

TEEKAY SHIPPING

Teekay's Third Quarter 2006 Earnings Presentation

November 2nd, 2006



► TEEKAY – THE MARINE MIDSTREAM COMPANY®

Forward Looking Statements

This presentation contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: the 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 Company's future capital expenditure commitments and the financing requirements for such commitments; the proposed initial public offering of Teekay Offshore Partners L.P., and the timing of filing a registration statement relating to the initial public offering; and the timing of newbuilding deliveries and the commencement of charter contracts. 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; the potential for early termination of long-term contracts and inability of the Company to renew or replace long-term contracts; changes affecting the offshore tanker market; conditions in the United States capital markets, particularly those affecting valuations of master limited partnerships; 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; 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

▶ Strong Quarterly Results

- ▶ 3q06 net income of \$79.8 million, or \$1.07 per share, up 106% from 3q05 (including specific items which increased net income by \$2.0 million, or \$0.03 per share)
- ▶ Generated cash flow from vessel operations of \$147.7 million, of which \$87.5 million from fixed-rate businesses
- ▶ Benefited from highest third quarter spot Aframax market on record and high fleet utilization

▶ Growing the Business

- ▶ Launched mandatory bid for Petrojarl ASA => as of Nov. 1, acquired 63.8% for a total cost of \$524 million
- ▶ Placed order for two additional Suezmax newbuildings

▶ Returning Capital to Shareholders

- ▶ Dividend increased by 14% - fourth consecutive annual increase
- ▶ Repurchased 229,500 shares for a total cost of \$10.2 million (since last reported on Aug. 2, 2006)

▶ Unlocking Value

- ▶ On-track to file Teekay Offshore Partners IPO registration statement during 4q06
- ▶ Teekay LNG has agreed to acquire Teekay's interest in RasGas 3 and Tangguh

Developments in Teekay's Fixed-rate Tanker Segment

- ▶ 3q06 CFVO of \$70.3 million, up from 3q05 due to earlier completion of summer field maintenance
- ▶ Results stronger than expected primarily due to:
 - ▶ Roll-over of certain shuttle tanker contracts at higher rates
 - ▶ Higher than normal fleet utilization
- ▶ Recent shuttle tanker business developments:
 - ▶ First of three new long-term Brazil shuttle tanker contracts commenced in July
 - ▶ Remaining two tankers to commence charters by early 2q07
 - ▶ Will bring total number of Teekay shuttle tankers servicing Petrobras to 10
- ▶ On-track to file Teekay Offshore Partners IPO registration statement during 4q06

Teekay shuttle tanker offloading from FPSO unit 



Acquisition of Petrojarl ASA

▶ Strategic Rationale

- ▶ Natural extension of Teekay's offshore franchise
 - ▶ FPSOs are complementary to Teekay's shuttle tankers and FSOs
 - ▶ Petrojarl is a leader in harsh weather FPSOs
 - ▶ Petrojarl owns and operates 4 FPSO units in the North Sea
- ▶ Makes Teekay a one-stop marine solutions provider for offshore oil production and transportation

▶ Background

- ▶ Feb. 21, 2006 - announced Teekay Petrojarl joint venture
- ▶ Aug. 31, 2006 - announced acquisition of 40% of Petrojarl
- ▶ Sept. 18, 2006 - launched mandatory bid for remaining shares
- ▶ Bid expired on Oct. 18, 2006
- ▶ As of Nov. 1, 2006 – ownership increased to 63.8% of Petrojarl

▶ Siri Project

- ▶ Petrojarl awarded FPSO contract to service Petrobras' Siri project commencing 1q08 – to be assigned and performed by Teekay Petrojarl joint venture

Developments in Teekay's LNG Segment

- ▶ CFVO of \$17.2 million, consistent with 3q05
- ▶ First RasGas II LNG Carrier, *Al Marrouna*, commenced 20-year fixed-rate time charter on October 31, 2006
 - ▶ Remaining two vessels expected to be on charter by the end of 1q07
- ▶ Teekay LNG has agreed to acquire Teekay's interest in the following projects:
 - ▶ RasGas 3 - 40% interest in 4 LNG carriers => expected 2q08 delivery
 - ▶ Tangguh – 70% interest in 2 LNG carriers => expected 4q08/1q09 delivery



Teekay's LNGCs at ship naming ceremony, Korea – Oct. '06

Developments in Teekay's Spot Tanker Segment

▶ Crude Segment:

- ▶ Teekay's highest ever 3q06 Aframax earnings of \$34,800 / day
- ▶ Suezmax earnings, excluding effects of hedges*, of \$46,200 / day
- ▶ Fleet changes during 3q06:
 - ▶ 3 in-chartered Aframax joined fleet
 - ▶ 1 in-chartered Aframax left fleet
- ▶ Placed order for two more Suezmax newbuildings for \$170 million
- ▶ Increases Suezmax orderbook to 10 units – largest in the world

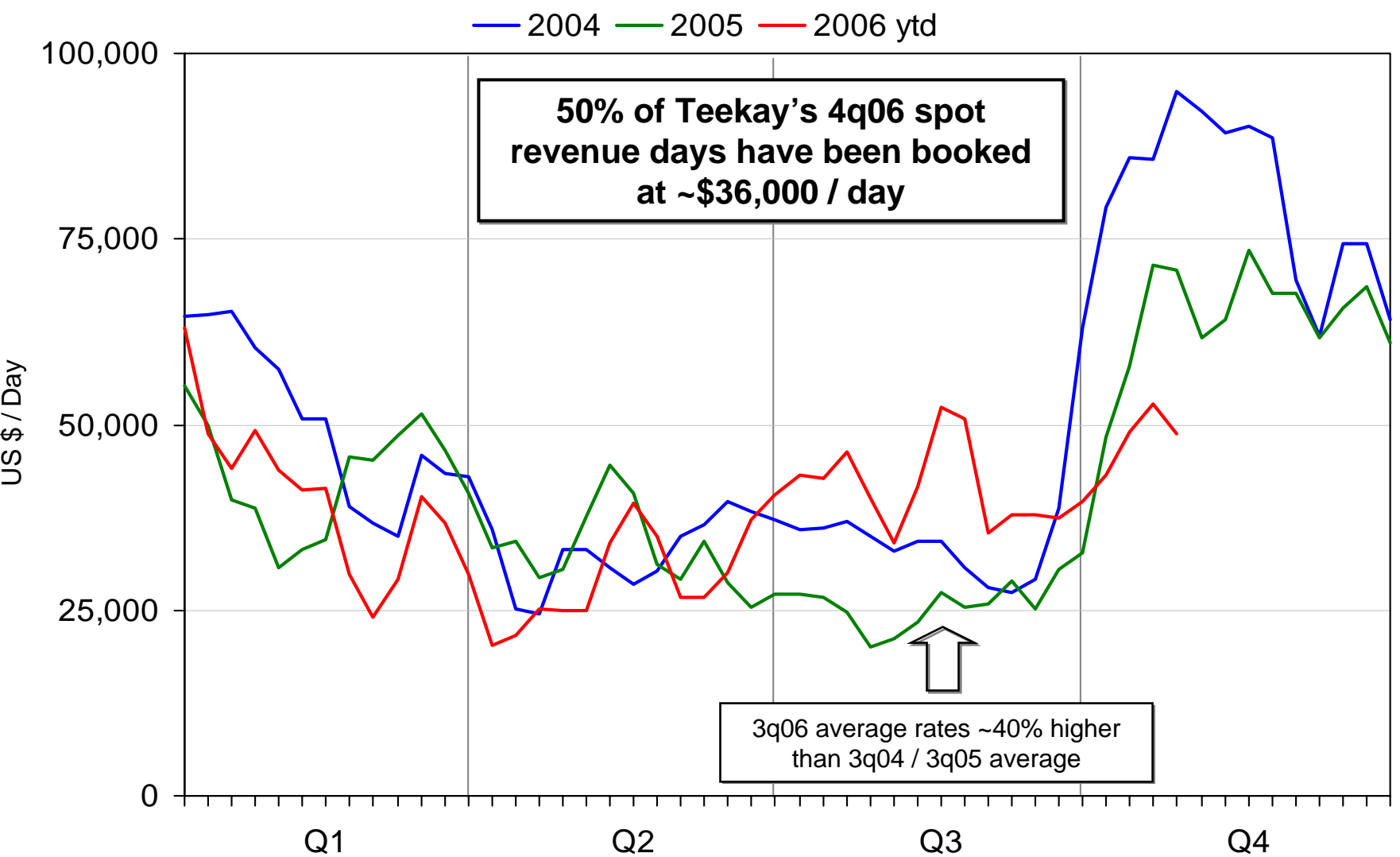
▶ Clean Segment:

- ▶ LR / MR fleet earnings averaged \$26,500 / day in 3q06
- ▶ Fleet changes during 3q06:
 - ▶ 1 in-chartered product tanker joined the fleet, no product tankers left the fleet

▶ In-charter fleet expected to remain constant from 3q06 to 4q06

*Please refer to the footnote on page 3 of our 3rd Quarter 2006 Earnings Release

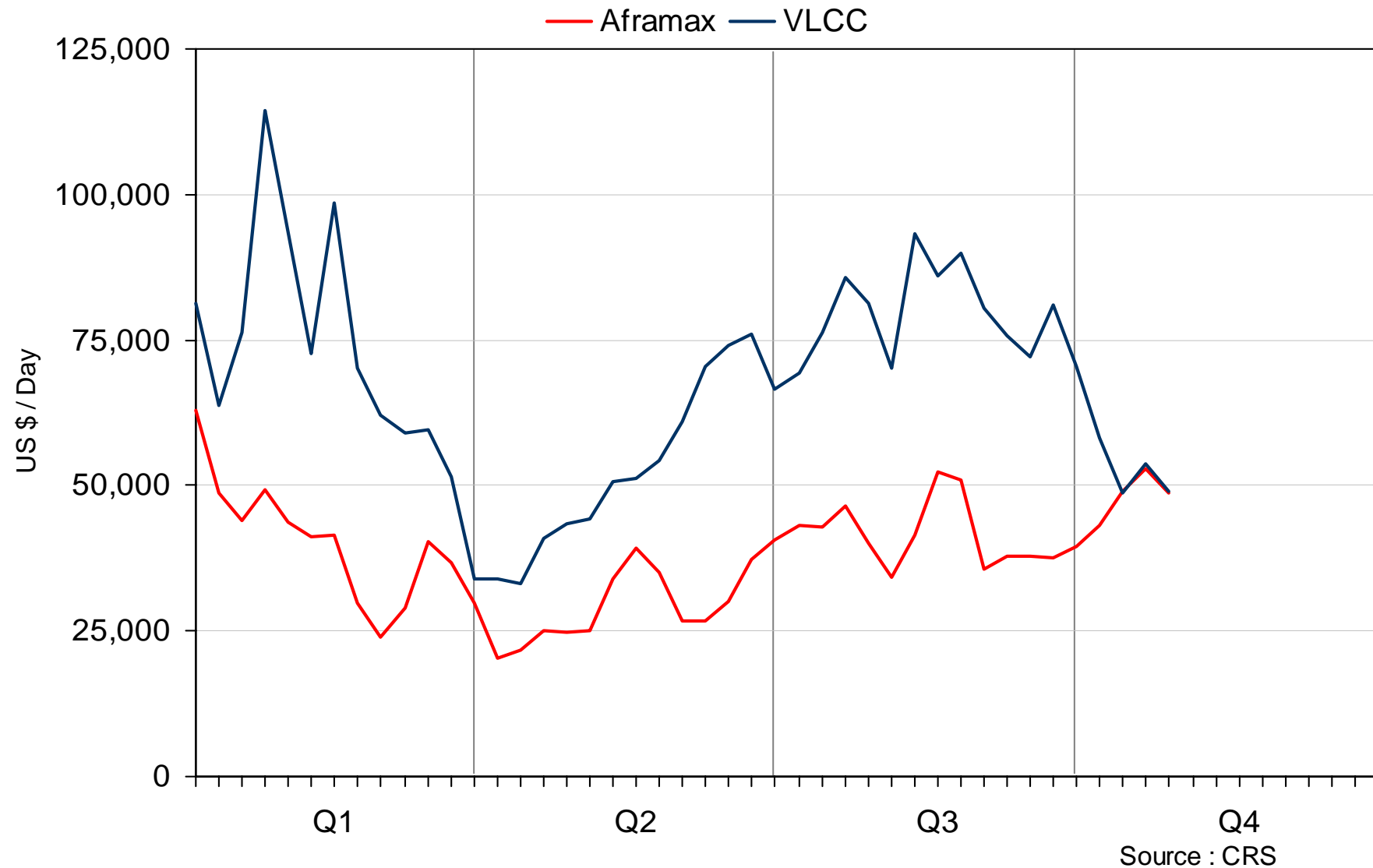
Record Third Quarter Aframax Market



Source : CRS (Aframax average)



Aframamax Routes Less Affected by OPEC Cuts



Fundamentals Outlook

► Demand

- IMF estimates 4.9% global GDP growth for 2007
 - Rapid economic growth in China / India, moderation in the US
- IEA estimates global oil demand growth of 1.4 mb/d (1.7%) in 2007
 - 4q06 / 1q07 average demand estimated to be 2.2 mb/d higher than 3q06
- 2007 Non OPEC supply estimated to grow by 1.7 mb/d
 - 0.9 mb/d increase in 4q06 followed by 0.8 mb/d in 1q07 (Qtr on Qtr)
- OPEC recently announced a production cutback as oil prices eased
- OPEC production capacity set to grow by 6 mb/d over 2007-10
 - => Growth in longer haul trades
- Seasonal factors – Bosphorus / weather related delays, ice season

► Supply

- 2007 fleet growth of ~5 to 7% however:
 - Tanker removals for conversion projects on the rise
 - Widening discrimination against single / non double hull units reduces effective fleet supply

Key Management Appointments

Two Key Promotions:



Peter Evensen

Executive Vice President and
Chief Strategy Officer



Vince Lok

Senior Vice President and
Chief Financial Officer

Segment Operating Results

(in thousands of U.S. dollars)	Three Months Ended <u>30-Sep-06</u> (unaudited)				Three Months Ended <u>30-Sep-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	165,337	24,824	154,142	344,303	159,172	24,503	134,084	317,759
Vessel operating expenses	33,900	4,156	14,883	52,939	32,102	3,401	15,240	50,743
Time-charter hire expense	45,669	-	55,179	100,848	52,467	-	68,089	120,556
Depreciation & amortization	28,867	7,959	13,023	49,849	29,512	7,522	13,377	50,411
Cash flow from vessel operations*	70,309	17,190	60,247	147,746	59,633	17,705	28,667	106,005

Average Aframax TCE

\$34,788

\$24,846

* 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 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)	Sept 30, 2006 (unaudited)	Sept. 30, 2005 (unaudited)
VOYAGE REVENUES	477,733	425,594
OPERATING EXPENSES		
General and administrative expenses	(39,822)	(40,455)
Gain on sale of vessels and equipment	7,138	6,576
Restructuring charge	(2,948)	-
Other operating expenses	(337,066)	(329,545)
Income from vessel operations	105,035	62,170
OTHER ITEMS		
Net interest expense	(26,310)	(21,345)
Income tax recovery	4,985	2,005
Equity income from joint ventures	1,965	854
Foreign exchange gain	277	3,063
Minority interest expense	(7,289)	(5,354)
Other items - net	1,184	1,282
Subtotal of other items	(25,188)	(19,495)
Net income	79,847	42,675
Earnings per common share - diluted *	\$1.07	\$0.52
Weighted-avg. # shares outstanding - diluted *	74,944,038	82,559,885

* 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 Sept 30,</u> <u>2006</u> <u>(unaudited)</u>	<u>As at Jun 30,</u> <u>2006</u> <u>(unaudited)</u>
ASSETS		
Cash and cash equivalents	303,231	287,228
Other current assets	254,439	270,930
Total restricted cash	779,505	776,688
Other assets	467,648	530,517
Vessels and equipment	3,164,223	3,171,765
Advances on newbuilding contracts	365,257	287,190
Investment in Petrojarl ASA	355,936	-
Intangibles and Goodwill	408,466	413,799
Total Assets	6,098,705	5,738,117
LIABILITIES AND STOCKHOLDERS' EQUITY		
EQUITY		
Accounts payable and accrued liabilities	185,384	167,800
Current portion of long-term debt *	202,104	189,126
Long-term debt *	2,821,040	2,461,625
Other long-term liabilities	243,016	225,366
Minority interest	276,331	281,630
Stockholders' equity	2,370,830	2,412,570
Total Liabilities and Stockholders' Equity	6,098,705	5,738,117

*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 June 12, 2006	\$27.5 million	0.7 million	\$36 million
June 12, 2006 to Aug. 1, 2006	\$54.3 million	1.3 million	\$132.1 million
Aug. 1, 2006 to Oct. 31, 2006	\$10.2 million	0.2 million	\$121.9 million
Oct. 31, 2006 onwards	\$121.9 million	2.9 million *	
Total of all share repurchases	\$934 million	22.3 million	~27% in ~24 months



~27% in ~24 months

*Assuming remaining share repurchase authorization is completed at an average price of \$41.11 per share (Teekay's closing share price on Oct . 31, 2006)

Operating Leverage

