



Teekay Group 2014 Investor Day September 30, 2014

Teekay Corporation

<<Ryan Hamilton, Investor Relations, Teekay Corporation>>

Good morning, everyone, and welcome to the 2014 Teekay Group Investor Day; the long-awaited day. Before we get started, if you would like a soft copy of the presentation, they are available on our website, and there is also the WiFi password for the hotel WiFi.

Before we begin, I just wanted to walk-through the day with you, the schedule over the next few hours. Each public company presentation will be followed by a 10-minute Q&A session where you get the opportunity to ask some questions.

Firstly, Peter, Kenneth, and Vince will present our Teekay Corporation's transformation into a pure-play general partner from 8:00 AM to 9:30 AM. Next, David will present on Teekay LNG Partners growth plans in gas from 9:30 AM to 10:15 AM, followed by a brief break from 10:15 AM to 10:30 AM. After the break, Kenneth and Ingvild will present on Teekay Offshore's growth plans in our offshore segment from 10.30 AM to 11.30 AM. And lastly, Kevin will present on Teekay Tankers growth plans in our tanker industry from 11:30 AM to 12:00 PM.

With that, I will pass it over to Peter to begin.

<<Peter Evensen, President and CEO, Teekay Corporation>>

Thank you very much, Ryan. Good morning, everyone. It's a pleasure to be here and present Teekay Group of companies. A lot has happened since we're last here in June 2012. The success of Teekay in the past and looking-forward is based on all of our people all around the world. And I'm pleased that most of our senior management can be here today representing the broad range of our activities and operations. And they are here to both present and meet with you today.

In fact, the only exceptions to our senior leadership team are Arthur Bensler, our General Council, and Peter Lytzen, who is down in Brazil negotiating and signing the letter of intent on Libra, our newest FPSO project.

In addition, we're joined today by Sean Day, our Chairman – the Chairman of Teekay Corporation. A key element of our success is our board members. In several times a year we have the board members of all four companies come

together and it's important that they all understand the strategies of all the companies that make-up the Teekay group.

Forward-looking, our safe harbor statements are important and necessary as is safe harbors for lot of our ships. So, hopefully, you can speed-read this, but if you can't, I encourage you to read it.

I want to talk about four big investment highlights for Teekay Corporation. And they are: the transformation into a pure-play general partner; our new dividend policy; the strong industry fundamentals that underlie our two biggest businesses, deepwater offshore and LNG; and the multiple ways that Teekay Corporation has to grow the cash flow. However, these are our investment highlights and the outcome of good safe operations, which are the hallmark of Teekay. So safety remains our number one priority.

If we look at Teekay Group at a glance, we've been in business for over 40 years, beginning with our founder, Torben Karlshoej, who built up a leading, but regional presence in Aframax tankers in Asia. Since then, we followed the customers and we've steadily expanded both in geography and the type of operations, while all the time preserving the Teekay reputation for quality operations, what we call operational excellence.

In the first decade after going public in 1995, we expanded the share count as we used the shares and debt to finance acquisitions at the parent level. Before we changed in 2005, at which time, we shrank the share count through share buybacks by over 25% as we were able to create the daughter companies, which today finance our growth. Today, we're here to talk about returning cash to shareholders in a new, different, more sustainable way and that is our new dividend policy.

Today, we have four publically listed companies, who will present here today; Teekay Corporation, Teekay LNG Partners, Teekay Offshore, and Teekay Tankers, each with its own strategy for growth, united and prospering under the Teekay banner.

At our heart, we are a service business and so our 6,700 people around the world, the software, they are the most important and distinguishing feature of Teekay and they are our real competitive advantage. If you measure us in terms of hardware, we have \$12 billion of fixed assets, which consists of ownership interest in 185 vessels and offshore units.

So let's talk about the first investment highlight, which is Teekay's transformation into a pure-play general partner is now nearing completion. Teekay Corporation was once the owner and operator of the entire Teekay fleet, but with the establishment of the daughter companies to support our growth, we found the

natural owner of all the ships, wasn't just the new ships, it was at the daughter company-level.

And Teekay's greatest value lay in its management of the daughter companies and the incentive fees that have become part of being the general partner. That activity is now central to Teekay Corporation, but we're aligned with the strategies of the daughter companies as we operate the assets that are on the water, and we developed new projects, which help the shareholders of both the daughter companies, as well as Teekay. The MLPs provide cash flow to Teekay Corporation in the form of LP and GP interests, but Teekay Tankers is also central to provide cash flow as well.

Another way to look at this is that the success of the daughter companies was based on the fact that they were pure-play companies and dividend payers. And Teekay Corporation with the announcement last night has now adopted the same pure-play mentality and, hopefully, will receive a higher valuation. So we now have four pure-play companies with separate, but aligned investment drivers.

Gas and Offshore have become core to Teekay's growth. As you'll hear from other speakers' this morning, Teekay's activities have evolved and continue to evolve. A key tenant is that we listen and follow our customers. And the charts on this page show how much has changed in 15 years in terms of the type of assets we own and operate on a consolidated level.

In 1999, we were 100% in cyclical commodity businesses, tankers. Whereas today, we are working more closely with our customers to build and operate assets to their design specification. And in doing so, we have adopted a model that we call build-to-suit. And our customers in turn reward us with long-term contracts.

I think this is a better way. And it isn't just the amount of assets; it's the type of business we do today. It's fundamentally different from what we did in 1999; and I would argue for the better. This was a deliberate strategy that was put together by management and the Teekay board over 10 years ago and it continues to guide us. That is to say, utilize our competitive advantages as a builder and operator of marine assets to add value to customers operations.

Before we order any asset, we collaborate and share designs with our customers and we usually end up with a long-term contract before we place the order. In doing so, we all prosper, but for us, it's a more sustainable business model and that's the takeaway you need to have.

The result of the strategy is apparent today. Teekay has diverse fee-based revenues from a strong customer base. After our recent contract wins this summer in LNG and FPSOs, the amount on this slide just keeps getting bigger and bigger, and it's now over \$20 billion. I remember when this was around \$2

billion when I joined Teekay 11 years ago. So it continues to grow faster than our asset base, which is the whole point.

The character of these revenues, fee-based, is what I want to point out. Whether in Gas Offshore or Tankers, it's based on our availability. We are not taking cargo risk, so we get paid if we are full, empty, at anchor, or underway. So the operational excellence which impacts our utilization is crucial, and the credit quality of our customers is also important.

I believe the character and quality of the customer base you see at the bottom of this slide is also important. It isn't in our financial statements, but we've never had a default on a major contract by one of our customers. And that was true even in the financial crisis when commodity prices spiked downwards. And a big reason for that is that we are part of our customers supply chain, so they rely on us either to produce oil in the case of deepwater offshore or to deliver their cargos as is the case with LNG, LPG and oil.

In the last decade, Teekay has been able to satisfy the customer and grow accretively through three avenues and we've exploited each of these. They are: dropdowns, organic growth and M&A – mergers and acquisitions. And the dropdown sale of the assets to the daughters has been a multiyear journey that has several important elements to it.

While we could have gone faster, we took the time to achieve the maximum price on dropdowns. I tell my people a dollar is a dollar is a dollar. So we're maximizing the value of assets making sure that we have the best contracts before dropping them down or selling them to affiliates or third parties.

Equally, the stock prices of the daughters and the equity prices achieved on following offerings has to be maximized so the projects are as accretive as possible. And that's benefited Teekay shareholders, but it also benefits the daughter company shareholders. And the daughters are now of a size and financial strength to undertake those investments directly, which I will talk about next.

Probably the biggest change in both Teekay Corporation and the daughters since the last investor day two years ago is that growth is now taking place directly at the daughters rather than at Teekay Corporation.

In terms of dropdowns, we've completed the sale of tankers and LNG and have five FPSOs remaining at the parent. And our goal is to complete this phase by the end of 2016. As I said before, a dollar is a dollar is a dollar. And so we maximize the contracts before we sell them to Teekay Offshore, which is in both companies' interests.

In terms of organic growth, this activity has also now been taken over by the daughter companies with the recent examples being Yamal LNG and the Libra FPSO. In terms of M&A, we've also changed with our old playbook being that Teekay would buy directly, but now Teekay doesn't want own fixed assets.

Instead, we now undertake M&A at the daughter company-level and we already have many examples, including the acquisition of 50% of EXMAR LPG, the acquisition of the Maersk LNG fleet; and on the offshore side, the recent acquisitions this year by Logitel Offshore, as well as ALP.

Teekay Corporation has made great money and created shareholder value in the past by purchasing companies and then growing them, including some distressed assets like Sevan. But because we have so much organic growth, it's not our intention to purchase companies or assets for dropdown into our daughters as other GP sponsors have done. And that's for a simple reason, we don't have to. We feel we have enough organic growth supplemented by M&A at the daughter company-level in order to hit our distribution targets.

And now probably the number one reason many of you are here today or listening on the webcast is Teekay's new dividend policy. I'm excited to unveil our new dividend policy, which went out by press release last night and which Vince will cover in more detail during his presentation.

This is an important part of our transformation into being a pure-play GP, but it's also a natural extension of having drop to fixed assets down and the growth activities for our daughter companies. And there are really two elements to it: the initial step-up and the rate of dividend growth.

The initial step-up in dividend of 75% to 80% from \$1.26 to \$2.20 to \$2.30 per share is significant. Commencing for the first quarter of 2015, subject to the successful dropdown of the Knarr FPSO and with our significant existing backlog of \$4.5 billion of known growth CapEx, which we continue to add to, we expect our dividend to continue to grow by approximately 20% per annum for the next three years after the initial step-up.

Vince will discuss why the 20% growth rate is not only achievable, but in fact there maybe further upside potential given the strong industry fundamentals; and secondly, our 20% compound growth rate is based on an initial coverage ratio of 1.15 times to 1.25 times and we intend to reduce that coverage over time. So you can see that our new dividend policy and its targets are very achievable.

The next investment highlight I want to talk about is the strong industry fundamentals, which give our businesses very valuable tailwinds. Most of you are familiar with the energy renaissance, which is taking place here in North America. This is a great story and has received a lot of investor attention recently in the last few years. However, perhaps less talked about is the changes that are going

on around the world in terms of new energy supplies and demand. And I would argue that that investment star might actually burn brighter than here in the U.S.

And there is a simple reason for that. There is an even greater requirement for an infrastructure build out around the world. There are tremendous changes happening in the global energy landscape and here at Teekay, we have a global footprint, which allows us to participate in these overseas markets priced in U.S. dollars, as well as respond to changes in trade and energy flows. So at Teekay, we like things that flow and we like it when the U.S. dollar goes up.

As you can see, Teekay has offices all around the world in red and our vessels and offshore units are spread across different geographies and markets. So having this global reach gives us an information advantage and it also means we're well placed to take advantage of the opportunities that we see all around the world and which I'll discuss over the next few slides.

The world's growing rapidly. And by 2040, there will be another 2 billion people on the planet. And this population growth will lead to a doubling in the size of the global economy over the next 25 years, which in turn drives significant demand for energy.

If you look at the projections for global energy demand, you'll see that growth is expected to come from the developing world. In the OECD countries economic growth over the next few years will not translate integrator energy growth because we have lower population growth and we've largely transitioned into less energy service-based industries. We are also using energy more efficiently in the developed world than we have in the past and we expect these efficiencies to grow in the future.

However, in the developing world it's another story. Countries are more dependent on energy intensive industries such as manufacturing, urbanization and the growth and energy demand is going to be significant. This is especially true in Asia where rapidly growing population and increasing wealth are driving the demand for energy along with urbanization.

In fact by 2040, one in three people on this planet will live in China or India and together these two countries account for about half of all projected growth in global energy demand out to 2040. And that's why we are concentrating on these two countries in particular.

When we turn and look at gas, we expect it to be the fastest growing fuel. And that's because of its low-cost, large reserves, and clean burning properties. If you look at the breakdown on the left of this slide by fuel type, we see the demand for natural gas is expected to grow at a much faster rate than any other fossil fuel in the coming years.

Natural gas is expected to surpass coal as the second largest energy source behind oil, and it will be the largest fuel source for electricity generation. The reason natural gas is expected to grow at a much faster rate than other fossil fuels is because it emits 60% less CO₂ than coal when used for power generation. And as a result, natural gas will become more important in the global energy mix as you see on this slide.

However, natural gas is found in more remote locations faraway from the main urban demand centers. And with the exception of North America, the only way to economically move gas over these long distances is to liquify it and then transport it in LNG carriers.

And the map on this slide shows the current landscape of LNG import and export countries, as well as future export countries like North America and East Africa. And as you can see, the regions of supply and demand are widely spread across the globe. And this is going to drive demand for LNG transportation in the coming years. We'll give more detail on the outlook for LNG shipping in the Teekay Partners presentation later this morning.

On the previous slide, we showed that demand growth for oil is relatively low compared to natural gas, just an 0.6 annual compounded growth rate over the next 20 years. That might seem like a modest number and it is on a net growth basis. But the true story is not the growth in global oil demand, but the need for new sources of oil to replace the rapidly depleting fields around the world.

In fact, between now and 2035, we expect oil production from current fields to decline by more than 40 million barrels of oil a day. This oil is going to need to be replaced by new production, plus an additional 12 million barrels of oil a day. And that means, in total, we need to find over 50 million barrels of oil per day of new oil production by 2035 in order to meet that projected demand.

The challenge here is that the easy-to-find oil has already been developed. And that means, new sources of production will be needed in order to meet these growth targets. Unfortunately, advances in technology have opened up new frontiers, including our specialty – deepwater offshore.

Over the next decade, we anticipate deepwater offshore oil production will double to more than 10 million barrels of oil a day. Much of this growth will come from Brazil, which is one of Teekay's core regions, as well as West Africa and the Gulf of Mexico.

And as you see from this chart on the right, many of our existing customers were at the forefront of this drive to deepwater and it puts Teekay in a prime position to take advantage of the expected rise in demand for offshore production units, as well as the logistics that are going to be required in the coming years.

Speaking of our customers, we acknowledge that they're operating under challenging conditions with regard to rising costs. As the charts on this slide show, exploration and production costs have risen at a far greater rate than energy prices in the past five years. And this is putting oil and gas companies under significant rates of return pressure.

In the past few months, we've seen several customers cutting cost by divesting non-core assets, cutting back on drilling, and concentrating on maximizing their return on capital as opposed to reserve replacement. Fortunately, for us, offshore remains one of the more profitable parts of the portfolio for many of our customers particularly when compared to unconventional plays.

Furthermore, a lot of the exploration part of E&P spending has already been done. And therefore, we don't see any threat to offshore production, which is where we play, and projects that are currently in the planning stage.

In fact, it may actually play to Teekay's advantage because many of our customers are looking to concentrate on their core competencies and shed anything that is considered non-core, which is driving an increased demand for these solutions, which is our specialty.

We therefore believe Teekay through its daughter company, Teekay Offshore Partners, is well placed to take advantage of strong offshore growth fundamentals in the coming year on the production side.

The final investment highlight is that at Teekay we have multiple ways to grow the general partner cash flow. As the owner of two general partners, we're focused on different parts of the energy build out, but we benefit from their combined growth.

In terms of offshore, our future CapEx is split pretty evenly between FPSOs and offshore logistics. For Teekay LNG Partners, who are living up to our name, has over 90% of our committed LNG is for LNG carriers with the balance being LPG carriers. And David will talk about other growth areas we've targeted in the gas infrastructure value chain in his presentation.

So we've talked a lot about the committed CapEx we already have, but these favorable tailwinds also relate to post-2017 and we see that our growth is sustainable because our industry on a combined basis is going to need over \$100 billion of new industry CapEx by 2020. That's split into Teekay Offshore Partners, which has a target of \$80 billion of which we want to get our fair share, as well as Teekay LNG Partners that you can see a 150 LNG carriers required or \$30 billion and we again want to get our fair share.

I now want to talk about the power of One Teekay, because I think it's part of the secret sauces along with our people. We have four pure-play entities each are

strong, independent entities in their own right. But we would like to keep them together because it gives us even greater strength when we work as One Teekay. You'll see this term referred to several times today during this morning in our presentations because it's a key competitive advantage all of us feel we have.

We share our services, our people expertise, our operational capabilities, we pool our financial strength, but always on a non-recourse basis. We're far stronger working as a one group when negotiating with suppliers, shipyards, raising capital with banks, and providing diverse services to our customer across their marine midstream value chain.

And the power of One Teekay has allowed us to grow and diversify with our customers and I wanted to walk-through one example. We don't have a lot of customers, but the ones we do have many are multi-product customers who know Teekay's operational excellence in one business or vertical and then they become natural customers of one of our other verticals.

In 2011, we broke through with BG when we did two different pieces of business. We were awarded four shuttle contract newbuilds in Brazil; at the same time, a separate team at BG awarded us the Knarr FPSO in the North Sea. And this has led onto new business like a high-load FEED study that we are doing down in Brazil and ultimately led to our shuttle tanker business getting the contracts to lift the oil off the Knarr oil field.

At the same time, getting to know BG has now resulted on the gas side getting involved. And in 2012, Teekay Parent was awarded the supervision and technical management of four BG's LNG newbuilds in China. And that will give us a lot of inside knowledge, but it led to, this year, Teekay LNG acquiring ownership interest in these newbuildings. So BG is for one example, but we could do the same slide with Petrobras, Exxon, Shell, BP, or even Statoil.

Working together we really achieve the operational excellence and it's our operational performance. And I'm proud to say that 2013 was our best year in terms of safety performance. We've been recognized by the industry for our high standards and we work hard to maintain our reputation.

Our focus on operations also extends to our care for the environment. You can see that out of 1.3 billion barrels – 1.3 billion barrels – that we've shipped last year, we lost less than half a barrel to sea. As far as we are concerned, that's still too much. One drop of oil is still one drop too many and we strive for zero pollution.

People often ask me, as I go around the world, how does Teekay do it? How do you keep up the operational excellence? What's the secret sauce that makes

Teekay standout? What is it that makes Teekay different? And the answer is easy and it isn't a secret, it all comes down to our people.

I truly believe it doesn't matter whether it's – what segment, shore or sea, we all live by the same values and commitments to high standards. So our values are easy to remember, but they are harder to uphold. And we work hard and we hold each other accountable to delivering on the Teekay standard, but we also like to have a lot of fun, and we love what we do.

I am proud to be the CEO of an organization with so many passionate employees around the world, working 365/24/7. So you can see the Teekay spirit in the photos of this presentation and most of which were taken by our seafarers. And for any of you who are social media savvy, all you have to do is look online for 100s of photos and posts from our employees showing their pride.

So we've had lots of growth in the last few years and, as you will see today, we have lots of growth going forward. But it's our people that have taken us this far and it's our people who will take us there in the future. Thank you very much.

So now, let me turn over the podium to our Chief Strategy Officer, Kenneth Hvid, to talk about our strategy.

<<Kenneth Hvid, Executive Vice President and Chief Strategy Officer, Teekay Corporation>>

Good morning, everyone. As Peter said, we had a lot of great photos to go through when we prepared this presentation. This one is taken by one of our colleagues at the Suezmax tanker, the Yamuna Spirit, someone who was clearly offsetting the course and I thought that was an appropriate introduction for my presentation here today.

We've been busy since we met last time. In fact, Teekay has invested close to \$5 billion since we met here in June, a little over two years ago. And most interesting part of that is that a little over 70% of that investment have actually been done in what we consider our inner-core segments.

We've invested in the Libra FPSO project, so note that the \$5 billion actually doesn't include the Knarr FPSO. We've also invested in three new FSO projects, but the lion's share of our investments have really been done in the LNG segment, which David Glendinning will be detailing later.

What's also exciting is that we have opened up what we consider new adjacent core segments where we have made close to 30% of the \$5 billion investment. The biggest investments we have made there are in two areas: It's the LPG acquisition that we did when we bought 50% of Exmar's LPG business. The

second largest one is the floating accommodation business where we have now committed to build three new units.

And then we've made two smaller investments in the HiLoad technology, which is really a complementary service to our shuttle offshore loading business. And finally, we have invested in a new business, which is about towing the new units that we're building and that we see the industry is building over longer distances and also helping to install them.

So what does our business platform look like today? It's actually quite simple. We have three main areas and it all starts with the tanker business that we've been in for 40 years. The tanker business is in many way our brand promise. We have a lot of touch points to our customers. We have many of our employees' active in the tanker business. But as we said, two years ago, we did not see the supply and demand fundamentals being such that we expected to invest much in our tanker business.

Beginning this year, we've seen some better fundamentals and many of you will have noticed that we recently launched a new company on the Oslo Stock Exchange called the Tanker Investment Limited, and we really did that because we saw that secondhand modern tonnage was trading at much below replacement value and below the 10-year average values that we're seeing.

So combined with the TNK platform where we have great leverage, which Kevin Mackay will talk about. We actually think that these two companies represent a unique position in the tanker industry as we're beginning to see a tightening of supply and demand and, hopefully, the first innings of a rebound in that market.

Turning to our largest business platform at Teekay, Teekay Gas. David will be speaking to that in much greater detail. The only thing I want to say is that this is where we still keep it lean and mean, we keep it simple, because it's all about cost competitiveness, it's all about having the cheapest access to capital and there's fierce competition there. More than 90% of our investment is in the LNG space and we're in the LPG area also and expect more growth to come in that area.

The more complex business that we're in at least when you look at it from this graphic is our offshore business. But it's really very simple. We have two main platforms: we have the offshore production and we have what we refer to as offshore logistics. It's roughly split 50%/50%.

The offshore production is our Sevan design and our Shipshape where we offer our FPSO solutions. On the same business fundamentals, we have what we call offshore logistics, which is predominantly our shuttle tanker business and our FSO business, now complemented by our HiLoad DP system, as well as our ocean towage.

So when you look at our growth of \$5 billion, many times it's actually more interesting to ask the question, so what did we not invest in? And at Teekay, we're very focused on having a very disciplined approach to our new investment initiatives. The senior management team meets every two weeks and we go through what we call project overview forms that are submitted by our businesses.

The first questions we ask before we even allow anybody to go and chase a new piece of business is really whether the business fits our core business? Can we see the same market drivers? Are the customers the same? Are we even in the same geographies?

And having answered that, we move to the next level of questions, which is really, do we have any competitive strengths that we bring to this piece of business or this tender? Will this opportunity be more valuable on the Teekay platform or are we're simply competing on pricing here?

Answering that question, of course, leads us to the next question and in some cases, we actually have to reject that because all of the deals we do have to be accretive. And that's actually one of the great disciplines that the MLPs instill in us. We do not go out and take business just for the sake of winning market share, they have to be accretive.

The last question that we ask is, always, can we actually raise the financing for it? How do we make sure that we can finance it? And do we have the people that can execute on the projects that can safely introduce its new business into operations?

That brings me to Teekay's competitive advantage. People often ask me, often ask us as a team, what is Teekay's competitive advantage? And the answer is actually not that simple because there are many. And the way we look at it is that we're operating in a very complex business environment with high stakes, high operations, complex engineering that's involved.

And it's not just one single advantage that we need to master, one single skill set that we need to master, we actually need to master a whole raft of them. And only if we do all of them well and we at least fairly certain that we'll have success.

I think you can all turn around and think of businesses that you could think of having great engineering expertise. For some reason, they didn't have the balance sheet or the financial expertise and then they ended up in distress. And we may have companies that are actually out there having great project execution skills. For some reason, they didn't have corporate governance running from top to bottom of the company and, therefore, they ended up in some sort of a problem.

So, as Peter said, what it really comes down to at Teekay is that we take One Teekay approach because in no way can we actually allow – on any part of our business, can we allow any of these areas to fall down. We're all depending on each other really keeping an eye on each of these. And if you ask us, what it keeps us awake at night? I can assure you that this is the one. This is the one. Is there any guards that we are letting down here on any of these aspects.

Speaking of partnerships and skill sets, we also acknowledge that we shouldn't master everything in-house. And often, we can actually accelerate our growth by reaching out to other partners who have great skill sets. And I've included a couple of them here.

I think one of the examples is Exmar, who are the leading players in the LPG medium-sized segment. When Teekay decided to enter into that segment, we could have done as many other shipping companies do. We could have gone out and ordered 10 newbuildings and decided to do it.

But why should we do that? There was already a market leader in that industry that was willing to talk to us and by joining forces with them, we managed to expand our footprint there and enter into a long string of newbuildings and really build an even stronger position for Exmar in that segment. Another area is engineering expertise, which I'll detail later.

We have project development. When we look at Brazil, it's critically important to us that we have the right path over there. We have very large investments in Brazil, so early on we decided that we needed to have a strong partner that could help us, better the relationship will afford us, have a strong position with the customers there, allow us and enable us to have a greater local content, which is one of the requirements when you do business in Brazil, help us on the engineering and the construction side, and finally, somebody who could help us get access to the many new people, new employees that we need to run our business in Brazil.

The last area I want to touch on is financing where we also have some examples. We did a partnership with Marubeni in 2011 when we acquired the Maersk LNG fleet. At that time that acquisition was too big for Teekay to handle alone, so we reached out and we ended up with a transaction where both parties got a sizable transaction, but one that we could both handle. The most recent example that we've done is with China LNG on the Yamal Project, which is also a very sizable project where we have China LNG as our 50/50 financial partner.

Coming back to our engineering partner and IP partner, I think Sevan is the greatest example of that. As many of you know, we took an active role in Sevan in 2011 when they were in financial distress. We directly took over the three FPSOs that they own, which are now owned by Teekay and Teekay Offshore.

We also invested 40% in the company, which has now become little over 43% and we essentially re-categorized the company into an engineering company, which is now asset-light. So they've continued to focus on their engineering, their IP, and developing new and exciting projects.

So when we combine that with our skill sets in raising financing, our platforms with our operations in our core markets and our global customer relationships, what we really end up with is a whole set of new sales channels that we can pursue. So we have the FPSOs where we already own three FPSOs that are on the water. And some of you may have seen that last week, for example, Sevan was awarded the Bream FEED study by Premier Oil. And that's, of course, a new FPSO project that we will be following closely and indirectly via Sevan.

We have FAUs, which Ingvild will be speaking to later, but the one thing I want to say here is that as we look at the Sevan cylindrical design, we really see a lot of application where this brings a lot of benefits. So when we compare this up against the semi-submersibles that are used in the high-end accommodation market today, we truly believe that the cylindrical design has some real competitive advantage in terms of performance and what we can do for the customer. And at the same time, we actually see that we have a cost advantage when we're constructing those units.

We're also bidding the Sevan design in on new FSOs. Traditionally, we have been bidding on benign water FSOs in the Far East, where we have been using old shuttle tankers, but we see more complex demands for FAUs in the North Sea at the moment. And there the Sevan design is ideal and Ingvild will also be detailing that later.

If we look out in time and beyond 2017, the exciting part of being associated with an engineering company like Sevan is really what kind of ideas, what new exciting projects that they are working on. At the moment, Teekay is not investing any R&D money in FLNG, but Sevan is actually involved in trying to figure out how can we actually come up with smarter solutions here.

So they're working with energy companies already and we get a chance to look a little bit over their shoulder and work with them and wait for when the time is right for us to get involved. So, as we grow as a company, there are of course a number of challenges that are not foreign a lot of other big companies.

We are today a \$12 billion company and we believe that that gives us a lot of scale benefits. We have access to capital. And as Peter said, we have each of our business platforms that actually have an upscale economy to operate alone, but we realized that by keeping them together we have even greater scale economies.

We have 7,000 people out there that are all sharing the same common vision and values. So you can imagine the amplification effect of having that is just immense when you go around the world. We have very strong industry relationships, so the doors that we can open at many levels is far greater by being the size that we have.

We have a very diversified service offering, so I think we have a unique position where we can cross-sell on more products into the same customers than many of our competitors have. And finally, we have a broader and deeper talent pool that really allows us to work on how to give our employees great opportunities within Teekay.

As we grow and become a \$20 billion company, which is our ambition within the next couple of years, of course, one of the big challenges is how do we make sure that we uphold the entrepreneurial spirit, which is really what we have founded on at Teekay and, at the same time, maintain the scale benefits. And what we must do there is really to make sure that we have the agility to move in and out of segments.

So we need to have flexible business structures and we need to have the team empowerment. And if you think about it, most of our business teams today actually run businesses that are significantly larger than the senior management team ran at Teekay just 10 years ago.

So that obviously requires that we have the right people and the right seats and they have the right mandates to run those businesses. So final and in closing, the One Teekay is not about bureaucracy, it's really about trying to find the best of both worlds and finding the right balance here.

So with that, I will turn over to Vince Lok to give you exciting details on our numbers. Thank you.

<<Vince Lok, Executive Vice President and Chief Financial Officer, Teekay Corporation>>

Good morning, everyone. This is a picture taken from the bridge of the Summit Spirit. That was a neat picture showing the logo on the screen, but I assure you that our ships don't actually sail on this pattern even though they are fuel efficient.

As Peter and Kenneth just discussed, we have a lot of growth opportunities available for Teekay. So my financial discussion today will focus on two things. First is on our balance sheet strength and our ability to finance that growth. And secondly, I'm very excited to unveil the details of our new dividend policy and what all that growth translates into under this new policy.

It may seem obvious to some of you, but one of our key financial objectives is to increase our Teekay Parent free cash flow per share. I think that one metric captures best the financial performance of the entire Teekay Group. Because if our daughter companies are doing well growing the distributions that obviously rolls up to the parent company's free cash flow. And that is what our new dividends in the future will be linked to.

There was two components of our financial strategy. First is to deliver the Teekay Parent balance sheet and that's mainly through the dropdown of our remaining assets and associated debt. And secondly is to grow our GP and LP cash flows.

And all of the new growth, as Peter mentioned, is happening directly at the daughter company-level. And the cash flows to the parent are enhanced by having not only one, but two GPs that are both earlier in the 50% high splits. And that's what is powering the free cash flow growth at the parent company.

So let's start with the balance side of things where the focus is on sustainable long-term value creation. To ensure that we grow on a consistent and sustainable manner, we need to make sure we have balance sheet strength and financial flexibility; and secondly, access to capital to fund the growth at the daughter company-level.

Teekay Parent's balance sheet will be closure to net debt free after the Knarr FPSO dropdown. And if you look at the \$1.4 billion of net debt that the parent company currently has, most of that relates to the warehousing of the Knarr FPSO, which costs about \$1.1 billion.

We have now made an offer to take it offshore to dropdown the 100% interest in the Knarr FPSO, so the dropdown is going to be in one go as opposed to two separate dropdowns. And given the size of that transaction, we've assumed here that Teekay parent will take back \$200 million of TOO LP units as part of that transaction.

So if you were to take this Knarr dropdown into consideration on a pro forma basis, and this includes the sale of our VLCC tanker, you can see that the parent's net debt will decline to below \$400 million on a pro forma basis and with further dropdowns of our remaining 4 FPSOs at the parent company, Teekay parent should be in a net debt free or even on a net cash positive position fairly soon.

And similar to other publically traded GPs, we believe that Teekay should also have a fairly conservative financial profile, which enables a higher dividend payout ratio going forward. Now Teekay Parent's balance sheet is able to remain strong and is now required to issue equity at the parent company level to fund the growth and that's because our daughter companies have the financial capacity to support their own growth.

If you look at this looking at TGP and TOO's current market capitalization and if we assume that our annual equity issuance capacity is about 15% of the market cap, and if you apply and assumed debt leverage ratio of 60% to 65% that results in a total investment capacity at TGP of about \$1.4 billion per annum and about \$1.1 billion per annum for TOO for a combined investment capacity of \$2.5 billion per annum.

And that is more than sufficient not only to fund existing backlog of projects that we have, but also the new projects that we are currently bidding on. And this growth capacity should expand as daughter companies' growth and their market capitalizations increase.

And our daughter companies have a proven and consistent access to equity capital. You can see in the chart, even during the financial crisis of 2008 and 2009, our MLPs in our daughter companies were able access the capital markets. And on a combined basis, the group of daughter companies have raised a total of \$3.7 billion of third-party equity since 2005, which is when we launched our first daughter company, TGP.

And this strong support from investors isn't automatic. It has to be earned and it has earned by delivering consistent results. If you look at TGP and TOO, our total shareholder return averages about 15% per annum since their respective IPOs. In terms of TNK, although there has been some weakness in the tanker market in recent years, TNK has actually outperformed its tanker peers and the outlook is positive going forward.

I think one of our key competitive advantages and core competencies at Teekay is raising capital. And we have a very deliberate strategy. First of all is to diversify our sources of capital, which gives us many alternatives to choose from. And secondly, as we match the investments to the most ideal source of financing whether it's depending on the type of asset, who the counter party is, the length of the charter, to get the best financing terms.

So if you look at the Group, since December 2008, we've raised a total of \$10.1 billion of debt and equity capital from various sources. If you look in the left-hand side, we have over 40 banks in our commercial banking group, and that list continues to grow. Depending on where we are building our ships, we have support from ECAs in Korea, in China, in Norway and Japan.

Daughter equity, we do offerings publically. We do private offering through continuous offering programs and have access to the preferred market as well. In the U.S. corporate bond market, we've recently accessed also the baby bond market. In the Norwegian Kroner bond market, we are one of the largest issuers as a group.

On the U.S. project bond market, as an example, we were able to finance one of our LNG carriers for 17 years at a fixed cost of about 4%. And joint venture partners, some examples include Marubeni in Japan, Odebrecht in Brazil, and most recently China LNG. So our focus is continuing to diversify our capital base and to lower our cost of capital and we are very confident in our ability to fund our growth in the future.

So let's talk about our new dividend policy. And I'm sure all of you haven't flipped forward into the book – into the section. I've been following very carefully. But seriously we worked on this new dividend policy of course together with our Board of Directors, who also recognize that this an important part of the transformation at Teekay.

Before I get into the dividend policy, I think it's helpful for us to define Teekay Parent as almost two separate entities, different stages in their life. On the left-hand side is what we call GPCO that mean the cash flows the Parent's receiving from its daughter entities. So that includes the GP cash flows, the LP cash flows, other dividends, which is basically TNK dividends less corporate level G&A. And of course, these cash flows are growing rapidly.

On the right-hand side, what we call OPCO. These are the cash flows of our remaining legacy assets. So we have our remaining FPSOs, our VLCC tanker, very few in-charters remaining and our total interest expense and that's including our 8.5% bond.

And if you look at all that on the right-hand side, these cash flows are now self-sustaining, so it's no longer a cash flow drag, but OPCO is winding down as we dropdown the remaining assets particularly the FPSOs. And given that these cash flows are self-sustaining, our new dividend in the future for Teekay will be linked to the cash flows of GPCO only rather than OPCO given that those cash flows are growing.

The Teekay Parent is at a positive inflection point and we think the timing is right for a new dividend policy. As I mentioned earlier, the Teekay Parent is close to becoming net debt free. Second, if you look at the chart on the right, in the lower dark grey bars, OPCO was a cash flow drag and that's mainly because of the legacy spot tanker assets and legacy FPSO assets that we've had, including the fact that the Banff FPSO has been out of operation since December 2011.

With the Banff FPSO now having returned to operation in July of this year as well as the fact that we redelivered and sold many of our spot tanker assets over the past few years, OPCO is no longer a cash flow drag as you can see on the chart.

And third, GPCO is poised for a significant growth given that we have two GPs early in the 50% high splits. So Teekay Parent is at an important inflection point

in all three of these areas and the trends are moving in the right direction in our favor.

So here is our new dividend policy. As Peter mentioned, it's tied to our GP cash flows, our LP cash flows, our TNK dividends less corporate G&A and less reserves divided by our target coverage ratio.

Our initial dividend increase will go to \$2.20 to \$2.30 per share annualized and that's a significant increase of 75% to 80% from our current dividend of about \$1.26 per share. After the initial step-up, we intent to or expect to grow our future dividends by an average of 20% per annum over the next three years and I will discuss this in more detail in the next few slides.

We expect to implement this starting in Q1 for the first quarter of 2015 subject to the successful contract startup and dropdown of the Knarr FPSO, which is scheduled to occur by the end of this year. Although, we don't expect to require any reserves under the new dividend policy, we will have initial target coverage ratio of 1.15 times to 1.2 times. But we do intend to reduce this coverage ratio over time as we dropdown the remaining OPCO assets. There is an appendix attached to the end of this financial section for more details on the free cash flow forecast.

And the blue that's highlighted here basically that's representing what we call GPCO under the dividend formula. So the 20% growth in the future; let's discuss why we believe that 20% is very achievable and it is based on these illustrative forecast assumptions and I will go through these.

Historically, for TOO and TGP, the historical CAGR in distribution growth has been about 6% per annum since our IPO. What we assumed here in the illustrative case for TOO is a normalized distribution growth of 5% per annum. It is higher in 2015 and that's reflecting the impact of the Knarr dropdown being larger.

For TGP, we've assumed the normalized growth rate of about 4% per annum. But given that we have limited growth over the near-term, we conservatively estimated 0% for 2015 and 2.5% for 2016. Now it is possible that we may make on-the-water acquisitions in TGP and – so this figure, the 0% and 2.5% maybe higher, but for conservative purposes, we've assumed these in the model.

We've also shown the unit growth, the LP unit growth for both TGP and TOO. And just as a reminder, the GP benefit is not only from the per unit LP distribution growth, which is what we call vertical growth, but also the GP benefits as the number of LP units expands, what we call horizontal growth.

Other assumptions, other dividends \$3 million per year from TNK, our corporate G&A is about \$20 million per annum, which is roughly our current run rate, and we've assumed the mid-point coverage ratio here at 1.175 times.

So what's the result of all that? You can see here after the initial bump of 75% to 80% to \$2.25 per share in 2015 using the mid-point that grows to about \$3.87 in 2018. That represents a cumulative annual or compound annual growth rate of about 20%. And that of course, this return excludes any capital appreciation and our share price from a TSR standpoint.

So we believe that the 20% growth rate is very achievable and that's because over 80% of the growth that's required to achieve this through 2017 is already committed and secured. This blue line represents the cumulative CapEx that's required in TOO and TGP over this period to achieve the illustrative growth assumptions.

These bars represent the actual committed and known CapEx already secured in TGP and TOO in each of those respective years, and this is the cumulative CapEx of those bars. So if you look through to 2017, we've secured already 80% – 82% of that CapEx to achieve the 20% CAGR growth. And one of the benefits of our business model is that we have forward visibility on projects. And the typical lead time on organic projects is about two years to three years in advance.

I should also add that this chart excludes about \$800 million of CapEx beyond 2018 that we already secured. And of course, we are actively bidding on several gas – newer gas and offshore projects, which will continue to build on this secured CapEx. And so it doesn't really take much to fill in the white space there. And these are the illustrative dividend amounts that correspond to the CapEx in those.

So we demonstrated that the 20% dividend growth is very achievable, but what can make this better? Given that we have very strong fundamentals in our industry and we'll go through that in more detail in the daughter presentations to come, we may actually exceed our illustrative growth assumptions through organic projects and acquisitions, so we got several ways in which we can grow.

And to illustrate this, if we were to add just 1% to the illustrated growth assumption, distribution growth assumptions, our 20% CAGR growth in the dividend would increase to 25% CAGR. So a 1% increase in LP distributions translates into a 5% increase in the Teekay dividend growth. So what we call the GP multiplier effect of 5 to 1, and I think that really shows the power of having two GPs in the high splits.

So what can make this even better? As we mentioned, our intention is to reduce our target coverage ratio as we wind down or sell the remaining assets in OPCO.

We essentially have four main triggers here. First, as Peter mentioned, it's our target to dropdown the remaining FPSOs by the end of 2016, and Kenneth will discuss this in more detail in the TOO presentation.

The VLCC tanker that we have was inherited as part of our investment in term loans. Tanker asset values have been increasing, and it is our intention that we will sell this asset in the upcoming winter market when the tanker markets are typically stronger.

In terms of in-charters, we have very few in-charters remaining, in fact the [Indiscernible] material in term of OPCO's cash flows anymore particularly given that there is a stronger tanker market. Now these in-charters run till the end of 2008 (sic) [2018] on a scheduled basis, however, two of these ships were actually from TOO, so it is possible that these could terminate earlier than scheduled.

Interest expense, we intend to use the dropdown proceeds to repay our revolvers or repurchase our bonds or take back additional LP units to offset the interest cost. So we do expect to gradually reduce our targeted coverage ratio over the next couple of years. That's mainly driven by the timing of the dropdown of the remaining FPSOs.

So to illustrate the potential impact of reducing our coverage ratio and if we apply a hypothetical case here given that we aren't intending to reduce the coverage ratio immediately in 2015, but if we assume that we reduce it by 0.1 times during this period, our CAGR working off of the blue line would go from 25% to 29%. So our dividend CAGR would increase by further 4% just from a 0.1 reduction in our coverage ratio.

And given that this only a 0.1 reduction half of the mid-point of 1.175 times, there is further room for the coverage ratio to reduce even further than what is shown here. So in summary, not only is the 20% CAGR very achievable, we believe that there is potential upside than what is shown here.

Now I'm not intending to do the work for esteemed equity analysts out there, however, we thought it would be interesting given that we've now given visibility on our dividend policy, as well as our expected growth rate to see how we compare against other publicly traded GPs out there.

Now this data is taken from Bloomberg. On the vertical axis is the four-year dividend CAGR of other GPs and on the horizontal axis is the current 2015 dividend yield. I think what's clear from this graph is given that Teekay's dividend CAGR is about 20%, that puts us clearly in the top quartile amongst other GPs, which are currently yielding about 2.5%.

And if we take Teekay's illustrative 2015 dividend of \$2.25 based on our current share price or previous share price last week, we are currently trading at about 4% dividend yield. And so I think this implies some valuation upside for Teekay and I think I will just leave it as that.

So to sum up, as Peter and Kenneth discussed, given our strong industry fundamentals, our leading market positions in our core businesses combined with our strong balance sheet and access to capital to fund that growth and our flexible corporate structure with two GPs with a lot of built-in growth, I think you can see that Teekay's free cash flow is poised and, therefore, its dividend is poised for significant growth in the future.

Thank you very much.

<<Ryan Hamilton, Investor Relations, Teekay Corporation>>

With that, we will turn it over for Q&A.

Q&A

<Q – Michael Webber>: Hey, good morning, guys. This is Mike Webber with Wells Fargo, you guys knocked our questions, I think, with every slide. But I wanted to come back to the dividend first. And you showed some examples of the CAGR, but on an annual basis, how balanced do you expect that growth to be to the extent that you can control? I don't know is that a priority to you guys in terms of evening out that 20% per annum?

<A – Vince Lok>: Yeah, I think if you look at our slide in terms of how much we've booked over the next three years of committed CapEx, I think that's able to support a fairly stable and consistent increase each year. And we're continuing to add to the order book for FSO projects. And so, hopefully, that growth rate will continue on a pretty consistent basis. So we have pretty good visibility on what we can do in terms of the dividend growth.

<Q – Michael Webber>: And then, Vince, you pointed to – I think, it was slide 62, where you plotted the GP growth rates for – I think growth rates for the C-Corp GPs versus the yields, and it – obviously, when you look at that as a cluster of names that are at the top left around that 20% to 25% growth area, when you can assure your CAGR, you obviously referring to the upside. How do you think about efficiently using that growth when you think when you move beyond that number you start inefficiently using that growth and is there something you guys manage towards?

<A – Peter Evensen>: Well, I would say a few comments. First of all, Kenneth detailed how we look at each single acquisition. And for us, it's actually a question of do we have the human capital that's necessary to take on a certain

project and how does that fit in to the overall portfolio. And so I think that it's – that's the real limiting factor that we look at in terms of being able to accelerate the growth. But what Vince didn't show in his illustrative forecast assumption is the effect of on-the-water acquisitions, which Teekay has a history of doing.

And so if we were able to find good acquisitions as we have in the past then I think we could accelerate what the dividend growth is, but also put Teekay in a better position. We are saying that TOO will grow faster than Teekay LNG in the first few years and that's because of this forward visibility. When we just look at organic growth, we're already booking in the 2017, 2018, all the way up to 2020 type of growth.

And so, therefore, any growth that comes in 2015, 2016 is really going to be in on-the-water acquisition. So I think to accelerate the growth in the near-term, it will be through M&A and that's something that we don't plot, but I assure you we are constantly looking and that's our history of doing that.

I think that our bias on growth to go back to what you are asking is to stay within our core markets. We've moved into two new areas, the floating accommodation, as well as the deepwater towing, and I think we are pretty good there. So there is – I would call it us more as being in a harvest period of executing on the projects we have and then if we are finding acquisitions, we will stay within our core markets rather than deviate.

<Q – Michael Webber>: Fair enough. One more for me and I will turn it over. But Vince and Peter you both mentioned the payout ratio and moving that in over time as you continue to dropdown the remaining FPSOs of the parent. Just curious as to what benchmarks you and the board are going to look at as you drop those down as that can be something that you are evaluating quarterly, obviously, you don't need that growth to hit that 20% target right now, but how are you guys going to think about that?

<A – Vince Lok>: Yeah. Again, it's mainly related to the OPCO side of things. We do have the post-Knarr, we still have four FPSOs and so there is still some operating risk associated with FPSOs and cash flow variability. And so we will monitor that. And as we gradually dropdown or sell those FPSOs, I think it will be a continuous thing that we assess over the next couple of years.

<A – Peter Evensen>: Yeah, I wouldn't say that's a prescribed – that we have an intent to reduce the reduction and I think we have to get comfortable with that the buffers are necessary. Teekay in its general plan is a conservative company on the financial side and so we like to have sufficient buffers.

As Vince has quite clearly said, we have sufficient buffers, but we intend to reduce those buffers over time because quite frankly we don't need the capital. And so if you don't need the capital then Teekay has learnt from its daughters

then we should return it to the shareholders. And as I said, rather than a share buyback we think of more sustainable model is to do it on a dividend basis.

And so what we are thing about here is what's the flow? It's always the flow rather than the one-off. And as I said in my prepared remarks, that's a deviation from what we did in a 2005 to 2007 timeframe when we are buying back stock based on asset changes and dropdown and a lot of cyclical cash flow. And that's why the number one thing is to think longer term and that applies to acquisitions as well as reducing the buffers.

<Q – T.J. Schultz>: Hey, thanks, guys. This is T.J. Schultz with RBC. I too appreciate all the color on the dividend. I guess just staying real quickly, just a little clarification on the coverage ratio there, so the base case that you have in the illustrated example for dividend growth for 2018 is that assuming that coverage stays at that 1.15 times to 1.2 times through that example or are you looking to bring that coverage down post-2016 when you think the FPSOs will be sold down?

<A – Vince Lok>: Yeah, just to clarify the illustrated case assumes that leave the coverage ratio to constant at the mid-point of 1.175 times. So that's what the 20% CAGR is based on. And if we are able to reduce that coverage ratio towards or during that period and as we've shown in one of the slides that that CAGR should increase if we are able to reduce that coverage.

<Q – T.J. Schultz>: Okay, thanks. And Vince, I guess with the Knarr dropdown all at once, you mentioned you are planning to take back about \$200 million of TOO units. If you could just talk a little about the thought process on taking back that amount of units which does help offset some interest expenses versus maybe looking to pay down debt sooner since your dividend growth is not really reliant on the interest burden there?

<A – Vince Lok>: Yeah, again, given the size of the Knarr FPSO, which is over \$1 billion, we felt that in order to facilitate the financing of that dropdown that would be helpful to – for the parent to take back some of the LP units and, of course, we like the offshore business. We think it's a good investment to invest further into TOO's LP units.

And by going forward, I think we have a lot of opportunities and alternatives in terms of future dropdowns. We can take back more units, but of course we can take back the cash and reduce debt as well, which is more of a – I guess a permanent reduction of debt in that case as opposed to just being an offset against interest expense. So we are going to asses each dropdown on an individual basis going forward in terms of cash versus units.

<A – Peter Evensen>: But I would stress what Vince says that we think taking back the units is a good investment and that's how we look upon it.

<Q – Keith Mori>: Keith Mori from Barclays. Thank you for all the information on the dividend. Just want to touch on – you said 80% of the business is basically locked out for the dividing growth, 20% a lot of white space. Can you maybe talk about some of those other projects that you're looking at and how the return matrix maybe changes as you push out into other projects and maybe the hurdle rates increase and it becomes more tougher to raise capital?

<A – Kenneth Hvid>: I can call that. First of all, I think what's important just referring back to what Peter and Vince talked about, we'll be very focused on this finding the right speed limit for each of our MLPs and that really has to do with what is the right growth rate that we are targeting. We'll be talking more about that in the next presentations here, but also what do we have the capacity to do. So we are constantly out there scanning, but also the way that the business works is that we can really only book like three years out and that's typically the horizon that we're working on.

So what we are focused on is of course filling our near-term book. It's actually not too different from the way you look at the Shipyards. You always try to sell the capacity two years out. And then as they go further out and it's not looking at well what is the business mix is going to look like as we look beyond this four year horizon. And that's very much the same way that we are orientating ourselves.

So we're always trying to define this as sandbox large enough. When we look at it, that gives us, I think, some comfort because we can be more choosy, especially in the offshore space. We are up there, over 80% in terms of what we need over the next three years and with the business mix that we have right now, we can actually focus on getting it right so that we go after the higher returning projects.

So eventually, you actually see that we are competing for capital between our projects and that's the ideal position to be in that you have a choice, whether you need to take the piece of business or you absolutely have to go out and win it. On the gas side, it's a little bit different. In the short-term, we don't have as much we have, but we see a lot of growth coming in the future. We think that depends upon, we will continue to be very competitive at roughly the hurdle rates that we are seeing today, but as we said LPG represents an alternative and if we can diversify into other areas over the longer-term, then we can probably improve a little bit on that, but the hurdle rates in LNG will – we expect it to remain more or less the same with slightly higher hurdle rates in the offshore space.

<A – Peter Evensen>: And I think I would add to that that if you think about things in two ways, we can either do organic projects and take on the project risk and get a higher IRR, or as I said in my prepared remarks, I think there is a lot of scope to buy assets from our oil company customers and then we're going to get on the water assets. So it's going to be a de-risked asset, but on a risk-adjusted

basis, it comes out about the same for us. And so I think we would have a preference, as I said in my prepared remarks, to buying on the water infrastructure assets and we think the oil companies are setting up quite well in order to do that. So that's a focus of ours is particularly in the offshore side. If it comes to us on the LNG side, so much the better.

<Q>: And then, one more from me. The forecast really focuses on growth at TOO and TGP. We know that the tanker market has improved. You guys have painted a much better picture later on the slides because I went ahead and was curious on your thoughts on why you keep the dividend flat in your projections? Could this be some upside, kind of what's your thought process around that?

<A – Peter Evensen>: So I encourage you to stay for – is that 11 o'clock? When Kevin Mackay comes on, 11.30 when Kevin comes on and talks about Teekay Tankers, but I will give you a preview and answer your question. I think it's that – it's a question of replenishing the balance sheet and preparing for fleet renewal. And so we have to – we see a lot of things going on in the tanker market. First of all, we see the scope for consolidating and so if we have the ability to have multiple levers that we can use either using our shares, buying cash, I think that's what's going to make the difference with TNK, but it's a wonderful vehicle in order to grow.

Right now, we don't think the share price is depended on the dividend. So by changing to a dividend policy, we don't think we would enhance the value. People are looking at the ramp that's going to happen on Teekay Tankers and so the dividend doesn't make a difference as it stands right now. Maybe that will change a little bit over time, but the way it changes in my opinion is that the tanker market improves, we get high rates again. And then we get the call from the analysts and the investors like what are you doing with all the cash. So I look forward to that happening. And Kevin will give you a preview of when that will happen.

<A – Vince Lok>: Yeah, I guess, just to add to that. Of course, in our case here, we'd assume a flat dividend, but as you know we do have investment in TNK as well as TIL. So I guess, if you look at the projections, I would sort of look at that as option value to Teekay Corporation.

<Q – Sunil Sibal>: Hi, good morning, Sunil Sibal from Seaport Global Securities. First of all, congratulations on the new dividend policy. Couple of questions from me, first of all, if you could give us little bit more color on the FPSO Libra in terms of what's the order of magnitude of the investment involved at that FPSO and returns on that. And then secondly, on the TOO distribution growth projections that you have for the illustrative example, does that accounts for all the dropdowns of the FPSOs from Teekay into TOO going forward.

<A – Peter Evensen>: I don't think we're going to answer the first, because we're just signing the LOI and we haven't negotiated the contract. So we're not, for competitive reasons, talking about that right now. But Vince will answer the second part of the question on TOO distribution growth.

<A – Vince Lok>: Yeah, in our forward CapEx numbers we have incorporated the drop down of the remaining four FPSOs over the next couple of years. So that's what we assumed in the model.

<Q – Sunil Sibal>: Thank you.

<Q – Darren Horowitz>: Good morning guys, Darren Horowitz of Raymond James. Vince, just a quick question for you on slide 50 and 51, when you're outlining the equity cost of capital I'm just curious, I guess based on the 35% equity assumption for TGP and 40% for TOO. What's the sensitivity there? Just from an equity perspective if there is a 50 basis point or 100 basis point move from a financing perspective. I'm just thinking about the accretion relative to the daughter LPs and how that could change possibly the cash flow uplift through the IDR's to the GP. Obviously it would be beneficial assuming incremental units issued but I'm just curious to sensitivity.

<A – Vince Lok>: Yeah, I don't have an exact sensitivity for you, but I think we built in, I think, fairly conservative interest rate assumptions on the debt as well as the equity side and what really matters of course in the accretion is what's your spread on your IRR of the project relative to cost of financing and in our models I think we've assume fairly conservative assumptions that are achievable. As you know, we typically swap out a lot of our interest costs, so we lock-in the revenue, we lock-in a big portion of the debt cost so we can lock in that accretion, going forward.

<Q – Darren Horowitz>: Is it fair to assume just on a cash-on-cash IRR basis that if those FPSO should reflect somewhere around maybe 11% to 13% or 12% to 14%, is that about right throughout the duration of those four remaining vessels dropdowns?

<A – Vince Lok>: In terms of un-levered returns, I won't give specifics from competitive reasons, but we've indicated FPSO projects are typically in the low double-digit unlevered IRRs.

<Q – Darren Horowitz>: Thank you.

<A – Vince Lok>: Okay

<A – Paeter Evensen>: Well with that we'll move on to...

<Q>: Sorry just one more from me. Just wanted to jump back to slide 62, and I know you've touched on it earlier but it seems like it's the most salient picture where you guys are at now. And when you look kind of left of your dot and you look at where you guys want to go, I am just curious. Is that, there is another aspect to that and that is the risk profile of the underlying asset base relative to your new SEACOR GP comps and Peter I know this is something you've looked at, but how do you compare the risk profile of your asset base versus those of a SEACOR comp specifically on the offshore side and what are you doing. From an operational standpoint, to mitigate some of those risks. I know you've talked about revenue insurance on the Knarr. Just to mitigate the operational risk associated with those assets relative to the new SEACOR comp set that you're striving to catch.

<A – Peter Evensen>: Well, I think we'll address that in the offshore section. Kenneth, will talk about what we've done to improve our operating side, where we had some setbacks on the operational side. So I think we've done a good job of learning that, but I really see two risks. One is on the operations, but that's sort of a one off because you fix it and then you have a problem with the compressor, you fix it and then you bring it back.

So you haven't actually lost that cash flow, you deferred it. For example, when the Banff came back online, we were pumping close to 20,000 barrels a day rather than 10,000. We aren't paid on a per barrel rate, but the pressure built up in the reservoir and we now see that we were offline for close to three years. We'll now stay on that field longer. So yes from a financial point of view, you lost some years, but in our mind, we haven't lost the cash flow, we just deferred it.

The second risk has to do with what we call the re-employment risk or the roll-over risk. And there I think we've done a lot better job on the logistics side. For example, when we launched TOO, we had a lot of conventional tankers. They've now rolled off and when they rolled off we lost a lot of cash flow. We've been able to replace that cash flow through operating cost reductions as well as new growth. But we didn't get the full effect of a lot of acquisitions because we had to replace some cash flow. That takes us through the pipeline as I like to say now. So we will see a much more growth in TOO, which has been low on the coverage ratio but now we will build it up much more.

So I feel we have the buffers going forward. As it relates to the operational side, it starts, as I said in my remarks, with the operational excellence. So you know we had some setbacks and we've now worked at improving the organization. But it also gives you a chance when you have operational issues to work with your customers. As some fields get older, then we've found that, you have to work closer with the customers and the incentives that were once built into the contract don't exist.

What's great about our offshore market is because while they were – a lot of our fields were put in place late 1990s early 2000 when people were budgeting a \$15, \$20, \$25 oil. Now there is a lot more enhanced oil recovery which Ingvild can talk about, because that's exactly the market he targets, that gives us great opportunities for our shuttle tankers as other kinds of assets.

And that's involved obviously in the new Libra where we're using existing shuttle tanker and the FSO's where we've been able to move them to more benign waters. I think that's actually a step up for Teekay, because when we put in place our original assumptions we assume that we scrap the shuttle tankers. To the extent that we can find a new use for them or use them in a better paying market like early well test and other things, that's just gravy for us. And so, I'm really pleased with our offshore business development people, how they've been able to take these existing assets and find a higher use for them. And the higher use is either greater charter rate or that they stay on station much longer. Would you add anything to that Kenneth?

<A –Kenneth Hvid>: No, I think that's right. And I think you're asking a very good question Mike. It's like if you put an FPSO out on a 10 year contract, again it is a billion dollar project. Of course the approach we'd take is that we have a significant depreciation over the firm contract period. So you end up with an asset that maybe extended on the field or may end up with an asset that you need to find another field for. So the question is, is that a huge risk or is that a huge opportunity and the way we've built the business model for a lot of the medium sized fields that we are looking to employ our assets on.

We actually see that there is a lot of upside in a number of our assets as well where we can come out with – well we've taken top off the, the value of the asset and we can go in and compete fiercely on some of these field developments and have a much more cost competitive solutions compared to coming off with a brand new FPSO that could produce a same field. So we actually are quite comfortable with the model, but it's of course all about matching the roll off of each of the assets and making sure that it doesn't all come at one period of time and that's what we are spending a lot of time trying to just stack her out as we look at projects.

Teekay LNG Partners

<<Ryan Hamilton, Investor Relations, Teekay Corporation>>

With that we'll move on to Teekay LNG

<<David Glendinning, President, Teekay Gas Services>>

Good morning ladies and gentlemen. A fairly dramatic music there for a fairly dramatic project, actually so, and I'll touch on that a little bit later on, but we thought we just give you a little taste of our most recent success. So my name is David Glendinning and I'm very proud to be the leader of our Gas Division here in Teekay.

So, much of my presentation will look at some forward-looking information. So before I start, I would like to draw your attention to the forward-looking statements. And again, it's important that you read and understand these statements. So basically, my first slide says it all. Today, after almost 10 years after the IPO, we have delivered on our promises and have grown to be one of the leading LNG shipping owners. We have a stable operating model and we continue to deliver on that model and deliver on our promises with a healthy forward revenue book of close to \$11 billion.

Looking into the future, we expect to continue the strong growth as the industry and as another exciting period of growth. In fact, with our recent successes, we have already booked considerable growth of about \$2.5 billion. So let's take a high-level overview of Teekay LNG. Since the IPO in 2005, we have achieved a 6% annual growth rate in distributions. We have generated 15% per annum shareholder return. We presently have a \$3.3 billion market cap, we have 83 vessels and we have generated \$11 billion of forward fee-based revenues with average contract length of 13 years. And all this is built on the platform of operational excellence as you can see with zero pollution events and a very high uptime fleet availability.

So Teekay's LNG evolution; you know back in that 2002, 2003 we had a look at the LNG market and it had some very interesting upcoming situations developing. We saw that, at that time, the United States, the indigenous gas in the United States was depleting. At that time, demand was rising. At that time, Qatar was building out its infrastructure with a promise of over 70 million tons per

year exports and we saw a very exciting opportunity for Teekay to enter that market.

We have the core competencies to compete and we have the operational excellence platform that Peter has mentioned to build it on. In our tanker sector, in the previous years, we build up tremendous relationships with many oil companies and one of those oil companies ExxonMobil actually came along to us and encouraged us actually to pre-qualify for the RasGas tenders. So we did that and we actually did pre-qualify and then looking at the whole infrastructure going forward and the requirements going forward, we knew that we needed an operational platform to build on.

And that's when we went out and acquired Naviera Tapias of Spain. They had four LNG ships, all on long-term charters to Repsol, Gas Natural and Unión Fenosa of Spain. So that acquisition gave us the actual operation platform to be able to train our people. So actually after that what happened was we are very successful in the RasGas 2 tender and we actually won three ships. But that was not good enough for us, because we needed more. We wanted more growth. We always strive to be a leader in any industry we take part in and for that, we needed to find an access to low cost of capital.

So in that period, the pioneer in LNG shipping, MLP Teekay LNG Partners was launched in 2005. And then as they say, the rest was history. We had the operational platform. We had the access to low cost of capital and the rest his history. We went on after winning the RasGas 2 tenders. We went onto win RasGas 3, four ships from RasGas3, ExxonMobil-led. We then went on to win Tangguh, BP-led, Angola, another four ships, Chevron-led. So we've had a very successful a period of growth.

So then we – an Exmar LNG joint venture where a couple of our ships, we 50% own with Exmar now and interestingly the next period of growth for Teekay LNG was the Maersk acquisition. Maersk decided to divest off their LNG ships and this was not just a pure financial transaction because they had a number of customer and in the LNG industry, there is a very high bar for entry. And these customers, all in the charter parties, all required approval of any new owners.

So, not just any owner could qualify and the likes of Yamal LNG, Total, Woodside and Qatar, Qatar Gas were the actual charters. So the financial part of it was important but it was more important to be able to acceptable to these customers. So on that basis and based again on our operational excellence platform, we were able to be successful in acquiring six ships from Maersk. And then in 2012, we ended the MGC the Medium Gas Carrier market through our joint venture with Exmar where we acquire 50% of their ships in a joint venture. And then recently, the MEGI LNGs which I'm going to touch on later, Yamal LNG which I will discuss and the BG LNG, so we have had a remarkable evolution to bring us to where we are today.

So Teekay's LNG global footprint; traditionally as you know in the U.S. MLPs are based on basically pipelines, land base pipelines. Teekay LNG really is not that much different. In fact, our vessels are often considered to be floating pipelines. As you can see on this slide, gas shipping is truly a global business with new routes developing as the market continues to grow. The red dotted lines that I'm sure you know on this slide represents the Teekay's later success in Yamal in Northern Russia and the Cheniere's Sabine Pass project and you can see the red line going from the U.S. Gulf going actually west through the Panama Canal and that's on the basis of the new Panama Canal, which we expect to be in operation probably 2015, 2016.

As I have alluded to earlier, in only nine years Teekay LNG has become a very significant presence in the LNG shipping industry. The three Japanese companies who are larger that are indicated on the left here NYK, MOL and Kline. Those three companies are larger, but they have been in business for 20 years longer than us. And you will notice that the chart doesn't include non-independents such as Nakilat of Qatar or MISC of Malaysia. So with 44 ships, we're sitting very nicely in this chart.

This slide highlight the fact that the \$11 billion of forward fee-based revenues is with very strong counter parties. All our customers are blue chip. And the LNG industry has a remarkable record and this was alluded to earlier by Peter, a remarkable record of harmonious relations between customer and supplier in the shipping area. I mean, if you're going to be married to somebody for 20 to 25 years, it's best that you get along and the LNG industry has proven that. It's a real partnership, strong relations and it's a partnership that last. You will also see on the slide, that the LNG carriers have an average length of contract of 14 years. I mean the some of the Yamal projects go into 2045 and some are coming off in the 2020s. So it's an average, weighted average of 14 years.

One of the reasons that we do qualify for all these tenders is our track record of operational excellence. From the very beginning and as I said in my earlier slide, this was our ticket to enter the LNG shipping segment. And even today, it remains the hallmark of our continuing success as can be evidenced by the remarkable statistics on the screen. For those not familiar with the term LTI, it stands for Lost Time Injury and it is incurred when a seafarer can't work his next shift due to an incident or accident. I think this statistic is most telling about the safety and the management culture of people that work on our ships and indeed the shore.

And for our whole fleet to achieve 1000 days is truly an amazing achievement. You will also note that the fleet availability since 2008, 99.5% of the time our ships are available. Again, considering the complex machinery of these ships and that again is a truly remarkable and you will note that since the Teekay LNG inception we haven't had one pollution incident.

Now we're going to move on to our newbuildings. We've ordered a series of five newbuildings with the innovative MEGI engines. Just when we got into this business just ten years ago, steam ships were the – all LNG ships were driven by steam, steam propulsion. It didn't really matter because fuel prices were so low that we could afford to burn a 180 tons a day in the boilers or the gas equivalent of 180 tons a day and that was okay because at that time, crude was \$20, \$30 a barrel, fuel oil prices were low, but since that time, of course, fuel oil has got to a staggering \$650 or \$700 a ton and it becomes very expensive to run steam ships.

So innovation is driven by commercial need in most times, so the industry actually in that time has evolved from steam. Then it moved to dual-fuel, diesel-electric engines, which are diesel electric driven by gas or liquid fuels and more recently, we have spent a lot of time, actually six years working with MAN, the engine manufacturer and in the last two years, working with BSME to produce the MEGI engine. The MEGI engine is a slow speed diesel engine, which has been around for many years but with high pressure gas injection can be used as a fuel as well. Of course, once you just bring high pressure gas into the engine room, there is a lot of safety concerns. So we work with MAN in doing HAZID/HAZOP analysis, fire and explosion analysis and all that takes time. So over the period of six years, we developed this engine with MAN and then work with the shipyard to make sure that it could be fitted into newbuildings.

So this was the hallmark of this engine, of course is, and I mentioned earlier on, a steam ship would burn, I don't know, in the region of a 160, 170 tons a day. A DFDE was down to 130 tons and we've got the MEGI engine down to 100 tons a day. So remarkable savings and I'll touch little bit about that later on.

In parallel, we looked at other efficiencies in the ship design. We looked at the hull form, because if you improve the hull form, you improve efficiency. Even the propeller design, the containment system with the boil-off, we reduce the boil off. We improved the containment system to reduce the boil-off. And then, we fitted reliquefactions. So any excess boil-off, instead of getting burned in the combustion unit or the gas combustion unit or flared off, we are actually going to reliquify it and use as part of the cargo. And of course, then we looked at the size of the ship and we looked at where the future growth was coming. Future growth, a lot of growth in the U.S. Gulf going to the Far East passing through the Panama Canal, so what we did with the size of the ship was actually design it to be almost the maximum size that will pass through new Panama Canal.

So looking on the value proposition of this, for our customer; on the shipping side of the business, we always look at time charter equivalents or time charter rates and we look at operating costs. On the customer side, what they look is what we call unit freight cost. They want to understand how much it costs to transport a molecule of gas. We have calculated that our ship with all the benefits I have

mentioned with save \$0.45 of million BTU on a typical voyage from the U.S. Gulf to China. And that translated in dollar terms for shipping types is in excess of \$20,000 over the equivalent DFDE ships. So we're so excited by this development that we – so we moved first in the industry and we are typically build-to-suit strategy. We're so excited by the possibilities for the ship that we actually went out and ordered five ships without contract and we intend – we are pushing them by the customers. We have the first two ships fixed to Shahaniya and we are active at the moment in marketing and negotiating charters for the other three ships.

Kenneth mentioned earlier that partnerships is a very important part of our success and will remain an important part of our growth. Teekay LNG has a number of strategic partners in our present business and we do see that trend continue as we enter our next period of growth. Partners in the past have allowed us access to new lines of business. And as we mentioned, the Exmar LPG transaction allowed us to access new markets when local content is required. Nakilat in Qatar, BLT in Indonesia – even though the ship owners allowed us to join with them and that helped us to access the Angola market.

Then this risk diversification and the Yamal LNG is a big project with very expensive ships and new technology and it was a strategic decision then to share this project with China LNG. There is a lot of other strategic reasons why we do it as well. And certainly, for future work within China, it gives us access to Chinese markets. And also, as Vince alluded to, access to Chinese financing.

So we see the key to our ongoing success will be the five competitive advantages in this slide. Together, they allow us to give customers a unique value proposition, the significant scale. It's not only the scale allows us, it allows us to be very competitive suppliers. It allows us to leverage suppliers, so even including shipyards. We have got 15 ships on order at the moment, 15 ships and 15 ships are fully build, cost us around \$220 million each. That gives you a lot of leverage in the market.

We will continue to be a leader in the technology field. We will continue to improve the ships that we design for our customers. Strategic partnerships, I've just mentioned, but not only with ship owners and financial partners, we have strategic relationships with other suppliers, with shipyards and banks for instance. And access to capital, I consider this to be a huge competitive advantage. Vince said it was a core competence. I say it's a competitive advantage and it has allowed us to be successful in the past nine years. And then, reliable operations. That was the key to our entry into this field and it remains the key to growth.

Now, I would like to discuss the excitement of the growth industry. First of all, we will take a look at where we are today and what we expect until 2020 with respect to the LNG's shipping fleet. This bar – the red bar here clearly shows the

softness in the near-term market. I must say this was caused by really ill-timed speculative ordering by some ship owners. It was caused by delays in the clinical fashioned facility start up, as well as excess downtime of existing plants. And some examples, I mean there was Brass LNG, OK LNG out of West Africa and never came to fruition. Egypt is now using a lot of its gas domestically, so reduced amounts available for export.

If you take our Angola project, it's a terrific and well-documented start-up problems. Snøhvit in Norway had problems. So there's been a lot of setbacks within the LNG industry, but that has been compounded by – ship owners are seeing a lot of potential growth that never evolved and they went ahead and ordered speculative ships. So this is where you see the softness.

However, we do see dramatic improvements post 2016 when a lot of the U.S. and Australian projects will come online. The improvements right here is only shown until the end of the decade, but this strength will continue way beyond 2020. Our conservative strategy has meant that we only have two ships exposed to this weakness. Each of those ships are only 52% owned by Teekay LNG and one of those ships don't actually roll off until the end of 2016. The other one rolls off in 2015 and we – as we speak, we are talking about potential employment for that ship.

Much of the growth highlighted on the previous slide will come as a result of the shale gas revolution in the United States. Most of this gas that we see on this chart – a lot of this gas that we see on this chart has been sold on long-term contracts. So we would expect that to be mirrored in the shipping contracts; i.e. we're looking for lot more long-term fixed rate contracts.

The gas for the most part has been contracted to customers in Asia. And so, the need for the bigger, more fuel efficient ships was definitely there. I want to make new buildings as a lower unit freight cost than any other ship on the water. So they are eminently suitable for the U.S. Gulf to Asia trades, passing through the new Panama Canal.

And as I mentioned earlier, Shahaniya has already contracted two of these MEGI ships for their – to be best volumes. But the growth is not limited to the U.S. As can be seen on this slide, Russia, Australia and eventually Canada will contribute significantly. And later in this decade we will see large volumes coming out of Mozambique and Tanzania and actually the fact that it shows here, starting 2020, we expect 2019, 2020, but there's a lot of gas going to come out of East Africa eventually. So lot of growth prospects right there.

And not surprisingly, demand growth will be led by Asia, and primarily China and India. As Peter mentioned, the growing population, the urbanization in these countries will lead to the need for more energy and it's pointing the way to that energy will be in the form of gas and LNG imports.

But we do see demand growth also coming from actually former exporting countries such as Indonesia and Malaysia. And Thailand will also contribute to the growing demand in the region. So what does this supply demand scenario mean for LNG shipping? On the left graph, we show the incremental growth of LNG exports by region up until 2022. We chose 2022 because to get a ship delivered in 2022 you must order before 2020.

On the right side what we've done is translate that incremental LNG exports into the number of ships that will be required. And we conservatively estimate that 150 more LNG carriers will be needed to be ordered in the next five years to meet the demand. And that is a conservative estimate. I know that I've read other estimates being much higher than that. We've been very conservative on our scrapping estimates and ships that maybe laid off there. We do think a lot of the steam ships will be modularized going forward and therefore this is a conservative estimate based on that.

And then as previously mentioned, we have a 50/50 joint venture with Exmar on the LNG space. They are leaders in the medium gas carrier space. This segment is particularly attractive to MLPs due to the stable cash flows and medium-term contracts. We do see increased demand in regional trades from the U.S., Middle East and North Africa to the likes of Latin America, Europe where there is lot of refinery shuts down and India. So that is a very exciting segment for us to be part of in our Exmar LPG joint venture.

And then, I know that everybody is reading ethane, is on everybody's lips at the moment in the U.S. and it is an emerging market. It's going to produce some exciting opportunities. Ethane, as we're probably aware, is a low-cost feedstock used in the petrochemical and power generation industries. The ethane market is – we think the ethane market is where the LNG market was probably 40 years ago. What is particularly attractive about this market is that it will need larger capital intensive ships, which will be employed on long-term contracts, perfect for our MLP. And there will have to be new buildings, because the present fleet of VLGCs, kind of carry ethane. Our Exmar joint venture is presently looking at a number of opportunities in this area.

Another area where we see strong growth is in the floating regas market, FSRUs, floating storage and regasification units. We see somewhere between \$3 billion and \$5 billion mainly to be invested in the next five years in this area. The FSRU market typically follows a strong LNG export market and – export-import market. As demand for LNG ramps up in the developing nations, there will be need for regas solutions, which one, quick to market, two, cost effective, and three, flexible.

FSRUs are the answer. There's low approval hurdles. They are more viable, so they can go on for shorter duration. Actually they can be employed in shorter

duration contracts. And they can be built in one place with a lot of expertise. They'd be built in shipyards rather than having huge bits of equipment being moved around for land-based terminals. So we think there's tremendous advantage in FSRUs in the developing nations and we look forward to a lot of growth in that area.

So our growth strategy, our fleet expansion is already underway with \$2.5 billion of CapEx already committed to growth out to 2020. You will also notice the timing. The LPG carriers are delivering into a strong market and similarly, our MEGI new buildings also just time just right for the exciting LNG market growth. It is worth noting on this chart that out of the 15 LNG ships shown, we already have employment for 12 of them and are confident that we will secure contracts for the other three prior to their delivery. The solid blue line here represents an illustrative distribution growth. And again, I emphasize it is illustrative and has been showed to you earlier.

This example shows the low growth initially, but then building to a normalized 4% by 2017. We are planning to exceed that blue line and we even feel that in 2015 they maybe on the water opportunities for M&A opportunities in 2015. So this line, again, is purely illustrative, but you can see that by 2017 91% of the CapEx is already committed.

And then, coming back to the 150 ships that we need to be ordered in the LNG space prior to 2020, that is going to represent a requirement of over \$30 billion of CapEx. Now, today, we have a market share of around 10%. So even if we maintain that market share that would add a further \$3 billion to our already committed \$2.5 billion of growth. And that was without taking into consideration any growth associated with FSRUs, LPG or ethane. I'm talking about ethane. That's a nice segue into the success of the Exmar LPG joint venture.

As you can see on the graph, the MGC segment trades within a narrow bond and is a very attractive to an MLP, more attractive to an MLP than the volatile VLGC segment, which is shown in blue. The joint venture deal that we did with Exmar could not have been put together at a better time. We did it at a time the market was – become very strong in trading. New building prices were low. And our second time sales have been concluded at very strong levels. This joint venture truly continues to exceed expectations.

Through our existing strong platform of operational excellence, strong customer relations and partnerships we already extend our competencies into adjacent areas. At the moment, we are bidding very closely on four FSRU projects. We are bidding on two FSU projects and our joint venture is engaged in one tender for ethane, but are certainly following a lot of other opportunities.

So let's talk a little bit about the Yamal project. TGP in China shipping in a 50/50 joint venture was recently successful in the Yamal LNG tender. And we were just

– one of the handful of companies that actually pre-qualified to compete in the tender. The unique specifications of the vessel and the demanding trades and operation caused the customer to be very selective. Again, our operation excellence allowed the same.

The project is probably the most innovative and creative LNG project that has ever been brought to the market. And you can see by this chart that using the North Sea route – Northern Sea route, around the top of Russia to China only takes 18 days. We can do that through three months of the year on our ice-breaking LNG ships.

Unfortunately, we can only do that three months of the year, because the other nine months of the year you have to go the long way round and we use the ice-breaking ships to transport the LNG then to Northwest Europe, transshipment point in Northwest Europe and then it's going to be transshipped onto conventional ships of which there will be 15 of those and they will come out to tender later this year. And then they have to go down through the Suez Canal and then through to Asia. And that is a 53-day trip. So it's, as I say, innovative and creative. First of all, you've got the technological superior ships, the ice-breaking ships, and then you've got the logistics and it's – Total and Novatek worked very hard on this project.

And as a result, it worked for us. It's very good, because 53 days means a lot of ships and going a long way. So we got a total of 15 ships conventional that be coming on top of the 15 ice-breaking ships, so a total of 30 ships. The present tensions between Russia and Ukraine did give us cost for concern. That was going on actually while we're negotiating the charter party, but it really focused mine. And as a result, we're able to get a strong charter party and with certain clauses addressing sanctions and delays.

We think this is the first of many opportunities in Northern Russia where there is a low cost of gas. And the low cost of gas is because actually the fields are very close to the liquefaction facilities. It produces a lot of condensate and LPGs. So even though the transportation costs are quite significant, the actual cost of producing the gas is low. And we feel that there is a number of projects like this in Northern Russia and we certainly look forward to them being developed in the next 10 years.

So next project I'd like to talk about very briefly is the BG LNG project. It has been talked about, but basically this is started off as a tender for the supervision and the technical management of the BG ships being built in China and we made the strategic decision that BG was a customer we needed to get close to in the LNG space and we made the strategic decision to pursue that and have the supervision and technical management and we were successful.

And then, the development came along just last year when BG decided to divest off some of their LNG assets and one of those LNG assets that divested off was their share in these four ships. So we've got an average 20 – it came to us and we got an average of 25% per ship on a \$1 billion, 100% basis project. So this ship – not only does this allow us, put us in good position with BG for future strategic partnerships and I say that because BG have got the Lake Charles facility, which we believe will be developed.

BG have told us that they will require in excess of 20 ships for that and we hope that we will be the third partner to BG on their shipping side. It also got us involved in Hudong shipyard building LNG ships in China. The six ships actually on the water that were built in China and they are performing well. There is another 10 ships being built before ours and they are for ExxonMobil projects and ExxonMobil have been very active. If we qualify in that yard and even BG were involve for two years in pre-qualifying Hudong. So we believe, with our strong supervision skills, we will deliver first class ships out of Hudong and build a relationship for future work.

Again I've talked a lot about people and you know if we are going to grow this company, to the extent that we believe is possible then we do need the people. LNG has been 50 years in safe operation. 50 years of safe operations and we cannot compromise that record, we being the industry through the upcoming growth. We've been through this growth before. In the past 10 years, the LNG fleet has doubled and Teekay has played its part in our commitment to trading and we must do the same again.

Our customers have very exacting requirements and terminals are much the same. We must train a lot of seafarers. It takes two years to train a senior officer to transform from a Tanker senior officer to an LNG senior officer. We spend \$2 million on every ship to train an entire crew.

We are very fortunate in Teekay that we do have a large crew of well trained and loyal seafarers to draw from. We decided to build the state-of-the-art training center that you see on the back of this on the slide simply because we didn't want to be holding to public training facilities. We wanted to be able to get our men through the training facility and design, custom design the courses to fit our needs as well as the bridge simulator there, there is an LNG cargo simulator and we've got an engine simulator coming. And we intentionally build it in Glasgow, because that's where the hub of our operations are and it allows the people to see the officers passing through the courses to actually interact with the vessel managers in the office.

And I mentioned here that, you know employer of choice and you know that is the secret sauce as Peter refers to, it's a secret sauce of being successful operator ships. It's looking after the people and you know it's not only about the wages. It's about opportunities and career development. It's about safety and

training. It's about the sense of belonging. We are owner operators and having the facilities onboard and then, importantly it's getting our men home on time and safely. In Teekay, our fleet has got less than 2% attrition rate last year, so something is working.

So just to wrap up our growth strategy, our primary goal is to increase distributable cash flow per unit. We will execute on this \$2.5 billion of committed projects. We will continue to bid on our coal business which is point-to-point LNG projects.

We see growth in our LPG joint venture with Exmar both in the MGC sector and the ethane sector. We will continue to our expansion or try to expand into adjacent areas in the build-to-suit basis the FSRUs, the FSUs and ethane. And in the short-term, we will pursue on-the-water acquisitions to try and boost our growth in 2015 and 2016. Thank you.

Question-and-Answer Session

<A – Ryan Hamilton>: T.J.?

<Q – T.J. Schultz>: Can you just talk about the ethane opportunity, you've competed on some tenders, what you've seen in some of the early tendering processes for the ethane carriers, if there is anything built in your forecast for success on those and if you do expect to be successful?

<A – David Glendinning>: Yes. First of all, to answer your last question, yes we do expect to be successful, I mean, I think Exmar is very well positioned anywhere in the sector to compete. Ethane is in its early days. There has been one tender was withdrawn and the actual – the charterer actually went out and bought ships themselves. And the tender that we're competing in at the moment is well advanced although we haven't had any indication of where we stand. But certainly there's a lot of ethane. You saw on the chart there, the amount of ships that will be required. So we expect more tenders to be released. As to our success rate, yes, I think we will be competitive and we will hopefully be successful.

<Q>: Hi, it's Noah Lerner from Hartz Capital. Just a question, I was trying get a little bit of grasp on these two pages here that show the growth of the MTPAs over the next five years and the growth and the demand. If eyeball quickly excluding the U.S. it looks like you got on the chart – in the various charts there in the graph about 120% increase. And on the demand side you got maybe on the left-hand side over the same five year period around 80% to 85% increase in MTPA. So it seems like there's a supply and demand imbalance here. I'm curious what you think might be the impact to the pricing of natural gas and will that increase and stimulate demand so it eventually comes into balance. I'm just

trying to get your bigger picture view on what that imbalance over the next five years might mean to the markets.

<A – Peter Evensen>: I think the real question is how LNG gets priced. If we look in Asia it's still priced on what we call the crude cocktail based on the price of oil, so as the price of oil changes that's actually going to reflect whether U.S. gas remains the cheapest cost of gas. When we see down in Australia, the actual marginal cost of bringing in that gas because it's so dry is well over \$10. And so Qatar and our new Russian projects, those are the most cost competitive.

So it actually isn't about the actual volume going back and forth, we see it as the marginal cost of producing it. With Australia poised to eclipse Qatar, we think that they need at least \$10, \$12 and therefore the Japanese crude cocktail or LNG being priced off of crude is being strongly resisted by the producers, I mean, the change. The buyers want to switch over and have it more based off of a floating rate as the U.S. is with Henry Hub, but I think that's probably going to be successfully resisted.

<A – Kenneth Hvid>: Yeah I totally agree with Peter, I mean there's resistance to the link to crude oil right now in the Far East because they're seeing Henry Hub linked exports through Zhonghua. And Zhonghua is actually a good formula for pricing is very public and it's linked to the Henry Hub price.

<A – Peter Evensen>: So from a demand point of view we see that the market could get into structural over capacity of LNG, but that's a post 2020 event. Otherwise we remain gas short.

<Q>: Okay, just to touch on Yamal, my memory serves your icebreaking carriers fall towards the latter trains within that project. So is that growth even reflected within the TGP growth you laid out in earlier presentation or is that purely additive at this point?

<A – Peter Evensen>: Yes it's mainly additive because most of the ships are delivering in 2019, 2020. So there's, I think in one or two vessels in 2018 in our forecast, but you're right that there's – that's a big part of that \$800 million of post 2018 CapEx that I mentioned.

<Q>: And when you look at the conventional tender associated with Yamal, I think, David you mentioned that's going to be going out later this year.

<A – David Glendinning>: Correct.

<Q>: Just getting a better look at that, because you are involved in the icebreaking tenders and how do you think that will break down in terms of vessels for counter party?

<A – David Glendinning>: Well I think – well I know first of all, Yamal just intends to go out to the prequalify, their owners that prequalify it for their original tender, the icebreaking tender of which there's only five or six of us. So of these 15 ships there I think we've got a very good chance. Also with our – we will be going in for that tender with the China LNG and we know that China are going to be huge buyers of that gas and there may even be a requirement for ships to be built in China. So we think we've got a, by partnering with China LNG, I think we'll have a significant advantage.

<Q>: Thanks.

<<Ryan Hamilton, Investor Relations>>

Great, we're just going to take a quick ten minute coffee break. So feel free to go.

Teekay Offshore Partners

<<Kenneth Hvid, Executive Vice President and Chief Strategy Officer, Teekay Corporation>>

Welcome back to round two. We have more dramatic music here from – I think we had the choice between Gangnam Style or the Korean Philharmonic Orchestra, which you probably gone for science there. What we have here is another brilliant photo. We have Knarr FPSO as it just arrived on the West Coast of Norway of Haugesund, two weeks ago on a sunny and it's still sunny there. So we'll talk more about that later. We've included some forward-looking statements. They are different from the prior two statements. They are important so please take time to study them at your leisure.

What Ingvild and I will take you through over the next hour here is basically a rundown of the evolution of Teekay Offshore Partners and peek into where we are headed as a company. But there are three key messages that I would like you to take away from our session today. The one is that we continue to broaden our service offering in the offshore space and we have significant growth potential. We have strong industry fundamentals that we can grow on and we have two main business platforms, floating production and offshore logistics.

We'll be talking about our strong visible growth pipeline where we have \$3.2 billion in growth already on the books. We have a stable operating model, \$7.8 billion of fixed fee revenues and coupled with the strong industry fundamentals and leading market positions that we have, we actually think we have a very strong position to build our ambition on. If you take Teekay Offshore and take a quick look at how we have evolved since 2006 when we IPO'ed, well since then, we have delivered 6% in dividend CAGR every year. We have given our shareholders 15% on average in total shareholder return and today we have a market cap of close to \$3 billion.

So as we look to keep up this track record and build on the foundation. We are building on that foundation of 54 offshore units. We have a very strong customer base that we've already talked about that we continue to see more opportunities will, and we have forward contracts with an average duration of 5.3 years and that actually excludes any options that we have. And we have many options on most of our contracts out there.

We remain focused on the North Sea and Brazil. As you can see, this is where we made our investments. This is where we are represented with pretty much all of our offshore offerings. But we are also focused from time-to-time on placing some of our older assets on other contracts outside our core markets and we've done that over the years.

So typically we have older shuttle tankers that maybe 20, more than 20 years old that we refurbish and put them out on new FPSO contracts. The most recent one we've done is the Salamander Project which we'll put on a ten year contract with a five year options to Salamander Energy just delivered here in August and has already done the first off loadings of cargos.

Evolving our business mix in Teekay Offshore has been critically important and the way you should really look at it is that had we not entered into the FPSO business in 2007 our offshore business would look quite differently today. So back in 2007 we had a total asset base of about \$2 billion, 80% of that being shuttle tankers. Fast forward to end of 2013, our asset base has about doubled with more than 56% now on shuttle tanker, but now we also have FPSOs.

If we use our end of 2013 pro-form for the building growth that we have and we look out to 2017, we will have a total asset base of just over \$7 billion and the way that break down or the segments break down now looks quite differently. We'll have 50% roughly that relates to the FPSO business and the remaining 50% is really in offshore logistics. But if you look at it in terms of invested dollars, we had, back in 2007, 80% of \$2 billion, \$1.6 billion invested roughly and we have 30% of \$7 billion projected in 2017. So that's about \$2.1 billion.

So it's not that we are not growing our shuttle tanker business. And we've actually not lost market share either, it's simply the fact that the segment as such is not growing as fast as some of the other segments that we're in and that's why it's been important for us to open up more sales channels so that we can keep up the growth that we still have in Teekay Offshore.

So when we look at our revenue, we finished 2014 with a strong forward book \$7.8 billion, 50-50 split. We have a six-year duration on the FPSOs as we already talked about, slightly less on the FSOs at about four years on the shuttle tankers. But again, the part that you really should be paying attention to is the options that are in there and the inherent expected roll over that we expect to have in a number of our segments. For example, the shuttle tanker business in the North Sea where some of the seaways tend to be shorter in terms of the contract lengths.

But because of our position, we are in a very strong position to continue to roll that and the way we look at the business there is actually more about what is the total production that's coming on and do we have the capacity in the North Sea to serve our customers with our ships and that's really what we are focusing on.

So you've seen this map before and I was trying to, in simple terms, express our offshore offering presented earlier today. And another way of looking at it and Peter touched on that briefly is that we are really the P in the E&P projects of the oil companies. So it's also – another way you can look at it is looking at what we are not in.

So we are not in subsea pipe-laying, we're not in anchor handlers and PSVs and we're not in drilling. And when people talk about offshore companies certainly in the service sector that's typically what people think of, but that's actually not what we are about. Our offering focuses on the P side of the E&P and we think our offering is very complimentary.

So presented in bit more of a graphical form here we show how we can combine our different offerings in many different ways. We can put an FSO out loading from an offshore platform and run a shuttle tanker up against it or we can put an FPSO producing the same field and may be put a high-load unit up against it. And then now we can also load export cargoes on a conventional tanker. So the whole point here is that we can mix and match the different offerings and tailor it so that we can get the most cost efficient and best solution for the field development. It's not about what Teekay has on the shelf, it's about giving the customers the best solution that they need.

And then in addition to that, we have now added two new segments, the floating accommodation and Towage installation and we think that's really complimentary for the build out of the deep sea offshore business. Floating accommodation will be required as we go further a field and as we're developing these remote areas. In addition to that, we of course have more and more FPSOs out there that are ageing, so there'd be intensive maintenance programs that would be run and campaigns that will be run in the coming many years.

I wanted to touch a little bit on our fundamentals. Peter already mentioned that and the key number to really focus on here is that in the world we forecast that we need to find 50 million barrels of new oil just to offset the existing decline. And there are no easy barrels left. In the deep sea, of course, it's a lot harder. Those are big investments than what we see on the shale side, for example. But the key here is that many of our customers are working hard on finding the right technological solutions to unlock those reserves that we see deep sea.

And why is that important? Well first of all, we see 23% of new oil coming from deep sea and when you add Petrobras to the international oil companies we actually go up to 31% of the portfolio that's expected there. And that's important because really there is no easy oil to be found and if you are looking for the big field developments with a large recoverable reserves, you really need to go offshore. So you should think about the big fields that have been discovered in Brazil in recent years, for example, the Lula field. That was actually the largest

filed that was found over the last 30 years. And it has recoverable reserves of 5.8 billion and that's the essence and that's why it's important for the oil companies to continue to have deepwater offshore exploration still in the mix.

Turning back to Teekay Offshore, when we look at our growth mix, one of the things that actually excites us is that we have these multiple channels that we grow in. So we are not dependent on whether we have shuttle tankers coming out every year to uphold our growth, but because we've opened up more fronts now, we actually aim to combine and mix how the growth will come into Teekay Offshore.

So as we talked about earlier, we have a speed limit that we want to keep, we have a capacity that we are trying to fill, but we don't want to overreach what we can do. And the nice thing about the fix we have right now or the mix we have right now is that we have a number of the dropdown FPSOs that is totally within our control in terms of the timing when we put it in and that gives us a good steady flow in terms of growing our company and that's best illustrated in this slide which we've already touched on a couple of times during today's presentation, most importantly during Vince's presentation.

So when we turn to Teekay Offshore Partners, what's exciting here is that, first of all, we come out and declare an ambition and an aim to increase our dividend 7.5% next year, 5% in the two following years. And we are doing that on the backing of an order book that counts 83% already booked of volume. So it's not a big gap, the wide gap between here is not very big to fill. We think it's absolutely possible to do that.

More interesting and where we really started to spend focusing our board of management time is looking beyond 2017. And what was big part of our strategy discussion with our Boards here was is our sandbox large enough. We forecast that roughly \$80 billion of CapEx needs to be invested just in our segment alone, the segments that we are in the offshore space, out towards 2020. So yes we believe this sandbox is large enough and we are very committed to take our fair share of the \$80 billion of growth CapEx that we see out there.

We'll remain focused on our core areas, but we also see developments that are interesting in other places as we look beyond 2017. We see the East Coast of Canada requiring more shuttle tankers for the build out there. Of course we see the LNG reforms in Gulf of Mexico that we're following closely. We've never done anything really in the Gulf of Mexico, but we do see that's exactly the kind of a place that will require a lot of the services that we offering. We're looking at the increasingly complex West African projects and although we are not there either, of course, it's something that we potentially could consider to do. And we continue to look at South East Asia both in terms of employment for older assets, but we also see a number of new fields that are in need of some of the technical

solutions that we already have and that we are employing in our core markets and Ingvild will give you some examples of that latter.

So Peter Lytzen could not be here today, I hope he has now signed an LOI for the Libra project as he was supposed to. So that was at least his excuse for not being here. So I will try to do some justice to what would have been his presentation. First of all, we want to give you a snapshot of the FPSO landscape. If you look at the left hand side, this is really the competitive landscape. We are raking number four today. We have BW Offshore, SBM and Modec who are all larger than us and then we have Bumi Armada that's growing and we have Bluewater. So that's it. This is the mix. So this is really the companies that we see being our competitors as we look to the projects, the FPSO projects that are coming out.

And here there are a couple of things that you should note. First of all, I think we all see that the average number of new FPSO projects that are coming on-stream will go up, not dramatically, but ever so slightly. We expect over the next six years that we'll see between 14 and 16 new contracts being awarded. And when you look at that up against that we are six competitors here. What it really is about is making sure that we are not all chasing the same 16 projects, spending expensive and valuable engineering resources to go after each – single of these projects. So everybody needs to find the sweet spot; where is it that we have a competitive advantage, which are the projects that we want to go after.

I wanted to give you a detailed breakdown of our FPSO fleet and the status, because it's something we receive a lot of questions on. So already, we have six of Teekay's 11 FPSOs that are wholly owned by Teekay Offshore. We have the – listed customers and contract lengths detailed here. And we have the five FPSOs that are still owned by Teekay and which we refer to as our legacy assets. So we wanted to give you an update on what is the exact trigger point on dropping each of these down. And because it's really why we receive a lot of questions every quarter, so here's this quarter's update on our dropdown plans.

Petrojarl Knarr has already been offered by Teekay to TOO. We have the TOO Conflicts Committee that's currently reviewing that offer. And just to remind you, the terms that we are dropping down assets that have been constructed after we launched the TOO here is being dropped down on a fully filled up cost basis. So we're not taking a cash flow here and multiplying it with a high multiplier and coming up with a high price for it. The way we look at it is that this is the audited fully build-up cost of what it actually cost to construct this unit and that's the terms that is being offered to Teekay Offshore on.

We expect that we'll hear something back from the Conflicts Committee over the next four to six weeks and we'll of course keep you updated on that. The other projects we have, we have the Petrojarl Banff finally back on field and producing. We are looking for contract uplift on that project in the first quarter next year and

that will be a good time for us to really find the fair market value of that asset and that contract and then offer it to TOO.

We have the Hummingbird Spirit. That continues to surprise us. The field simply produces more oil and for longer than we anticipated when we went on Centrika and was the operator of the field, continues to do more studies. And there is a possibility that the Hummingbird may actually continue on the field beyond 2017 now.

The Foinaven, we've had some challenges on, both on the FPSO on compressor issues, but we have also some subsea issues that are causing the field not to produce at its maximum capacity. And there what we are really looking for, having fixed the issues on the FPSO side earlier this year, what we're looking for is really a more stable production that will allow us to put the right valuation on that unit. And then in addition to that we mentioned earlier that we also need BPs consent to drop that down to Teekay Offshore.

And finally, we have the Petrojarl 1, which is currently in lay-up. That's the oldest one of our FPSO assets - not a huge value, we're looking at a couple of sale opportunities. We have some interest for it, but we're also bidding it out on a couple of projects and hopefully we can give you some news on that within the next couple of weeks.

Turning to the most exciting update that we have that really underpins a lot of the updates that we've given you today is the Knarr FPSO status update. So its now arrived in Norway; we've had the authorities on board and the update from Peter Lytzen just before we came in here is that everything is going well so far, the weather is behaving. We are currently planning to tow out the unit around the 10 of October, but of course it's all weather-dependent. Then we will have roughly 1.5 months commissioning period from sometime here in October until late November. That of course follows the pull-in of the mooring and the risers. And hopefully we are then ready to commence our ten-year charter with BG sometime in December. This is a significant asset. We have DGF of about \$70 million in TOO coming from this asset alone on 100% basis. And that's - translates back to an EBITDA of about \$130 million to \$140 million of CFVO as we also refer to it at Teekay.

I wanted to give you a few details on the Libra project - probably not all of the details that some of you may want, but at least here's some of the highlights. It's a billion dollar project that we'll be jointly owning with our partner in Brazil, Odebrecht Oil and Gas. It's a early well-test unit and I'll come back to what that really means. It's a 12-year contract and we expect it to commence in early 2017. And what's exciting is that we using one of our old shuttle tankers, the Navion Norvegia, which is a '95-built shuttle tanker that we'll be converting at the Jurong Shipyard and that's already commencing now, the ship is actually already in the yard.

So what's exciting about the Libra oil field is that it's considered the largest oil field in Brazil with eight to 12 billion barrels of recoverable reserves. So by having an early well-test unit out there, we kind of – one way to look at it is that we kind of get a first look at how the field is behaving. And of course the intention is to move this unit on to test more of the fields in the Libra formation. So when the tenders come out, you can say, I don't if we have a huge competitors for that ventures but we've certainly had a first look and we have a better idea of how the oil would be flowing from these fields which will allow us to bid hopefully a bit more intelligently on the FPSOs that will be required subsequently.

I wanted to take you through a bit of a busy and more detailed slide, but it's important. And it's really about setting our operations up and our organization up for the growth that we anticipate to come. So over the past year, we've worked on a five-year improvement – five-point improvement plan for our FPSO operations. The first one has been that we wanted to continue the – to strengthen the organization, set it up for the growth. So the main thing we have done there at – that instead of the operations all reporting into Trondheim, which was our main office, we now have independently operating shore bases, Trondheim looking after the North Sea – the Norwegian side of the North Sea, Aberdeen looking after the UK side and Rio looking after the Brazilian side.

We've also really institutionalized our execution teams in Asia. We have taken the team that we had on the Knarr project which we're now moving on to Singapore on to the Libra project, and that's important. We've also been very focused on getting access, making sure that we have access to the necessary engineering resources and we have entered into formal agreements with Sevan and Kemper to support us on the many field studies that we're looking at.

We've been focused on enhancing the risk mitigation. That's really something that's been driven by the Teekay boat and all the way through management at TK. And we've implemented a much more rigorous risk management process today, both for the tendering and the execution of our projects.

We've been focused on improving the field commissioning where – which is another area where things can go wrong and really getting those processes buttoned down. And if we look at the Banff project, that was actually a very successful installation as we came back to the field. So what we're doing there is that we're taking that commissioning execution team and moving it on to the Knarr project, so take the lessons learned from the very recent installation and hopefully we can use a lot of that as we install and commission the Banff FPSO.

And finally, of course, our focus has been making sure that our units – all our units are producing at their full capacity. So we're now restored full capacity on Banff, the Voyager is becoming more stable and producing at close to the levels that we're contracted to produce at and that [indiscernible] and I already touched

on. So, touchwood, we think that we are entering into 2015 with a strong platform with our FPSOs.

So in summary, and before I hand over to Ingvild, I just wanted to wrap up my section here on the FPSO market. We remain focused on North Sea and Brazil. That's important. We already see ample growth there. We count about 55 projects over the next five years in our core markets. So there is no need for us to go outside and look for growth elsewhere and deviate from what is core to us.

But what's also important is that we will be disciplined about this. We recognize that we cannot do five projects at a time at Teekay. We can possibly do two to three new projects. So we'll be very selective as we go about choosing the projects that we will compete on. We also think that our sweet spot and where we our competitive advantage are not the super-large FPSOs; we actually believe it's in the \$500 million to \$1 billion range FPSOs. So that's what you'll see us being focused on. The gratifying thing is that – when we look around is that every day we actually see our landscape becoming more complex and complicated and that just increases the barrier to entry. So the competitive landscape that I talked about earlier, we actually expect to remain lastly the same. And that's – we think gives us a very good foundation for some of the new projects that we'll be competing on.

So turning to the North Sea, our position there is that we are operating in a highly regulated and harsh weather – operational environment. We have a strong operational platform there. We are the leading providers of FPSOs in the North Sea today, and coupled with the technology coming from the Sevan solution, we feel we have a very strong offering in the North Sea as we go forward. We expect to bid on about three projects over the next 24 months. That's it.

In Brazil there is a high local content requirements and project size and complexity. So, again there it's important that we have the right partners, that we really analyze how we go into the base – which ones that we go for. We are excited about the first mover advantage that we believe we have on the Libra oil field, and the partnership as I said is really important for us. We don't expect to bid on 10 projects here over the next couple of years. We actually see most likely three, maybe four projects that we will bidding on, and again that will – that'll really be it in terms of our FPSO growth updation in addition to the Libra project that we are now very focused on, on executing on.

So with that I will hand over to Ingvild, who will talk much more about our offshore logistics.

<<Ingvild Sæther, President, Teekay Shuttle and Offshore Services>>

Thank you, Kenneth. I am really delighted to be here today to talk about – to tell you the story about the exciting journey we're on. My name is Ingvild Sæther and

I'm heading off the business unit that manage TOOs offshore logistic assets. And that's a total asset base of about \$2 billion and we have another \$1 billion in the growth pipeline. So my aim today is to give you insight into some of the strategic choices we made over the couple of past years and explain why we believe it is positioning us well for the future.

The picture you see here in the background is from my hometown, Stavanger. It's from 2011 when we had the naming of our three – our four new shuttle tankers for the North Sea. And it was a very proud day for us to have these three ships in Stavanger and it's quite special when you see these huge vessels in the small intimate harbor of Stavanger.

So shuttle tankers is and has been the core of our operations. However, when we looked at this a couple of years back we saw that there were limited growth in the shuttle tanker business and that we could use the competence and the operating platform we had to grow into new segments and give us additional pipelines of growth. So the segments I will talk about today will all be driven by the same fundamentals; it's based on offshore growth, it relies on the same competencies, i.e. dynamic positioning and offshore marine operations and they service the same customers.

So I will talk about the operation within all these segments; shuttle tankers, HiLoads, FSOs, accommodation units, and long-haul towage, all part of our offshore logistic business. But before I go into the segments I would say few words on our organization and our focus on profitability and growth. When we had our strategy review back in 2011, we made a commitment that we needed to reduce cost both in our vessel operation and on onshore operation. And we needed to create an organization that could grow outside our core shuttle tanker segment. So, Norway has a very vibrant oil cluster with access to a lot of the expertise. But that expertise is expensive, so you need to make sure that you really get the best out of it and that you attract the right people.

So in order to be more agile and effective we decided that a flat project-oriented organization where decisions are made in the frontline would be better suited for our growth ambitions. So we wanted to attract high qualified him and him people who have really driven by delivering results by learning something new and of and by giving – by being given challenges. We also moved all non-core transactional tasks to lower-cost locations. So, for instance in Manila we have a big hub for accounting and for HSE follow-up procurement and recruiting. We have been very focused on pushing decision-making out to the frontline, and coupled that with accountability. So we leave it up to those who has the shoes on to really make the best decisions to get the desired results. And by doing this, we have reduced our G&A by approximately 20% in three years - that's a significant amount, through eliminating the middle manager level and through moving some of our core – some of our non-core activity to lower-cost locations.

And we have also successfully reduced our OpEx by approximately 20% as well in the same period, three years, primarily through shifting our full crew from Norwegians and Polish officers and crew to relying more on Filipino officers and crew. In addition, we have raised the average revenue rate per day and we have better HSE results and we have a more energized organization - so all good things.

So the first segment I will talk about is DP offshore loading. We have been operating shuttle tankers for more than three decades and we are the biggest operator with 34 vessels. The other big operator is Knutsen, so in reality this is a duopoly with two big players. In the North Sea CoA market which traditionally have been our, by far the largest market for us, there are high barriers of entry. We are effectively running like a taxi service where the customers can nominate the cargo and we need to lift it with our vessels. So that makes it difficult for new entrants to come in because you have to have a significant pool of cargos and a significant pool of vessels. And with recent search of – exploration in the North Sea we see that this market will remain flat for the next five years after the modest decline since 2001. But still it's a different story. We see a lot of growth coming in Brazil. We have had operations in Rio for more than ten years. It's a market with its own challengers but we see that the long-awaited growth is now happening and we see production ramping up.

We're also seeing some interesting development in East Coast Canada where a consortium of five oil companies will be – are tendering for three 15-year contracts for shuttle tankers in that area. So all in all, we see a growth potential of \$2 billion to \$3 billion of investment in shuttle tankers in the next five years.

So then we'll move into HiLoads. In 2013 we bought this HiLoad from a small company named the Remora. And Remora have been developing this technology for more than 10 years but has not been successful in commercializing it. Big customers want to work with big suppliers.

And what the HiLoad does is that it basically enables a conventional tanker to load at the offshore field because this vessel is keeping the conventional tanker in position like a shuttle tanker. And as the volumes in Brazil grows, more of that volume will need to be exported. And with the HiLoad technology you can export it directly to the market from the field without going into transshipment or ship-to-ship from a shuttle tanker. We have almost completed the testing of the units with Petrobras. This unit will go on contract with Petrobras. There has been some challengers, but the unit is operating as expected.

And the HiLoad unit will be especially effective when it's implemented as part of the infrastructure on some of the big fields. The Lula Field was mentioned here earlier and that's a big field where they will have nine FPSOs in a very confined area. It's been also mentioned here, early-well tests, and we are doing early-well

test with our shuttle tankers as well. So during the summer there are typically a bit lower utilization on the shuttle tankers because the weather is nicer and the customers are doing more maintenance on the fields. So we have actively been seeking projects where we can use shuttle tankers for something else than transportation during the summer months.

We have already done two very successful early-well tests, one for Xcite and one for Noble and we're working on a third project off the Philippines for next year. During an early-well test the shuttle tanker typically stays on a field for like 90 to 100 days on dynamic positioning. So it's a very cost effective way for the client to assess the quality of a new field. And we were simply working with Xcite back in 2012 where they were assessing the quality of the Bentley field which was very successful and now we're discussing the next phase of the development with Xcite with an FSO. I'll come back to that later. So these early-well test contributes very well to our bottom line and in addition it actually gets us paid for the competence that we have in this area.

So now over to our FSO activity. The FSO market has two distinct markets; one is the high cost North Sea market where the investments it's typically \$300 million to \$500 million per asset and the other one is the lower cost conversion market in the Far East where it's typical a \$60 – \$50, \$60 million investment. And both markets are important to us, because as Kenneth was talking about and I think Peter mentioned it as well, they are giving extended life to our shuttle tankers. We have six units in operation and one under construction which makes us the largest player in this segment.

And recently we've seen a much higher activity in the FSO segment, driven by the large number of new fields coming on-stream in the North Sea. We are in the process of converting the shuttle tanker Randgrid into a FSO for the Gina Krog field for Statoil in the North Sea. So when the shuttle tanker ends its trading life on the Hayes 1 field in April next year, it will go immediately into this project for the conversion and will start off its new life as an FSO in 2017 after we have invested about \$240 million, inclusive the mooring system.

We are also working on three very interesting newbuilding projects based on the Sevan technology. The first one is for Bentley for the Xcite field – for Xcite on the Bentley field. Bentley is one of the largest UK fields yet to be developed. It's heavy oil field and it has been waiting the technological advance to lower the risk of the field development. It's expected to contain more than 250 million barrels of oil and can produce for more than 30 years if all going well. Xcite, which is the client here is a quite small oil company and they basically only have this asset and we are therefore extremely focused on the risk side of it before we enter into any binding agreements. On the other hand, it also gives us a bigger upside. Then the second project we are working on is with Premier Oil, the Sea Lion field in the Falkland Islands and this is a project where Premier is looking to us to bundle the service with both FSOs, shuttles and potentially also HiLoads. And

the third FSO project we're working on is with Maersk-Culzean field which is a more plain vanilla FSO project expected to be around \$300 million, \$400 million. So these FSO projects are now a significant area – pipeline of growth for us as well.

So now over to our last adventure, the floating accommodation units. And you might think that this is a very new type of operation for us, but in fact it's not. These units are DP-3 which is basically the same operation as we have on our DP-2 shuttle tankers only that these have three re-dumping systems instead of two. The thrusters are similar to what we operate on the shuttle tankers and the marine operation is not dissimilar either.

So before entering into this segment we had – we made two main considerations; one was that the demand for floating accommodation units are driven by the same offshore fundamentals as the rest of our business, and the other one was that we looked at the age profile of the fleet with more than 60% of the units more than 30 years old. Prosafe is the dominating player in this segment with 11 semi subs and Total operates three with two on order and we believe that we have the lower-cost assets and that we can offer the same or better customer value.

So the shape of this unit is very beneficial for accommodation because its stable in the water and it's also have large storage capacity and that's something that Petrobras for instance is valuing a lot when they have assets that are operating far from shore. So they will actually be using this for fueling and storing water in addition to having it as a accommodation unit. And the fact that it has capacity for a high deck load is something that caught the attention of Total on a project they are having in Angola. They were looking at one accommodation unit and one barge for having all the equipment. And then they saw they could actually combine the two and use the Sevan unit for both purposes. So that creates a lot of customer value. But what's really important on accommodation units, it's the motion, stability, and the station-keeping.

And I know that Peter Evensen has been looking really forward to me explaining this slide. I will not do that. But it just talks to the fact that a lot of tests has been done to look at the motion – stability of the Sevan unit. We have a number of FPSOs in operation already, and when your cargo is people then the motion – characteristics become even more important because it's very valuable not to have seasick persons on board.

So there are three distinct markets for the accommodation units; North Sea, which typically have shorter contracts where the utilization is the key and you have typically higher rates but also higher investments; then you have Mexico, where we see there is a new dorm. There is a lot of maintenance that needs to be done in order to keep the production up. And then we have Brazil where we

have typically medium-term contracts, three to five years, and where we see there is a lot of growth in the years to come.

So the first unit, [indiscernible] will be delivered in Q1 next year. Then we have two more rigs under construction at the Cosco shipyard in China. And we hold options for additional five units that we will declare when we see – when we have contracts for the first rigs.

So then the last segment, long-haul towage. This segment has the same fundamentals as our other markets; it's DP-3 operation, and one very important teacher with this state-of-the-art vessels that are being built in Japan is that it can actually operate for 45 days without the refueling. And that's a very important customer value when you are towing assets that are maybe worth more than \$1 billion. This is a company that is operating in the Netherlands and it has its own very competent management and will be operated as a standalone company.

So, to sum up the Teekay Offshore part of the presentation, we have a leading market positions in the core areas we are operating in and we have ambitions in all the segments we're in. We strongly believe in the fundamentals of the offshore growth in the next decades to come. We have a strong and stable operating platform with more than \$7.8 billion of forward fixed revenues. We have a lot of growth in the pipeline, \$3.2 billion. So we have delivered on our growth up to now and we are fairly confident that we will deliver on our growth going forward. But what's really gets us up in the morning is being part of this team and seeing this becoming reality. So that's it from me. So I think we leave it up to questions now.

Q&A

<Q>: All right, just wanted to jump back to FPSOs for a second, and you guys went through some detail on the Libra. And just curious as to I guess the differences between the Brazilian market and the North Sea. Does the Brazilian market just lend itself more conveniently to conversions because of the local content and build regulations? Are we more likely to see more converted FPSOs in the Brazilian market relative to the North Sea? And then in just terms of dollar value you guys gave a range I think \$0.5 billion to \$1 billion. Do you see that skewing in either direction in either of those particular markets?

<A>: I can – just want to take the first part here. I think what's important when we go in and look at conversion versus a newbuild, you actually would be right, there is a – there seems to be a tendency that more of the units that are going into the Brazilian market are conversions and above the units that we've done in the North Sea, our new builds, just not entirely true; we had the Piranema and the Spirit that went into Brazil that was actually a new building. But one of the drivers here has really been the lead time. And you often see – we often see that Petrobras come out with very aggressive delivery timelines and the only way to really respond to that is – has so far been in the conversion market where we've

been able to meet those timelines. So that's I think one of the key drivers for doing it. And we are quite open to it. I mean you can actually do a very good life extension work on existing hauls, but it's always this question that comes up especially from our board; why do you invest \$1 billion on \$5 million valued haul as opposed to spending the last \$70 million and get a brand new haul.

So it's a very valid point. The second point around the size of the projects, I think you're right, we see a number of very large projects coming in. Especially in Brazil we've seen some recent tenders in the North Sea that are at the \$1 billion range, but we also actually see a couple of simpler units that are more in the \$500 million to \$800 million range. I think the tendency is probably that the projects in Brazil tend to be slightly larger whereas we still see some lower production fields in the North Sea where you simply don't need as much topside as is required on the big fields in Brazil.

<Q>: Fair enough. There's one more and I'll turn it over. And I think, Kenneth you mentioned in your earlier remarks, [indiscernible] [3:03:52] I believe what Sevan is working on there. Can you maybe talk to I guess the idea of a kind of a shadow project backlog for you guys? How that [indiscernible] [3:04:03] works with Sevan and then any of these other projects that they might be going after that you could feasibly get a look at down the line that could just add an additional accelerant to the TOO growth rate should everything come together.

<A – Kenneth Hvid>: Yeah, I think what's important is that we have an omnibus agreement with Sevan that covers the FPSO and the FSO business. But on all other segments we are in no different position than anybody else out there that may have an ambition to grow in and use the Sevan technology. We firmly believe in it and operate all the assets. We clearly have a keen interest to continue to promote it in segments where it's interesting. But of course you are aware that Sevan drilling exists today and the operating drilling units we have nothing to do with that; so it's not like we have an exclusive right to use it in all applications. We have an ownership; we have board representation. We are keen to ensure that Sevan develops as a independent engineering IP company, but by being associated with them its also clear that we have a – I wouldn't say a first look, but we have an early look at many opportunities that are coming up and that of course includes the accommodation business that we decided to venture into recently, but other people have looked at that business also, so we were in no way in an exclusive position.

<A>: But I would just add that what I like about our FPSO business is, we're not stuck in one design; we can go with the cylinder design that has the advantage of not having the turret and also can basically take up a lot more risers and therefore it's more flexible. And then we also go with our ship shape where we have a certain amount of designers and suppliers that we've got. So we try to tailor the projects that we undertake to those that play well within our competencies. It's when you go outside that that you have – that you take more

risk. And just to go back to what you said about Brazil, we think the joint venture with Odebrecht will come in very handy when we have to have a much greater amount of local content that will be required. So it isn't just the operation side; it's having that competence on the project side. And Odebrecht, with their long history, both on land and now moving offshore is a real benefit to us.

<Q>: Just one from me, the HiLoad acquisition was really attractive leading edge technology. When do you see that actually becoming the go-to technology and starts to kind of compete aggressively with shuttle tankers and I guess what's kind of the outlook on that.

<A – Ingvild Sæther>: Our hope is that we can have more HiLoads in operation from – through '17 to '18.

<Q>: So is that the timeframe that starts to get really competitive with shuttle tankers in the projects and kind of seeing the customers' ramp up purchasing that equipment? And maybe some ideas around cost of that equipment and integration relative to shuttle tankers?

<A – Ingvild Sæther>: Yeah, we think that especially in Brazil for volumes that will be exported, this is a very cost competitive solution. And we are in dialogue with a number of the Brazilian customers on how that can be developed as an infrastructure solution to the big fields. And we really hope that we will see them in operation in two to three years time. It takes some time to build them, of course.

<A>: I think it's important to add that this is not a disruptive technology, it's an additional – it's a new technology and really what it does is that in Brazil you have most of the oil flowing into Brazil today in the same way as we have most of the oil that we pick up in the North Sea going relatively short distances into Rotterdam and into Europe and into the U.K., so very short voyages. And when you are on short voyages, it obviously makes sense to carry that cargo on DP shuttle tankers. But when you are – and that's what we expect in Brazil, taking the oil for longer voyages for export voyages, it's a lot of expensive kit to carry around all the way out to Asia on the shuttle tanker.

And that's why we – you can almost look at the DPT [indiscernible] as a kind of a jacket that you can put around a conventional tanker that then goes out and much more cost effectively can bring the oil out on the long-hauls. So that's – is really a complimentary service. We still see DP shuttle tankers being used for the short trades in Brazil. But for the long-haul export trades, we definitely see that the HiLoad has some cost advantages.

<A>: Unfortunately we are running out of time, so we are going to move on. I'm just going to pass it over to Kevin to present on Teekay Tanker.

Teekay Tankers

<<Kevin Mackay, President and Chief Executive Officer, Teekay Tankers>>

So Peter Evensen said to me this morning, he pulls me aside and he says, Kevin I want to know, it takes a brave man to go last. And it didn't quite dawn on me until I just stood up just now and realized that the only thing standing up here is, I am holding back 250 people that are hungry and need to get to their lunch. So I will – I understand what you were saying, Peter. So with that in mind, I will be concise with my comments and try and get through this last presentation to get you to your lunch.

Just to introduce myself, I am Kevin Mackay. I am the new President and Chief Executive Officer of Teekay Tankers. As my colleagues before me have pointed out, please take the time to read the forward-looking statements. They do contain important information. Please read them at your own leisure.

So what others see – gets to stand up on day 100 of their tenure in their new organization and talk about their new organization with descriptors like this.

We are one of the world's largest tanker owner and operators in the world. We extract value through our strong operating leverage, increasing income by \$0.45 per share for every \$5000 gain in freight rates. Four decades of commercial and technical experience has built a brand that customers trust, competitors fear, and the industry respects. All of that underpinned by a stable financial platform with good liquidity and good longstanding relationships with banks and the finance community.

These are just some of the elements that drew me to join Teekay Tankers. It's what I admired this company for when I was a customer. It's what I respected them for when I was a competitor. And I can assure you that after 100 days in office learning more about the company from the inside, it really does look better from the inside.

Looking at Teekay Tankers today, with 82 vessels under commercial management, we are the largest mid-sized tanker operator and owner in our segment.

We safely transport close to three quarters of a billion barrels of oil safely around the world for over a 100 customers globally. Since our IPO in 2007, we have returned to shareholders \$7.37 per share in dividends in what is becoming an

increasingly difficult challenge for others in the marketplace. We employ over 2000 seafarers directly in Teekay Tankers and we have the ability to attract and retain more through the opportunities we provide as part of the wider Teekay organization.

I will touch on a few slides specific about our business overview, starting with operational excellence. This is our key business focus area. As the original Teekay company, our original franchise that was built by Torben Karlshoej over forty years ago, we stand by his commitment to flawless operations and operational leadership. This is really our license to operate, is what our customers demand of us. When we run well, and when our ships run safely, we pull our fleet in a position to maximize the opportunities that the market presents us. And capitalizing on those opportunities, we derived enhanced performance and improved returns to the shareholder.

Ships are our product and customers are certainly our business, and we can't survive without the customers that we have. This became apparently clear in the period 2009 through 2013 when the relationships that the organization built over four decades underpinned our business by providing solid, fixed rate income charters that helped us weather the downturn while other owners struggled in an underperforming and depressed stock market. Is these same customers as well as new ones that we are actively developing. They are providing us with access to new trade routes and triangulation opportunities to maximize our voyage returns and our fleet financial performance.

Our world-class operating franchise is what Teekay Tankers sets itself apart from its peers. In the mid-sized tanker space we have built scale with over 80 vessels under commercial management. The access to customers that I spoke about in previous slide has allowed us to develop a strong and robust custom contract base for access to cargoes through contracts of a freight – consecutive voice charters and the like, primarily in the Asia-Pacific markets, but also elsewhere around the world.

Through three recognized commercial management vehicles we attract smaller owners to our fleet and drive our fee-based revenue model. On the technical side, with the expertise built operating ships since the 1970s, we leveraged the power and the influence of One Teekay that Peter and my colleagues spoke about in their presentations. This provides us with unrivaled scale and negotiating power to drive cost efficiencies in things like procurement, as well as giving us access to shipyard space when others will struggle to do so.

In the area of manning, which is becoming critical, we continue to see a challenging marketplace to attract top-rate, qualified seafarers. And here is where Teekay Tankers has a clear advantage and again sets itself apart from the competition because of the opportunities that we can provide not only in tankers,

but in gas, shuttle, and offshore, we can offer a diverse and interesting career development path for young seafarers joining the industry.

This, together with our top-notch training and support drives our talent pipeline and allows us the ability to grow. With our belief that the market is starting to turn, we have taken some bold steps in 2014 to position the organization to the tanker market recovery. By not renewing some of the fixed rate charters as well as securing eight in-charter vessels at attractive rates and with option periods to extend, we have increased our spot exposure by over 93%. With total proceeds of \$154 million from the sale of our VLCC assets earlier this year, we have increased our liquidity to over \$250 million. Third, as part of our strategy to embed the operating franchise directly within TNK, we've added approximately \$2.5 million of additional fee-based income going forward.

And finally as a means to provide investors with a short-term investment vehicle directed at the second-hand market, we, together with Teekay Corporation co-created Tanker Investments Limited or TIL. As the market continues to strengthen, we are set to leverage off our low CAD break-even levels, adding \$0.45 per share of CAD for every \$5000 in spot rate increases. In addition, as asset prices rise, with healthier returns from the spot market, we expect NAV to rise by \$0.90 per share for every 10% increase in vessel values.

I will just walk you through a few slides here covering crude supply fundamentals, tanker fleet growth, as well as illustrate some of the interesting developments we are seeing on trade routes for Suezmax, Aframax and also the LR2 segment. As the red and light blue lines clearly illustrate on this graph, the last five years has been extremely challenging. Rates have remained well below their long term averages, and as recent as 2013 have struggled to go above \$13,000 to \$14,000 per day, unsustainable for most owners.

2014, things changed. Aframax's, Suezmax rates hit five-year highs in both January of this year and again in July, outperforming other sectors in the tanker sector. We believe the market is currently in the rising phase of its cycle for several reasons, one of which is, the rates are spiking higher, and the second is, the peaks are lasting longer than at any point you have seen in the previous five years. Oil supply volatility, coupled with tightening fleet fundamentals is underpinning this rise and we expect both of these factors to continue in the months and years ahead.

So if we look at crude oil movements, we begin to understand more why this shift is happening. In a nutshell, more cargo is flowing from the western hemisphere to the eastern hemisphere. So looking at growth in global crude supply and production levels, with the shale revolution in full swing in the United States and Canadian heavy oil production continuing to increase supply growth by 2.7 million barrels per day projected for North America through the year 2019, while increased production in Latin America will add a further 1.1 million barrels per

day to global oil supply over the same period. It is clear that the majority of the production will come from the western hemisphere, predominantly in the Americas region.

Turning now to look at gross refining capacity, European refining capacity is shrinking as more refineries are set to close and others being converted to tank farms for future product imports while refineries in North America are only expected to grow marginally through equipment upgrades and optimization efforts.

However, major refineries – major new refineries coming online in the Middle East, China and India will dwarf the incremental growth that we see west of Suez by a factor of four. As a result we expect to see growth in the west to east movements increasing in the coming years, driving increased volumes over longer distances, thereby increasing ton mile demand for tankers. Starting with Suezmax I'd just like to share some of the exciting new trade patterns that we see emerging in the coming months and years ahead.

Traditional transatlantic trades for the Suezmax from West Africa to the U.S had shrunk by almost 70% since 2011. A lot of market commentators predicted the demise of the Suezmax as a tradable ship. The European refinery appetite for West African crudes to replace lost Libyan production and other sources of crude have increased West Africa to Europe volumes by a like-sized 74%. In addition we have seen Chinese and Indian crude buyers drive demand for Suezmax's from West Africa to Asia, increasing volumes on that trade route by 75% as well. And last but not less significant, we have seen a 280% increase in Suezmax movements from West Africa to Asia, increasing volumes there.

The impact of these trade patterns – sorry. The impact of these trade pattern changes is stretching out the Suezmax fleet, creating pockets of imbalance which in turn is driving market volatility that we've seen this year and we will continue to see in the months and years ahead. Switching to Aframax's this has traditionally been the regional workhorse of the industry and we anticipate that role to continue going forward. However, potential new trade routes for this class of ship in the not too distant future bodes well for increased ton mile and demand for this sector of ship.

Canadian export opportunities from both east coast and west coast are being developed and the likelihood of growth in U.S exports as we hit the refining wall, where crude production outstretch refining capacity will drive demand for Aframax's that are able to transit shallow draft ports of the U.S gulf regions.

The Panama Canal widening in 2016 will also present additional opportunities for new trade flows to move from the U.S gulf to Asia. And in the east, growth in Russian export capacity to eastern markets through the Cosvino pipeline will drive incremental demand from its current level of around 15 cargoes to 18

cargoes per month to a level of 35 cargoes per month for Aframax's by the year 2020.

Switching to the Aframax's close cousin, the LR2, this is also anticipated to enjoy increased demand going forward. Condensate exports from the US through the widened Panama Canal offer a much more economic option on LR2s than moving product on smaller MR or LR1 sized vessels. Similarly, growth in Indian and Middle Eastern exports are anticipated to move further afield to Europe, Australia and Japan, driving shippers to favor the economies of scale of the larger LR2 vessel.

Moving on to fleet fundamentals, as the charge clearly indicate when seen through the lens of fleet age, the order book for both Suezmax's and Aframax's remains relatively small relative to the number of ships entering that critical age period of 15 years and beyond when oil companies become less willing to fix your ship or to pass vetting, when trade markets become restricted because countries set age limits, and as the cost of special survey drydockings and regulatory upgrades for ballast water treatment and NoX and SoX emissions may drive owners to scrap rather than opt for large capital expenditure projects on assets with a short remaining life horizon.

So looking at fleet growth, we can see the Aframax fleet shrank by 14 vessels in the first eight months of this year with four vessel deliveries and 18 vessels scrapped. Between now and the end of 2016 we estimate 7% overall reduction in the Aframax fleet. On the Suezmax side, it remains unchanged year-to-date, while we expect to shrink by 2% next year and only marginally grow in 2016. This fleet gross picture stands in stark contrast to all other bulk shipping sectors at the current time.

So as you look, as demand growth continues to outweigh supply growth through 2016, fleet utilization is anticipated to climb above the critical 85 percentile level. This typically results in increased market volatility, driving improved earnings which in turn leads to asset price appreciation. We believe that while the recovery will be positive, it will be gradual in its nature in contrast to what we saw at the beginning of this millennium.

Just make a brief comment on asset prices; while prices for both Aframax and Suezmax segments have risen 24% and 14% respectively so far this year, as the graph illustrates, second-hand values have between 20% and 30% of growth before they reach their 10-year average. This provides additional upside as we move further into recovery phase of this market.

So moving on to our strategic focus, I will talk a little but about management – what management will be focusing on in the next few months and year ahead. In TNK we will continue to take the long view, investing and operating in our fleet over the full tanker cycle, not just through half of it. We've several levers at our

disposal and which we can pull or push to achieve this. We will utilize each of these levers individually or in combination at various points in the cycle to manage our business and provide value to our shareholders over the long-term.

As you have already seen us do quite aggressively this year, we have the ability to adjust our portfolio exposure to the spot market through both in and out-chartering. In the immediate term we have reduced our fixed rate charter cover down to 25% from close to 50% two years ago, pushing more ships into the upward trending spot market.

We have secured four additional Aframax's and four additional LR2 in-charter vessels so far this year, increasing our spot-exposed trading days by more than 2000 ship days, not including the option periods where we hold to allow for charter extensions if we deem them to be accretive. And we continue to seek additional vessels to in-charter to maximize our spot presence without the need for large capital expenditure. Managing growth through our commercial and technical management programs provides yet another lever for us to pull to increase scale and market exposure.

We continue to look for new ships to add and new owners to add to our commercial pools as well as seek and develop new pools in other segments of the market to generate additional income schemes. A third lever that I'd like to talk about that's at our disposal is our ability to leverage off our operating platform. Since the financial crisis, the tanker landscape has changed quite dramatically. Many of the new market entrants are backed by new capital players, and they don't have a long-term operating view or a complete platform to operate as such, and this provides TNK with an opportunity to act as a market consolidator.

With over 40 years of operational experience, longstanding, supportive customer relationships, industry-leading technical performance, and a New York stock exchange listing, these are the elements that provide Teekay Tankers a platform for consolidation and as a bellwether tanker-earning investment for the long-term.

With that ladies and gentlemen, thank you.

<<Ryan Hamilton, Investor Relations, Teekay Corporation>>

We'll now open up to questions.

Q&A

<Q>: Thanks, Kevin. So just looking at the four utilization expectations you guys have and the forward imbalance and the recovery in the market, how do you think about positioning your fleet from a charter coverage perspective going forward? Do you take advantage of that? Do you get a bit shorter, and I guess on

an average tenure, whether it's above a year, under a year, how do you think about managing that risk?

<A>: Well, I think we've demonstrated that we'll reduce our fixed rate charter exposure and increase our spot exposure. Geographically we'll spread the fleet. Right now, we are predominantly trading the Aframax vessels in Asia with a smaller presence than we've historically had in the Atlantic. As these new in-charters come in we will deploy those in the Atlantic to give us more geographical spread. I think what you – as you get scale, you have to understand you can't chase markets and as market volatility appears in different regions of the world, by the time you position vessels to those markets you've lost the upside. So our approach will be to spread the fleet and optimize different markets at different points in their cycles.

<Q>: Last one from me, and this is for – I guess both you and Peter. You mentioned consolidation within the tanker space. How do you differentiate the opportunities that you see at TNK versus the opportunities that TIL would be going after and managing the growth at both those companies in parallel?

<A>: I think as I explained, TIL was set up as a short term investment vehicle to ride the upside in second-hand values. TNK is here for the full tanker cycle and the long-term. So as we look at different vessels in the market, TIL has looked at more individual assets on the water to purchase, seeing upside in their value.

TNK will look more at bigger fleets, larger sizes of eight to 15 vessels at any given time. So I think that's the main differentiator we have. One of the questions that has come up repeatedly in the past I think is worth answering here. What do we do when the market has one ship available and who decides who goes after it.

And I think to clarify that, first of all there is different views that the two companies have on which assets they want. TNK's view is that we need an asset for the long term. So we look at how tradable that vessel is in all markets; what cost [indiscernible] will be for regulatory upgrades on that type of vessel versus others in the marketplace, because we are going to have these ships for longer periods.

And again, in the short-term I think the answer has already been answered by TIL burning through their cash and using up what they have available to them in order to grow. So I don't think you will find us in the marketplace competing with each other.

<A>: And I think maybe just adding to the TIL position, what we have simply have done there is, we have taken a number of positions in what we consider attractively priced. The assets both in the Aframax, the Suezmax, we have a couple of LR2s and we also have a couple of VLCCs in the mix and we consider

them also have been acquired at attractive price points. Different from TNK, we leave the fleet a 100% spot-based, and that we really do so that we can focus on our strategy which is to buy and sell ships quickly as we see opportunities are arising. So it is a very different entity the way we run it, but we are able to access and partner with new people and new money and move quickly on a market opportunity that opened up very quickly. And I think we got through that window and we took some positions which we are very happy about.

<A>: Any more questions?

<Q>: Is there anything new to report on the One Spirit design concept getting commercialized in terms of new orders, or is it too early in the cycle to talk about that?

<A>: Well, we did a lot – so the One Spirit design is our new design that we had for newbuilding Aframax tankers. And we had placed an order, but unfortunately the shipyard went bankrupt. And what we did find out was, we actually used that knowledge in a different way. We figured out exactly what it took to make a ship more efficient. And when it came to creating TIL or Tanker Investments, we realized that we could, for a fraction of the amount of money of ordering a new ship, we could simply put all that technology into a existing ship and gain a lot of the fuel efficiencies with a pay-back period of one year to two years.

And so I consider that knowledge to have been put to a better use. Will we be back with a more economical ship? Yes. But when we looked at the whole range, which Kevin talked about; in-charters, buying second-hand tonnage, making it more fuel efficient, and all of that we judged that the newbuilding prices had gotten ahead of themselves, and therefore it's better to buy on the water assets and make them more economical. And I think that touches on how Teekay can add value in whatever it does and that's reflects in the fact that you manage so many third party vessels.

In other words, you take your ship and it's more – worth more inside the Teekay system. But when we talk about fuel economy, it isn't just how you make the ship more efficient, it's what you do day-to-day in speeding up the ship, slowing it down, listening to what the Chief Engineer says and how the ship and the engines are running. And there I think the investment we made in the organization has really paid off on that. So at the end of the day that all falls to the bottom line.

With that I will turn over to Peter to conclude.

<<Peter Evensen, President and Chief Executive Officer, Teekay Corporation>>

Okay, well thank you very much for – especially all of you who hung in for four hours, listening to the different strategies that we have at all four companies. What I said earlier was that we have customers that are multi-product customers that are in offshore and LNG. But we also have investors that's starting one side of the – of our – are perhaps investing in Teekay Corp and then they end up in the Daughters, or they start with the Daughters and they end up with Teekay Corporation.

I don't personally care. I own shares in all four companies and I am very happy. But people say, what's the best? And I think it comes down to the return versus risk. And what we like about all four companies is, while they are exposed to the energy mix, they have different return and risk characteristics which – and as we always say, you have to take risk in order to get return and we spend a lot of time at Teekay on that. We are all better because we are all part of One Teekay. And so I encourage you to look at all four companies, not just the one that you have the biggest investment in.

Thank you very much for coming today.