Company: **Teekay Tankers Ltd.**

Conference Title: **Teekay Tankers Ltd.'s Third Quarter 2016**

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Operator: Good day, everyone and welcome to the Teekay Tankers Ltd.'s third quarter 2016 earnings results conference call. During the call, all participants will be in a listen–only mode, afterwards you will be invited to participate in a Question and Answer session. At that time, if you have a question, participants will be asked to press star one to register for a question. For assistance during the call, please press star one on your touchtone phone. As a reminder, this call is being recorded. And now for opening remarks and introductions I would like to turn the call over to Mr Kevin MacKay, Teekay Tankers Ltd.'s Chief Executive Officer. Please go ahead, sir.

Ryan: Before Mr MacKay begins, I would like to direct all participants to our website at www.teekay.com, where you we will find a copy of the 2016 earnings presentation. Mr MacKay will review this presentation during today's conference call. Please allow me to remind you the discussion today contains forward–looking statements. Actual results may differ materially from results projected for those forward–looking statement. Additional information concerning factors that could cause actual results may differ materially from those in the forward–looking statements, is contained in the third quarter 2016 earnings release and earnings presentation available on our website. I will now turn the call over to Mr MacKay to begin.

Kevin MacKay: Thank you, Ryan, hello everyone and thank you very much for joining us today. With me here in Vancouver are Vince Locke, Teekay Tankers' Chief Financial Officer and Christian Waldegrave, Head of Strategy and Research at Teekay Corporation. During today's call, I will be taking you through Teekay Tankers third quarter, 2016 earnings result presentation, which can be found on our website. Beginning with our recent highlights in slide three of the presentation, Teekay Tankers reported an adjusted net loss of $1.5 million, or one cent per share, in the third quarter of 2016. Compared to adjusted net income of $40.3 million, or $.30 per share in the same period of the prior year. We generated free cash flow of $26.6 million during the quarter, compared with $59.4 million in the same period of the prior year. Our results during the quarter were impacted by the lowest quarterly crude tanker rates in three years. Various factors affected rates including normal seasonality, reduced oil supply due to temporary outages in key export regions, and lower refinery [inaudible]. Many of these seasonal factors and temporary outages have no diminished or passed, resulting in higher tanker rates so far in the fourth quarter compared with this past August. I will touch on this in more detail starting on the next slide.

In accordance with our variable dividend policy, Teekay Tankers declared a dividend of three cents per share for the third quarter of 2016. Representing the minimum quarterly dividend. The dividend will be paid on 18th November, 2016 to all shareholders of record as of 14th November, 2016. In October Teekay Tankers agreed to sell its last remaining MR product tanker and 2002 built Suezmax tankers. For total combined proceeds of $47 million, which along with the cash flow generated during the quarter, is expected to further de–lever our balance sheet to below 49% on a net–debt to book capitalisation basis. Since reporting earnings in August, we have continued to grow our ship–to–ship lightering business, having secured two new significant lightering contracts with major oil companies for periods of up to 24 months. These contracts help strengthen our position in the lightering business by providing us with cargo volume to employ up to three Aframax vessel equivalents per year. These contracts are expected to commence in the fourth quarter of 2016 and will bring Teekay Tankers total ship–to–ship, lightering cargo volumes up to five Aframax vessel equivalents per year. Our lightering business supports our growing US Gulf presence and enhances our ability to earn above market returns for our fleet in that region.

Turning to slide four, we look at developments in the crib tanker spot market. Crib tanker rates fell to three–year lows in the third quarter of 2016, as normal seasonal conditions were compounded by a number of other factors. Firstly, a series of Atlantic Basin oil supply outages led to a reduction in cargo volumes, most significantly of which was a reduction of Nigerian crude oil supply. Nigeria suffered a series of militant attacks on oil infrastructure during the first–half of the year, and by the third quarter this has resulted in 800,000 barrels a day of production being off line. This reduction in Atlantic crude exports had a negative impact on mid-size tanker demand, and also impacted average voyage distances as Asian buyers turned to shorter haul, Middle East volumes to fill the gap left by the lower Atlantic supply.

Additionally, global refinery throughput was significantly lower during the third quarter as high crude and product inventories, coupled with seasonal maintenance, led to reduced demand for crude from refiners in both the Atlantic and Pacific basins. Since August, rates have however rebounded in tandem with more positive oil market fundamentals and as we move into the seasonably stronger winter months, we feel confident that rates will increase further. Rates in the winter are typically the strongest of the year as refiners ramp up imports and bad weather leads to increases in vessel delays and voyage turnaround times. The return of Atlantic Basin supply volumes is also helping to boost tanker demand, as I will detail in the next slide.

Turning to slide five, we look at the oil supply situation in the Atlantic basin. I described on the previous slide, Nigeria experienced just over 800,000 barrels per day of outages during the third quarter which had a negative impact on mid-size tanker demand in the Atlantic. However, in recent weeks we have seen the gradual return of some of this production, with output reaching approximately 1.9 million barrels per day at the end of October due to the restart of various export grids. The return of other crude streams by the end of the year should further boost exports, though we know the political situation in Nigeria remains uncertain and we cannot rule out a possibility of further disruptions to oil infrastructure should the situation deteriorate once again. In the Mediterranean, mid-size tankers are finding support from an increase in Libyan exports and the long–awaited first cargoes from the Kashagan Field in the Caspian Sea. Production in Libya, which was averaging just 300,000 barrels per day during the summer months, has recently rebounded to almost 600,000 barrels a day due to the restart of certain oil fields and the reopening of key export terminals. The Libyan government is aiming to reach exports of 950,000 barrels per day by the end of the year, which would be positive for Aframax trade in the Mediterranean region. Similarly, the ramp up of exports from Kashagan via the Black Sea and Baltic Sea ports should also provide support to mid-size tanker demand. Initial volumes from Kashagan are relatively small, but the operators have indicated their intent to reach full production of approximately 400,000 barrels per day by the end of 2017. In sum, we are encouraged by the return of Atlantic Basin supply as we approach the seasonably stronger winter months and we believe these additions will give further support to mid-size tanker demand as we move into 2017.

Turning to slide six, we look at our outlook for tanker market fundamentals in 2017 and beyond. The tanker market faces some challenges in 2017. The most prominent of which is elevated fleet growth as the order book delivers. As shown by the chart on the top left, the mid-size sectors are set to undergo above average fleet growth in 2017. Particularly, in the Suezmax sector where we estimate growth of around 8% during the course of the year. However, this period of fleet growth should be relatively short lived. As a lack of ordering over the past year due to constraint financing should result in significantly below average fleet growth, once again in 2018. While scrapping has been low over the last two years, we anticipate that this will accelerate in the coming years as more ships approach the 20 year mark and as new environmental regulations impact the economics of trading older vessels beyond their third and fourth special survey dates.

Turning to oil market fundamentals, we are encouraged that global oil demand growth is forecast to remain at 1.2 million barrels per day at 2017, which is similar to the growth seen this year and in line with long–term averages. With regards to oil supply, we will be watching the outcome of the OPEC meeting in Vienna later this month, as the group tries to solidify previously announced plans to reduce oil output to arrange a 32.5–33 million barrels per day. Whether OPEC members can agree to, and more importantly, implement such a cut, remains to be seen, however. As many countries are seeking exemptions for a variety of reasons. Should they agree a cut, it appears that the Middle East Gulf nations, led by Saudi Arabia, would have to shoulder much of the burden. While this would result in a reduction in crude volumes available for transportation, it is not necessarily negative for crude tanker demand and it could lead to more crude volumes being transported long–haul from the Atlantic, to Pacific basins as Asian buyers source replacement buyers from further afield. A development which would be positive for mid-size tanker demand. In sum, we acknowledge that the tanker market faces some headwinds during 2017. However, we believe these headwinds will be relatively short–lived and that the medium–term fundamentals for crude tankers remains positive.

Turning to slide seven, I will wrap up with an update on spot tanker rates for the fourth quarter of 2016 to date. Based on approximately 47 and 32% spot revenue days booked, Teekay Tankers fourth quarter to date, Suezmax and Aframax bookings have so far averaged approximately $19,800 and $16,200 per day respectively. For our LL2 segment with approximately 35% spot revenue days booked, fourth quarter to date bookings have averaged approximately $8,600 per day. In closing, we expect the tanker market to continue to improve as we move through the winter due to normal seasonal demand increases, typical weather disruptions, and port delays coupled with the return of Atlantic Basin oil production. This should translate into an increase in our earnings and cash flow allowing us to further strengthen our balance sheet as we move forward. With that, operator, we are now available to take questions.

Operator: Thank you, if you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute action is turned off to allow your signal to reach our equipment. Again, please press star one to ask a question. We will hear first from Jon Chappell, Evercore ISI.

Jon Chappell: Thank you, morning, guys.

Kevin MacKay: Morning, Jon.

Jon Chappell: Kevin, first question for you. Just a little bit of clarity on the new ship–to–ship lightering business, the new contracts you said providing cargoes up to three–vessel equivalent. How does that work as far as your fleet is concerned? You take three of your own Aframaxs that you consider being core fleet and then use those to service that business? Do we think of that as a charter out contract, or a contract infringement, or do you go to get other tonnage then to meet the requirements of that contract?

Kevin MacKay: It is pretty much how you've described it. We have five dedicated ships that we have assigned to the lightering trade that would be focused on that part of our business. But given the vagaries of the scheduling, we obviously need to depend on others. That is where we draw from our Aframax RSA pool that trades in and around that region and we have the ability to in–charter ships on a spot basis for individual lighterings or short periods of 30–60 days to help us cover some of that increased demand that we see.

Jon Chappell: As we think about what those contracts would earn, is it something in the fixed-rate realm, or would we look at TD9 as a proxy for Caribbean movements, or is it something completely different?

Kevin MacKay: Well, we take a portfolio approach to our lightering business, some of our contracts are fixed rate and they would be more akin to the time charter rates that we have seen earlier in the year. Sort of in the mid–to–high 20 range. We also have some floating contracts that provide a premium over and above expense that sort of tags TD9, so it is a combination of both of that. I think from a modelling perspective, it would be fair to assume if you look at TD9 as a proxy and put a bit of a margin on top of that, that would give you a good guide on where we should be coming in.

Jon Chappell: OK, that makes sense. And then to the vessel sales, specifically the Suezmaxs because, obviously, the MRs weren't a core segment. What was the thought process behind that? Was it just the principal ships were kind of replacement for some of the Suezmax tonnage? And if that was the case, how do you think about the three 1999 built Aframax? Should we think about those as being somewhat up for sale as well?

Kevin MacKay: Well, on the Suezmax specifically, yes, when we did the Prince Mart deal last year, we were focused on our existing Suezmax fleet and looking at the older tonnage and trying to decide at what point do we pare down the older ships. And I think, given the outlook for '17, and these older ships having dried up Capex, we felt in the near–term, we felt it was better to let those go and reduce the fleet a little bit. On the Aframax side, we look at the whole fleet on an ongoing basis. At this point in time, we see those older ships actually helping our lightering business. For the time being, we are going to maintain those, but if the right opportunity comes along and the right valuation is seen, or we evaluate that things change, then obviously those would be prime candidates for future sale.

Jon Chappell: Right, OK, one last quick one, maybe for Vince. You guys used to have a nice little debt amortisation table in the presentation, I know you have pushed back the maturity on a big chunk of that which was set for '17, but can you give us an update on the debt amortisation schedule, just I guess for the fourth quarter and 2017, as we think about managing cash flows.

Vince Locke: Sure, John. You are right, we did the refinancing last year which stretched out our debt amortisation schedule. If you look at 2017, the run rate amortisation is roughly around $120 million. It does go down a little bit after that in 2018, closer to about 110. We do have a balloon that is maturing in November 2017, that was the old revolver. But as a result of these recent sales, that facility will be retired in the next few months upon completion of those sales.

Jon Chappell: Got it, and then fourth quarter would maybe be the 120 divided by four, just 30 million?

Vince Locke: Roughly, it is about 40. 30 to 40.

Jon Chappell: Great, thanks, Vince, thanks, Kevin.

Kevin MacKay: Thanks, Jon.

Operator: Thank you. Next we'll hear from Noah Parquette from JP Morgan.

Noah Parquette: Thanks. You talk a little bit about what you saw in the LR 2 market that caused the weakness back in October and why it's recovered. I guess, give us an idea of how many ships are trading dirty clean and that market now and how it has changed in the past couple of months.

Kevin MacKay: I think, as you have seen, the third quarter was weak [inaudible]. I think that was a combination of the [inaudible] not being there, LPG imports replacing NASA as a source. And I think also looking at the new deliveries and the order book, across pretty much all of the segments, the order book whether it was LR2s, Aframaxs, Suezmaxs, or NVs has tended to impact more in the third and fourth quarters than it has in the first half of the year. I think the oncoming tonnage has impacted the LR2s primarily because you are seeing Suezmaxs and NVs being loaded with gas–oil cargo, which takes away one of the runs for that fleet. Christian, do you have anything to add on the number of ships trading clean?

Christian Waldegrave: Yeah, the number of ships on a global basis trading in clean LR2s is about 200 ships, that's about 15 more than we had at the start of the year, so there has been a somewhere around 8% growth in the number of clean trading LR2s this year. Which again, is one of the reasons why the rates have come under pressure.

Noah Parquette: OK, it looks like you charted in an additional Aframax, can you talk about what you think about the operating leverage. Obviously, you guys are looking on decreasing financial leverage, is the operating leverage to offset that, or is it just a view on the market, how do you think about balancing those two?

Kevin MacKay: I think, we have said in the past that we had a rather large in–charter portfolio when the market was really strong. As the market has come off, we have pared that down quite significantly. But we have never said we are going to get out of the in–charter book, and I think I have said previously we will use that as an opportunity to trade in and out of the market as we see opportunities. This was a vessel that was in the right position, at the right point in time, that we felt we could take advantage of and deploy it in support of our growing lightering business. That is why we made that decision. Again, I would repeat it is the in–charter portfolio, it is something we use as one of our levers. Depending on the market, the forward view and where we see our own tonnage being deployed. And we will be in and out of that market, potentially doing in and out trades to make an extra margin.

Noah Parquette: Yes, thank you.

Kevin MacKay: Thanks.

Operator: Thank you, we'll take our next question from Mike Webber, Wells Fargo

Mike Webber: Good morning, guys, how are you?

Kevin MacKay: Morning, Mike.

Mike Webber: Kevin, I wanted to follow up on a couple of John's questions around the ship–to–ship lightering business. It sounds sort of like the bracing's like a COA, and I guess my question is twofold. One, it looks like you are including, on a go forward basis, that ship–to–ship lightering revenue within the spot portion of your fleet, which makes sense, I think we have seen that elsewhere. But I'm just curious, one, how big a business do you think that can become? And two, do you think that over time does it make that spot leverage... Put a bit of a lag on that spot leverage maybe, or make you guys maybe a bit less levered to the spot market than maybe the stats might otherwise imply?

Kevin MacKay: Certainly, when we entered the business, we saw it as a way to help manage our portfolio, as I have spoken about many times before, by using different levers at different points in the cycle. Lightering just gives us another lever, in this market, provides us good, above market cover where the time charter market may have quietened down a little, so… We'll play that as we see fit, as we go through cycles. But I think it's – there is more room to grow, I think our last estimate, we were roughly around 25% of that market. So I think as we look forward, there is room to grow that business. But the focus will be on providing us reduced spot exposure, especially in the Caribbean market. So deploying more ships to support that business when the returns are higher in the spot market.

Mike Webber: Right, OK, that makes sense. In terms of being 25% of that market, is this duck tailing into your last comment there, is this something where you've hung a shingle and people are basically approaching you, knowing you do this kind of business now, or is this something you are actively on the margin, kind of seeking out this stuff, trying to hit a defined degree of exposure within that particular veritable?

Kevin MacKay: No, we did an awful lot of work prior to the acquisition, to understand how we go about this. And the feedback we got back from our customers, given our operating excellence that we have built our reputation around on our Aframax and Suezmax fleet, it was translating that into, can we do the same thing in lightering? We are really encouraged by our big customers that said "Yes, we would like Teekay in that business," to provide the standards and quality that we bring with it. We knew we were going to get the support prior to going into the business, now it has been a case of proving our capability. It has been just over a year since the transaction, and it takes a while to prove that capability. So I think we have a lot more traction in the third quarter and I would like to see that continue over the course of the next couple of quarters, as more customers, you know, talk to us about contracts and also existing customers start giving us more volumes based on our performance.

Mike Webber: OK, that makes sense. Just one more and I will turn it over. Around your commentary earlier around the Suezmax sales, the slightly older assets. The read through there around, I guess, the in–house view on asset values is not particularly bullish if the dry dock expenses associated with those, kind of, helped to drive the economic decisions to sell the asset, which kind of back into the forward slope you guys have put into the asset value curve from here. I also know it is a bit of an over simplification, I think, Vince, you mentioned using the proceeds to pay down a revolver. I'm sure there were lots of facets that go into that kind of decision. Maybe if you can kind of expand on that a bit and talk through the different drivers that drove that sale, whether there was anything simply beyond the pure economics of what you thought the ship was worth on a discounted cash basis, the ships were worth, rather. And then how you see the asset value curve moving going forward.

Kevin MacKay: Actually, I think, to be honest with you, Mike, you've covered most of the aspects we would look at. You know, as I said, when we did the Prince Mart deal, we were looking at our fleet size. And bringing in these new tonnage, you obviously look at the older tonnages and think, is it time to take them off the table. Both ships were due for dry dock in 2017, and from a cash flow perspective, that was a consideration. We are sticking to our strategy of delivering the balance sheet and given the revolver balloon payment that was due at the end of the year, end of 2017, that also factored into the consideration of now was the right time to send those ships out and deliver or remove that revolver, sorry. We have still got them for another few months, they don't deliver until the first quarter 2017, so this market should hopefully pick up, we will enjoy some increased cash flow over the next couple of months.

Mike Webber: Fair enough Kevin, I think it was just a poorly phrased question on my part. Coming at it a different way, would you have sold the assets if you didn't have the revolver payment coming up? And then what are your expectations for asset movement, asset values, over the next year or two, is it a gradual slope upwards, or do you think we are at our near bottom here? Do you think we will grind along a [inaudible] for a while?

Kevin MacKay: I think we would have sold the assets anyway, I think we're looking to reduce our spot exposure. We've got a large fleet into Suezmax arena and given our forward view, we probably would have done it anyway. In terms of your second question, can you just repeat that one?

Mike Webber: Just an overall view on asset values from here. Do you think another 5, 10% down from here or do you think we are going to skirt along the bottom or improve in '17? Just give us what your thoughts are.

Kevin MacKay: I think we are bouncing along the bottom, whether that means a further dip of 5%, possibly. But I think we have seen the big declines, I don't think we're going to continue on that same trajectory. So whether it moves 5% lower from here or not, we will have to see. But I think we’re pretty much there.

Mike Webber: OK, alright, I appreciate your time, guys, thank you.

Kevin MacKay: Thanks, Mike.

Operator: We will hear next from Gregory Lewis, Credit Suisse.

Gregory Lewis: Hi, thank you and good morning.

Kevin MacKay: Morning.

Gregory Lewis: Kevin, not to labour SPS business, it seems like it has been a focus, but I guess as we think about lightering activity, and I believe you are primarily in the Gulf of Mexico, lightering in the Gulf of Mexico has been around for years. Is there something that is changing, is it infrastructure –related that is driving increase more lightering opportunities or is Teekay just going out and stealing business from other players?

Kevin MacKay: I think the dynamics of the market is changing, but before I get into that, just to highlight that the SPT transaction that we did last year wasn’t just focused on the US Gulf lighteridge business. We do STS support services, globally. And we also do LNG consultancy work and terminal operations through that. It is not just a US Gulf factor that drove us to purchase that company. In terms of the US Gulf itself, the market dynamics are changing. Shale oil production has brought a different dynamic to that business. And as we see US Gulf exports ramp up and ramp down, depending on market conditions, that adds to reverse lightering volume, which is essentially the same operation done the other way around. But there was also encouragement from our customer base that, for a period of time, there was essentially a singular service provider and no oil company likes putting all their eggs in one basket from a risk perspective. We were definitely encouraged to play a bigger role in that market. So some of it will be taking business away from others, and some of it will be through growth of different lightering operations that are required in the region.

Gregory Lewis: OK, great, and then my other question would be on the Suezmax market. You alluded to, in your press release, about some volumes coming back online. We have seen the VLCC market move significantly higher, into the 40,000, I believe the spread between Suezmax and VLCC is about 3X. Is there anything we could see happen in the next couple of months that would maybe converge that spread between Suezmax and VLCCs or is this just a new paradigm we're going to have to get used to?

Kevin MacKay: No, I think obviously the VLCCs have benefited from more Middle East exports and the supply disruptions out of West Africa has hindered more on the Suezmax side than anywhere. I think, as you move the Suezmax fleet from a concentration in the Atlantic to further afield, they will start encroaching on the Med liftings with VLCCs, and as that draws tonnage out, it reduces the supply balance in the Atlantic which with production coming out on the Atlantic, hopefully on the increase, you will see the Suezmax eat back some of that differential with the bigger ships.

Gregory Lewis: Is that something— Is Teekay is starting to, through contracts or repositioning, is that something that Teekay is starting to – is in the process of doing?

Kevin MacKay: Well, we started this process a while back, strategically, when we pulled in our Suezmax pool in–house to combine with our Aframax commercial desks. And the view there was to take our Suezmax fleet and spread it more globally than it was, perhaps historically. So looking at AG West cargoes, looking at west to east movement, really spreading out our own fleet list, if you will. I think that has had a positive impact on both our customer coverage and the returns we are getting from the market.

Gregory Lewis: OK, great, hey, thank you very much for the time, gentlemen.

Kevin MacKay: Thanks, Gregory.

Operator: Thank you once again if you would like to ask a question please press star one on your telephone keypad. Next we will from Spiro Dounis, UBS Securities.

Spiro Dounis: Hey, Kevin, thanks for taking the question. Just wanted to – Kevin, you mentioned reverse layering before. Curious in terms of what you are seeing in the Gulf, I guess the [inaudible] has really widened here in the last week or so. And I guess I'm just wondering are we seeing any sort of increase in terms of floating storage in the Gulf? Has that really ever happened in a big way? At this point, I'm curious as to what the view on the ground is.

Kevin MacKay: We haven't seen a lot of that in the immediate term. We are seeing a growth in long haul barrels coming in and I think that was a function of the uptake earlier in late September, early October, a lot of barrels coming in from the Middle East. So we are seeing the impact of that now and that is why you've got the Caribbean market spiking up to close $30,000 a day, on the Aframax. But I think, looking back historically from a past life when I was heavily involved in the lightering business itself, there has been periods where the oil traders have sought to use the US Gulf as a trading region and a trading book to store assets on Vs and move cargoes between Vs. So I should anticipate if we do get a stronger contango, and the storage plane does become a larger function of the market, the US Gulf will play a significant role in that and that should drive more volumes for us on the lightering side.

Spiro Dounis: Got it. You mentioned before your expertise obviously in the tanker market, sort of segued you into this lightering business. You may have been asked this before so I apologise. In terms of what the next segue could be, obviously, a big presence in the Gulf might lend itself to the Jones Act. Is that something, at some point, you could see fitting into the strategy or no?

Kevin MacKay: No.

Spiro Dounis: No, OK, fair enough. Last one from me, just from a modelling perspective. I think the guidance you gave originally with the ship–to–ship transfer was EBITDA run rate of 10 or 12 million. As you tack on these Aframaxes and dedicate them to this, is that 10–12 million fee–based and then beyond that as you add a Aframax to it, whatever they get on that charter is sort of incremental 10 or 12, is that the right way to think about it?

Christian Waldegrave: Yes, I think if you look at the lightering business as a whole, you have to separate the support services that Kevin referred to from the full–service lightering business. The full–service lightering is very integrated with our existing Aframax trading, as we mentioned, that is now up to about five Aframax equivalents. So that is part of what you see, I guess, in our spot segment. In terms of the support services, the EBITDA there, I think we are gradually ramping that up. For 2016, we are looking at EBITDA of around 5 million or so. We expect that to increase next year, probably in the region of about 7 million. So we are gradually ramping up the support service, but the full–service lightering, I think, is probably doing a little bit better than what we originally expected and we are continuing to chase new contracts.

Spiro Dounis: Got it, great to hear. Appreciate the call, guys.

Kevin MacKay: Thank you.

Operator: Thank you, and our next question comes from Magnus Fyhr, Seaports Global

Magnus Fyhr: Yes, hi. Just one question to kind of follow up on the potential crude flow next year, if OPEC would cut back on production. I guess, you know, you could see shale oil production make up the difference there, and I guess you guys would be in a very good position to benefit from that. Can you talk a little bit more about how you have seen exports here in the last year, I know they have increased here of late, and potential destinations, potentially going through the Panama Canal. Thanks.

Kevin MacKay: Hi, Magnus. I think we have seen a ramp up certainly in the first half, I think up to June. There was a lot more Aframax volumes moved out of the US Gulf, primarily to Europe and also Latin America Caribs as they combined stems with heavier grades and moved them out to the Far East. It was a positive trend, I think it has taken a breather in the third quarter, it has come off a little bit from what we were seeing in the first half. I think it's something that – US shale oil is a crude oil, but one of the traders I was talking to last week was mentioning some in the refinery still don't fully understand within their cargo mix or their feedstock mix. I think we're seeing a lot of experimentation at the moment, so we're going to get vagaries from month to month as to where those cargoes are destined and who buys them. I think it will take a while before that settles down and we see some consistency within the trade patterns. In the meantime, we are still seeing the opportunities on the Aframaxes to do things like reverse lighters and longer haul exports.

Magnus Fyhr: And refresh my memory as far as going up sizing this trade. There is some talks about increasing the capabilities to export on the loop platform and other ports. What is the status on that now?

Kevin MacKay: The last I understood on the topic was hadn't been much movement other than the public commentary that it was something they would like to look at. But in terms of impact to our business, we haven't seen it thus far.

Magnus Fyhr: Just one last question, you mentioned the Libyan exports potentially increasing here by the end of the year. Is that a market you will go into right now, or would you like to see, as far as safety, going in with your ships there?

Kevin MacKay: At this point in time, we actually don't have any ships in that area, we are concentrating more in the Baltic and the North Sea because the returns are higher and the Med has taken a bit of a breather recently, so we haven't deployed any tonnage there. It is not something we have run into. Certainly as production increases, we will be keeping an eye on safety and the risk of going there. And if we, from a risk standpoint feel comfortable, that is certainly a trade we would like to take part in.

Magnus Fyhr: All right, thanks for your time.

Kevin MacKay: Thank you.

Operator: And once again, that is star one, if you like to ask a question. Next we will hear from John Humphreys of Bank of America Merrill Lynch.

John Humphreys: Hi, good morning, gentleman, how are you?

Kevin MacKay: Good, John.

John Humphreys: I just wanted to ask a question, I know this has been touched on before, but to the accounting of your lightering business. Taking a look at voyage expenses on the income statement, it seems from the footnote that about 8.5 million of the 14.9 associated with lightering. If you could just walk me through where... and it looks as though the lightering revenue is being including the voyage charter revenue. If you could sort of walk–through what we can expect as you grow your lightering business. What 4Q, sort of, voyage expenses and then into ‘17. Just trying to get a better sense of the run rate, as that line up begins to ramp along with your lightering business.

Christian Waldegrave: I think to clarify the voyage expense item on the income statement, as noted in note 2, it does include the cost of chartering vessels that Kevin referred to, from time to time, to support our service light ring business. So that number may vary from quarter to quarter. It also includes certain port charges, et cetera. There's about 8.5 million of that, like you said, in the third quarter. I think going forward, that number probably could increase a little bit given that we have some new full–service lightering contracts starting up in the fourth. I think you, kind of, have to look at it on a net basis as we had somewhat guided on slide number seven, where we have included the net contribution from full–service lightering embedded in that Aframax TCE number. That's probably the easiest way to model the full–service lightering.

John Humphreys: Great, thank you very much. The last one being more general on the IMO regulation and if you could just, Kevin, comment on what you think this means for the overall fleet and as asset owners make decisions about sending ships back to the yard and the availability of scrubbers, and what kind of impact this could have in '17 and '18.

Kevin MacKay: Yes, I think the IMO stated their self–remissions initiative would be held to the 2020 date for implementation, as opposed to 2025. And what was based on a study they undertook to ensure there would be enough supply of low sulphur fuel oil. So to my mind, if that is that is truly the case and there is a determination that there will be enough supply, I think from an economic standpoint, there shouldn't be a huge impact given that world scale adjust for changes in fuel source therefore flat rates. I think what it does do though, if owners do decide to look at implementing scrubbers, which are a high capital expense, you will see owners with older tonnage that are facing third and fourth special survey expenses, as well as the potential to have to spend on balanced water treatment implementation on the back of the decade. That is an awful lot of Capex to put into older ships. So we would forecast that the overall impact would be an increase in scrapping of those older units.

John Humphreys: Great, thanks very much, that is it for me.

Kevin MacKay: Thank you.

Operator: Thank you. And we will hear next from John Reardon, Western International.

John Reardon: Hi, good morning. My question was just answered but I have another one and that is, you know, 10 years ago Teekay had a variable dividend, then it went to a fixed, then it went back to a variable. As the cash flow improves, and I think it will, if the stock price remains at what seems to be depressed levels, might there be some consideration to maybe use some of the additional cash flow coming in to buy back some stock? That is it.

Christian Waldegrave: Hi, John. Our current dividend policy, as you probably know, is to pay 30–50% of adjusted net income. What they [inaudible] three cents per quarter. That is our current policy and we currently don't have any plans to change that. I think as it relates to stock buyback, that is certainly one of the levers that is available to us to create shareholder value and return capital to shareholders when we have excess cash. I think right now, given some volatility in the market and perhaps potential headwinds in 2017, we believe it's prudent to continue to use our excess cash to deleverage the balance sheet.

John Reardon: Very good, thank you.

Christian Waldegrave: Thank you.

Operator: Thank you. And at this time, we have no further questions in the queue. I would like to turn the conference back over to Mr. MacKay for any additional or closing remarks.

Kevin MacKay: Thank you very much for listening in today, folks, and we will see you in three months' time. Bye–bye.

Operator: Thank you, that does conclude today's presentation, thank you for your participation. You may now disconnect.