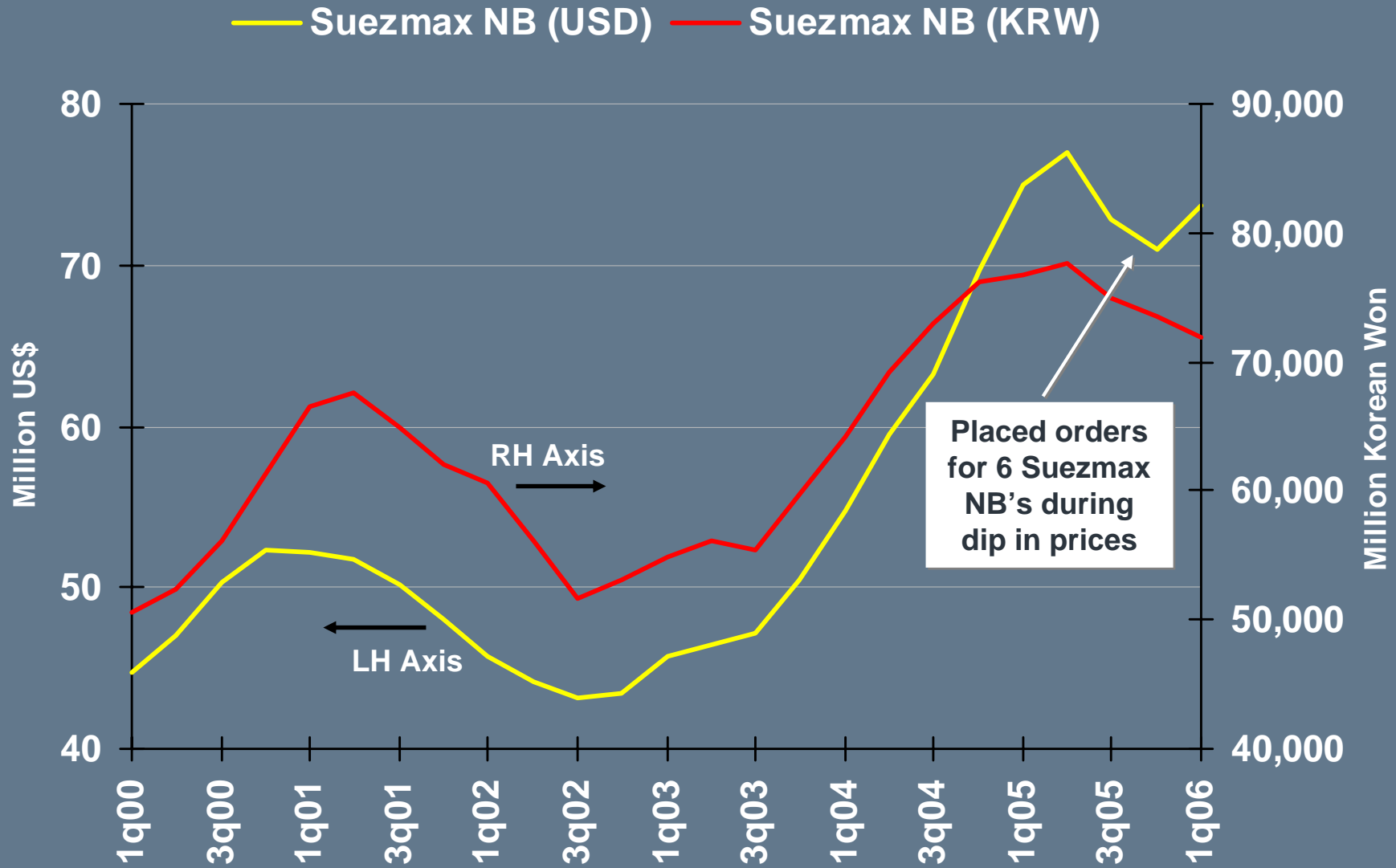
\* Weighted Aframax average / overall Suezmax average, period from mid Dec.'05 to mid Mar'06

- ▶ Product tanker earnings – highest ever quarter for Teekay
- ▶ Declared option to convert another Aframax newbuilding to LR 2 product tanker – increases Teekay's LR 2 orderbook to 4 units
- ▶ Declared in-the-money options on 2 further Suezmax newbuildings for \$144 million
  - ▶ Increases Suezmax orderbook up to 6 units
  - ▶ Expands optionality to pursue future offshore projects
  - ▶ Original order took advantage of short-term dip in prices





# Suezmax Newbuilding Prices (US\$ vs. KRW)

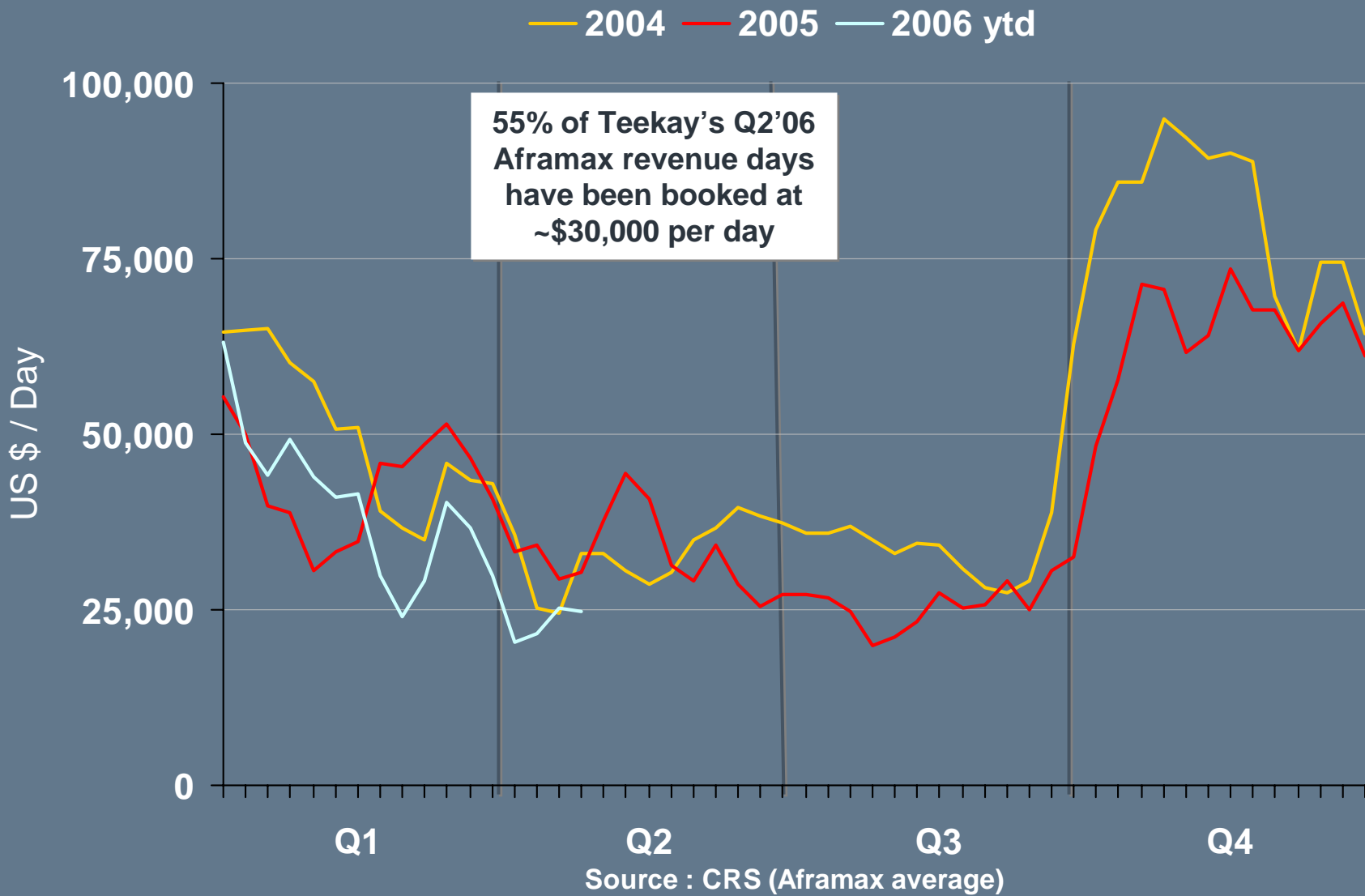


# Q106 Tanker Market Factors

- ▶ Global oil production rose to an all-time high
- ▶ 1q06 oil demand up 0.7 mb/d (or 0.9%) year-on-year and 1.0 mb/d higher than 4q05
- ▶ Chinese crude imports up 25%; Japanese crude imports up 8% year-on-year
- ▶ Crude and fuel oil movements from Atlantic basin to Asia – longer-haul tonne-mile demand
- ▶ Hurricane-related outages in US Gulf crude production / refineries persisted through the quarter
- ▶ Refinery maintenance in the US peaked during Mar'06
- ▶ Geopolitical factors led to an increase in oil price



# Aframax Tanker Rates Following Seasonal Pattern



# Continued Balanced Outlook for 2006

## Tanker Demand Growth (~ 4-5%):

- ▶ Firm global economic growth outlook – IMF increased its 2006 estimate to 4.9%
- ▶ IEA estimated oil demand growth of 1.8% vs. 1.3% in 2005
- ▶ OPEC continues to maintain high production volumes in light of ongoing geopolitical factors (Iran and Nigeria)
- ▶ Non-OPEC production expected to grow by 1.2 mb/d
- ▶ New refinery capacity in Asia – more demand for crude imports and longer-haul product exports
- ▶ Change in US fuel specifications - support for product imports from longer-haul sources

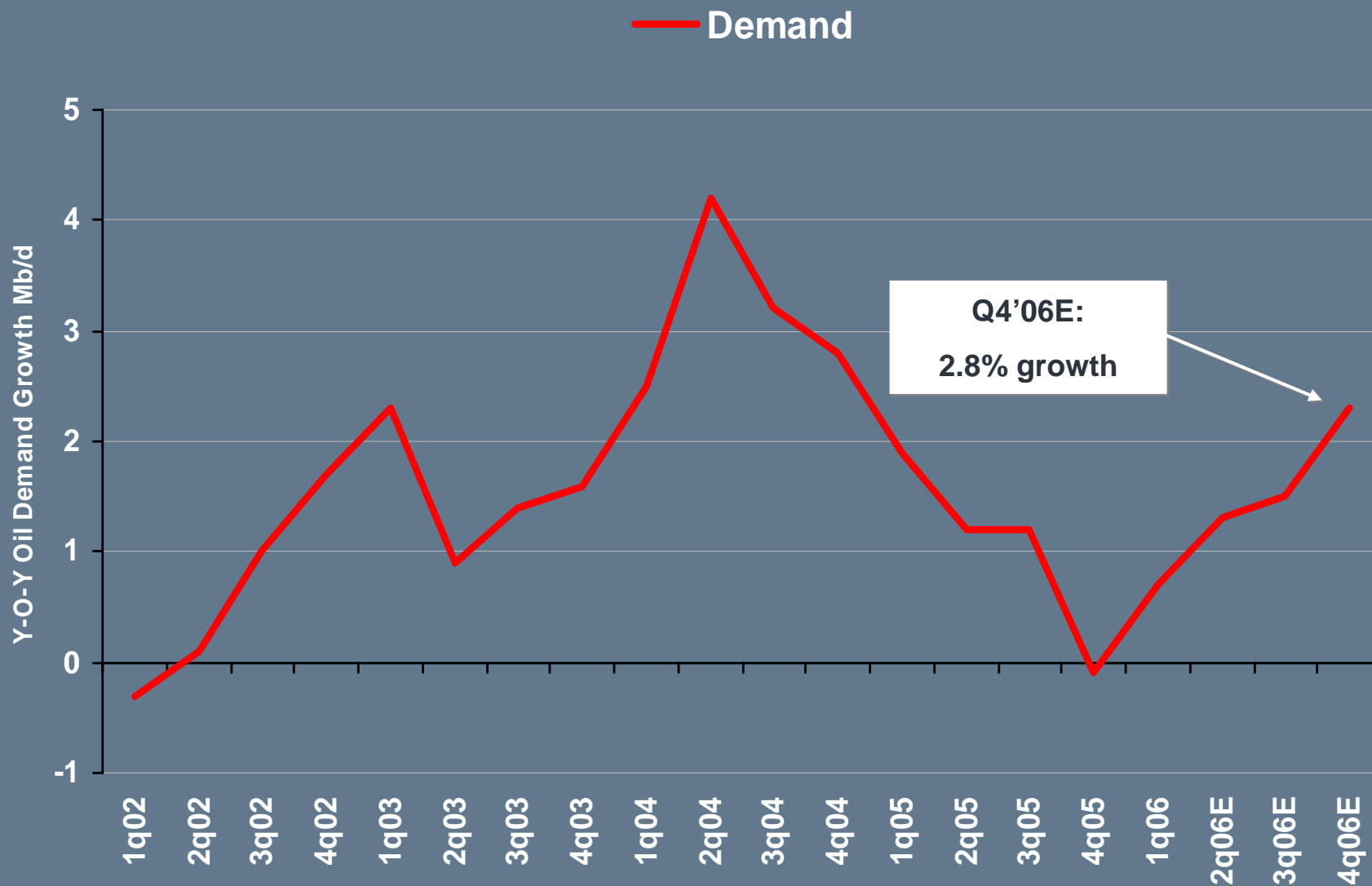
## Tanker Supply Growth (~ 6%)

- ▶ High level of newbuilding deliveries expected
- ▶ Deliveries may be partially offset by growing demand for tonnage from offshore projects
- ▶ Discrimination against older single and non-double hull tonnage

**Expect Continued High Volatility in Freight Rates**



# Accelerating Oil Demand Growth in 2H06



Source: IEA



# Segment Operating Results

(in thousands of U.S. dollars)	<u>Three Months Ended</u> <u>31-Mar-06</u> (unaudited)				<u>Three Months Ended</u> <u>31-Mar-05</u> (unaudited)			
	Fixed-rate Tanker Segment	Fixed-rate LNG Segment	Spot Tanker Segment	Total	Fixed-rate Tanker Segment	Fixed-rate LNG Segment	Spot Tanker Segment	Total
Net voyage revenues	172,537	23,700	196,148	392,385	157,877	24,217	236,788	418,882
Vessel operating expenses	34,883	3,693	14,648	53,224	32,290	4,343	17,807	54,440
Time-charter hire expense	49,921	-	54,503	104,424	42,366	-	66,216	108,582
Depreciation & amortization	29,611	7,678	13,195	50,484	30,695	7,522	15,866	54,083
Cash flow from vessel operations*	73,194	16,626	102,770	192,590	70,788	16,934	134,440	222,162

**Average Aframax TCE**

**\$44,333**

**\$39,622**

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



# Summary Income Statement

Three months ended '000s of USD (except per share data)	<u>Mar. 31, 2006</u> <u>(unaudited)</u>	<u>Mar. 31, 2005</u> <u>(unaudited)</u>
<b>VOYAGE REVENUES</b>	525,996	517,411
<b>OPERATING EXPENSES</b>		
General and administrative expenses	(40,260)	(33,698)
Gain on sales of vessels	607	101,853
Restructuring charge	(1,887)	-
Other operating expenses	(341,743)	(315,634)
<b>Income from vessel operations</b>	142,713	269,932
<b>OTHER ITEMS</b>		
Net interest expense	(24,657)	(29,467)
Income tax (expense) recovery	(3,784)	9,317
Equity income from joint ventures	1,145	2,827
Foreign exchange (loss) gain	(11,464)	25,874
Other items - net	(2,249)	563
<b>Subtotal of other items</b>	(41,009)	9,114
<b>Net income</b>	101,704	279,046
Earnings per common share - diluted *	\$1.35	\$3.19
Weighted-avg. # shares outstanding - diluted *	75,230,591	87,467,141

\* Reflects the effect of outstanding stock options and the \$143.75 million mandatory convertible preferred PEPS units, computed using the treasury stock method



# Summary Balance Sheet

In 000s of USD	<u>As at Mar. 31,</u> <u>2006</u> <u>(unaudited)</u>	<u>As at Dec. 31,</u> <u>2005</u> <u>(unaudited)</u>
<b>ASSETS</b>		
Cash and cash equivalents	257,003	236,984
Other current assets	279,904	241,147
Total restricted cash	723,469	311,084
Other assets	440,314	360,034
Vessels and equipment	3,204,108	3,248,122
Advances on newbuilding contracts	224,283	473,552
Intangibles and Goodwill	419,487	423,177
<b>Total Assets</b>	<b>5,548,568</b>	<b>5,294,100</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	147,722	166,786
Current portion of long-term debt *	168,839	298,054
Long-term debt *	2,389,093	2,134,924
Other long-term liabilities	186,744	174,991
Minority interest	279,450	282,803
Stockholders' equity	2,376,720	2,236,542
<b>Total Liabilities and Stockholders' Equity</b>	<b>5,548,568</b>	<b>5,294,100</b>

\*includes capital lease obligations





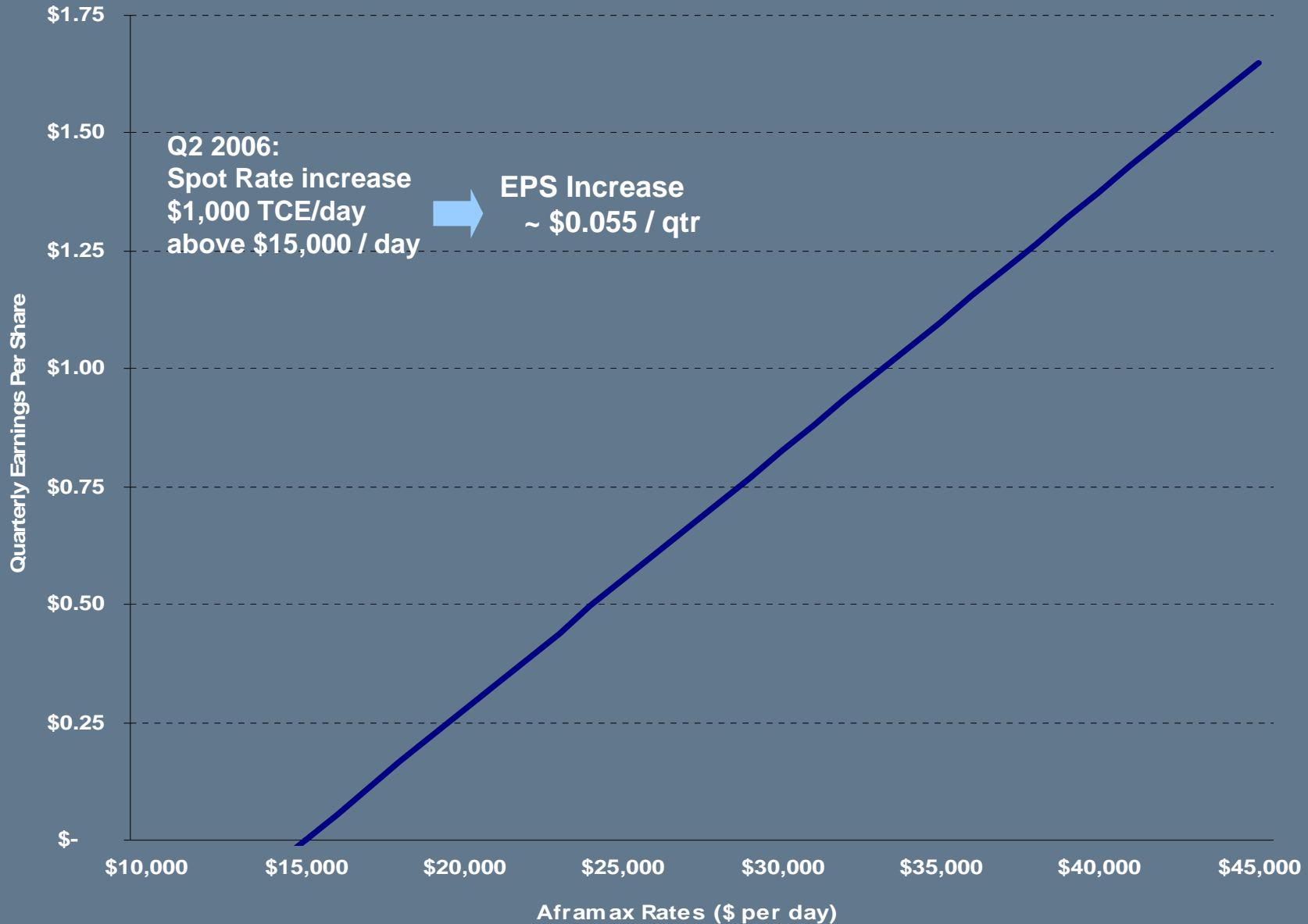
# Summary of Share Transactions

Time period	Repurchased during period		Then Remaining \$ value
	\$ value	# of shares	
Nov. 2004 to Dec. 6, 2005	\$555 million	13 million	\$229 million
Dec. 6, 2005 to Feb. 21, 2006	\$165 million	4.2 million	\$64 million
Feb. 21, 2006 to May 2, 2006	\$27.5 million	0.7 million	\$36 million
May 2, 2006 onwards	\$36 million	0.97 million *	
<b>Total of all share repurchases</b>	<b>\$784 million</b>	<b>18.8 million</b>	<b>23% in ~17 months</b>

\*Assuming remaining share repurchase authorization is completed at an average price of \$37.69 per share (Teekay's closing share price on May 2, 2006)



# Significant Operating Leverage



# Teekay 'Sum-of-Parts' Valuation - Appendix

Fixed-Rate Segment		Teekay LNG Partners		Spot Rate Segment	
Actual LTM CFVO	283.2	Market Cap. (35.7 million units @ \$31/unit)	1,106.3		
less: TGP Suezmax CFVO	(45.0)				
net Teekay Fixed-rate CFVO	238.2	Pro-forma 2006 CFVO (TGP Guidance)	127.5	FMV of owned 'on-the-water' fleet (2)	1,466.3
Multiple of cash flow (1)	10x	Current implied EV/cash flow multiple	13.5x	In-the-money amount on N/Bs (3)	168.6
EV of Fixed-rate segment	2,382.0	Enterprise Value of Teekay LNG	1,715.2	FMV of owned spot fleet	1,634.9
Portion of Net Debt	<b>A</b> (516.2)	Actual Teekay LNG Net Debt	(608.9)	Portion of net debt	<b>B</b> (228.1)
Equity Value	1,865.8	Equity Value (67.8% ownership)	750.1	Equity Value of owned fleet	1,406.8
Diluted shares o/s at Mar. 31/06	75.81	Diluted shares o/s at Mar. 31/06	75.81	Equity value of in-chartered fleet (1x LTM Cash Flow)	121.3
<b>Equity Value per share</b>	<b>\$ 24.61</b>	<b>Equity Value per share</b>	<b>\$ 9.89</b>	<b>Equity Value</b>	<b>1,528.2</b>
				Diluted shares o/s at Mar. 31/06	75.81
				<b>Equity Value per share</b>	<b>\$ 20.16</b>

	Value	Per Share
Value of JVs	\$ 147.7	1.95
Value of VOC Assets	\$ 118.0	1.56

<b>Sum</b>	<b>\$ 58.17</b>
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all figures from Q106 Earnings Release (unless otherwise noted)

Consol. Teekay Net Debt Calculation			Teekay LNG Net Debt Calculation			Teekay Net Debt (net of TGP's portion)			Allocation of Debt	
Total cash	a	980.5	Total cash	a	732.1	Total cash	a	248.3	<b>Fixed</b>	<b>Spot</b>
Newbuild Installments	b	224.3	Total N/B debt	b	405.5	Newbuild Installments	b	224.3	<b>Asset value</b>	
Total Debt	c	2,557.9	Total Debt	c	935.6	Total N/B debt	c	405.5	Dec. 31/05 TA by segment	
			Total Debt + N/B Debt	b+c=d	1,341.0	Total Debt	d	1,622.4	2,050.1	906.0
			Net Debt	d-a=	608.9	Total Debt - TGP N/B Debt	e=d-c	1,216.9	69%	31%
Net Debt (net of N/B install.)	c-a-b=	1,353.2				Net Debt	e-b-a=	744.3	516.17	<b>A</b> 228.11 <b>B</b>

(1) Jefferies Tanker Weekly, May 1, 2006 (avg. of ATB, GMR, SFL, VLCCF, NAT, RAMS) (3) Management estimates of FMV in excess of actual contracted price

(2) Clarkson Research Studies

