# TEEKAY SHIPPING CORPORATION

## Moderator: Bjorn Moller
## August 3, 2006
## 10:00 a.m. CT

Operator: Thank you for standing by, ladies and gentlemen, and welcome to the Teekay Shipping Corporation's second quarter 2006 earnings release conference call.

During the call, all participants will be in a listen only mode. Afterwards, you will, you will be invited to participate in a question and answer session. At that time if you have a question, you will need to press star, one. As a reminder, this call is being recorded.

And now for opening remarks and introductions, I would like to turn the conference over to Mr. Scott Gayton. Afterwards, you will hear from Mr. Bjorn Moller, President and Chief Executive Officer of Teekay Shipping Corporation, and Mr. Peter Evensen, Chief Financial Officer of Teekay Shipping Corporation. Please go ahead, sir.

Scott Gayton: Before I read the forward-looking statements, I would like to direct all participants to your web site at www.teekay.com where you will find a copy of the second quarter of 2006 earnings presentation. Mr. Moller and Mr. Evensen will review this presentation during today's conference call. I will now read the forward-looking statements.

Please allow me to remind you that various remarks we may make about future expectations, plans and prospects for the company in the shipping industry constitute forward-looking statements for purposes of the Safe Harbor Provision under Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors, including those discussed in our most recent annual report on Form 20-F dated December 31st, 2005, on file with SEC.

I will now turn it over to Mr. Moller to begin.

Bjorn Moller: Thank you, Scott and good morning ladies and gentlemen. Thanks for joining us. I'm pleased to report to you on our second quarter results and I'll begin with the highlights on slide number three.

Excluding the items in appendix A of our earnings release, our net income was $49.8 million, or 66 cents per share. Cash flow from vessel operations, or CFVO, was 120.7 million, of which approximately 80 million came from our fixed rate businesses. We enjoyed a strong performance in our (spot) tanker segment on both an absolute and relative basis. We made a further commitment to the growth of our (spot) tanker business, declaring options for another two Suezmax tankers. This brings our Suezmax order build to eight ships and our total new building order build to 23 ships.

In June, we announced plans to create a master limited partnership for our offshore business. In June, we also announced a further $150 million increase to our share re-purchase program and since our last report in mid-June; we re-purchased a further 1.3 million shares, for a total cost of $54.3 million.

Turning to slide number four, I'll review the main developments in our fixed-rate tanker segment. CSBO was $65.9 million in the quarter, down by approximately seven million from the previous quarter. You may recall that last quarter we guided you that we expected Q-2 to be down by $50 million from Q-1 because we were anticipating this year's oil field maintenance season in the

North Sea to be very front-heavy and to fall largely into quarter, into second quarter. As it turned out, the schedule was not quite as heavily front loaded as we had projected, and therefore our CSBO came in above the guidance. Consequently, we now expect some field maintenance to be pushed into Q-3. Our guidance at this point is that Q-3 CSBO from our fixed-rate tanker segment should be better than last year's Q-3 by approximately three million dollars due to a combination of the lower than usual remaining field maintenance and the recent rollover of several expiring shuttle charters at increased charter rates.

Shown on the slide, there were a number of notable developments in our offshore business. We concluded an eight-year contract extension on our floating storage unit, Dampier Spirit, which will continue to serve in the field where it's been operating since 1998. We saw further growth in the shuttle tanker demand in Brazil, where we chartered an additional Aframax shuttle tanker through 2008. You'll recall that just last quarter, we reported on the renewal of two other medium charters in Brazil at higher rates.

In July, after completing conversion work, we delivered the first of three Brazilian long-term shuttle tankers that we announced earlier this year, and we chartered the shuttle tanker for six months to a Gulf of Mexico oil producer. After last year's Katrina-related outages to sub-sea oil pipelines, we scrambled to free up a shuttle tanker in order to help one of our customers restore disrupted oil flows as quickly as possible. This year, we've seen some of our customers chartering shuttle tankers ahead of time to be ready in case we see a repeat of last year's hurricane disruptions.

We signed our FPSO joint venture agreement with (Petrojarl) in the quarter and the venture is up and running, actively bidding on offshore contracts.

Finally, while we're limited in what we can say about the planned IPO of Teekay Offshore Partners, we can say that the process remains on track as per our June announcement, namely that we expect to file a registration statement with the SEC during the second half of 2008 – second have of 2006, sorry.

Turning next to slide number five, our fixed-rate LNG segment generated CSBO of $13.9 million, down by 3.8 million from the same quarter one year ago. The decrease was due to the scheduled dry-docking of one LNG carrier and the subsequent extension of that dry-docking when unforeseen repairs to the cargo containment system in some of the ship's tanks had to be carried out. The ship has since returned to regular service.

The first of our new buildings for the (RAZCAZ II) project shown on the photograph on the slide is nearing completion and is scheduled to deliver later this year. We now expect all of the three (RAZCAZ II) ships will be on charter by the end of the first quarter of 2007, ahead of the originally scheduled completion in the second quarter.

Turning to the developments in our spot tanker segment on slide number six, our Aframax fleet earned $29,200 per day in the quarter, a high figure for this time of year by historical standards.

Our Suezmax earnings were adversely affected by the timing of non-revenue generating repositioning voyages and certain hedges described in the footnote to the table shown in the earnings release. Due to our relatively small number of Suezmax ship days, our average Suezmax earnings were reduced by – to $26,000 per day as a result of these factors.

During the quarter, one Suezmax and three Aframaxes joined our fleet while one Aframax left the fleet. All were in chartered ships. Notably, Teekay's total spot crude tanker fleet days increased in the quarter for the first time since the third quarter of 2004.

As mentioned earlier, we declared in the money options for a further two Suezmax new buildings. The specifications of these latest ships incorporate shuttle tanker features that give us optionality around their future use. And with these orders, our Suezmax new building program stands at eight ships, the largest in the world. And, in combination with Teekay's large Aframax fleet, this consolidates our position as the premier operator of medium sized tankers. The new buildings are scheduled to deliver during 2008 and 2009, and to lead up to the 2010 IMO deadline beyond which many countries are expanded to ban single-hull tankers. With ship prices continuing to rise and major shipyards already nearly sold out through 2009, we believe that our large new building program puts Teekay in a favorable position.

Finally, in our spot tanker segment, our clean-product tanker fleet also enjoyed a good quarter, with our large and medium sized ships earning an average of $26,200 and our product fleet increased further through our active in-charter strategy.

On slide number seven, we've illustrated our profitable in-charter strategy in the context of Aframax spot rates. The first point to note is that the spot market is shown in the black line has consistently out-performed the time charter markets shown by the red and blue lines, and this has made our in-charter strategy very profitable.

The second point I want to highlight is the timing of Teekay's in-charter activity, indicated by the white Xes along the horizontal axis. As shown in the box on the chart, Teekay's large in-chartered Aframax fleet remains significantly in the money, with an average in-charter rate of $21,500 a day, compared to the current spot market of around $40,000 per day. I would also point out that during the past quarter, we in-chartered a number of ships at close to $30,000 a day, reflecting our positive view of spot tanker rates going forward.

Looking on slide eight, we see a series of positive dynamics driving the tanker market today and these factors are expected to continue to have impact during the second half of the year. Fundamental factors include the continued above average growth in the world economies predicted by the IMF, a pick up in the pace of year on year oil demand growth, plus the usual large seasonal rise in oil demand from Q2 to Q4. OPEC maintaining high levels of production of (ton mile) and ((inaudible)) long haul oil. Surging airports in major industrializing countries with both China and India showing more than 15 percent year-on-year growth in oil imports during the first half of the year. And average distances lengthening on trade routes for both crude and products.

Specific events effecting the market include disruptions to both crude production and oil refining operations in Nigeria and Venezuela, as well as the potential effect on oil markets, of the situation in Iran and other parts of the Middle East.

A key point is that despite recent growth, the world tanker fleet still lacks capacity to absorb the effect of external shocks making rate spikes whenever disruptions occur. And finally, the ever growing discrimination against single haul tankers is providing underlying support for tanker rates.

On slide number nine, we show just how surprisingly strong (Afromax) freight rates are at the moment. Consider that during the first six months of this year, the combination of below average oil demand growth, and a three percent net increase in the tanker fleet point to something that should technically alert to a decline in the utilization of the world tanker fleet. Yes, tanker rates for Q3 today are well ahead of the levels seen during the very strong tanker markets in both 2004 and 2005. As you can see on the chart, we booked 50 percent of our Q3 (Afromax) revenue days at an average rate of approximately $35,000 a day. And this compares to Q3 last year, where we averaged less than $25,000 a day for the quarter.

We believe that the combination of market dynamics I described in the previous slide, is driving actual tanker demand growth higher than meets the eye, and that is it’s dampening the effect of physical tanker supply growth. In other words, we believe that today’s high rates are the result of the effective utilization of the world tanker fleet, being higher than the theoretical figure, you would normally arrive at by analyzing market fundamentals. We see market dynamics pointing to strong tanker rates, again, this winter. In 2007, we see the market continuing to be finely balanced with firm, albeit volatile rates.

I'll now hand it over to Peter Evensen, to discuss our financial results in more detail (Peter).

Peter Evensen: Thank you. We had a relatively strong second quarter. The reported net income was 20.4 million or 27 cents per share. This included a number of items that on a net basis had the effect of decreasing net income by 29.4 million or 39 cents per share. Without these items, we'd largely relate to unrealized foreign exchange losses. Net income would have been 49.8 million or 66 cents per share for the quarter.

Looking at the operating results for each of our segments on slide 10 of the presentation overall (CFBO) for the second quarter decreased to 120.7 million, compared to $165.9 million in the second quarter of 2005. Our fixed rate tanker segment generated 65.9 million in (CFBO) during the second quarter, compared to 74.6 in the second quarter of 2005. This decrease was primarily due to the lower utilization of the shuttle tanker fleet, due to maintenance of offshore oil facilities, occurring earlier in the year, than in the past.

As Bjorn mentioned, some of these field maintenance has been delayed into Q3, and as a result, the (CFBO) in the second quarter came in higher than expected. We expect the (CFBO) in the third quarter from the fixed rate tanker segment to be approximately $62 million, which would be roughly $3 million higher than in the third quarter of 2005.

Our fixed rate L&G segment generated 13.9 million in (CFBO) during the second quarter compared to 17.7 million in the second quarter of 2005. This decrease in cash flow was primarily due to one L&G carrier being off higher during the scheduled dry docking, which was extended to complete certain unexpected repairs that were found during the dry dock. Net voyage revenues declined by 2.7 million due this L&G vessel being off higher for a total of 33 days, and vessel operating expenses increased by $1 million, representing the insurance deductible for the repair costs. The vessel resumed regular operations at the beginning of July.

We currently have nine L&G new buildings scheduled to deliver during the fourth quarter of this year, and early 2009, and all of which will commence service under long term fixed rate contracts upon delivery. The contribution from our spot tanker segment decreased to 40.9 million, compared to 73.6 million in the second quarter of 2005. This decrease was due primarily to a decline in revenue days resulting from the sale of a number of our significantly depreciated older vessels during the past 12 months, a decrease in spot tanker rates, partially offset by the delivery of new buildings.

Our spot (Afromax) suite earned an average TCE rate of 29,200 per day in the second quarter, down from 34,500 per day in the same period last year.

Turning next to slide 11 and reviewing the remaining income statement figures in comparison to the second quarter of 2005. General and administrative expenses were 41.5 million, compared to 40.2 million in the second quarter of 2005. This $1.3 million increase is not directly comparable because 2006 includes a $2.3 million expense for stock options as per our adoption of FASB 123. Excluding the stock option expense G&A expenses declined slight from the previous year. We currently expect G&A expenses to run in the low $40 million range per quarter, for the next few quarters of 2006, i.e. be flat, which includes an estimated stock option expense of approximately two million per quarter as discussed.

During the second quarter of 2006, we incurred $2.6 million of restructuring costs, primarily relating to the relocation of certain operational functions which we discussed earlier this year. During the remainder of 2006, we expect to incur an additional $2 million of restructuring charges as we complete this reorganization.

Net interest expense decreased to 23.1 million in the second quarter from 24.9 million a year ago, primarily due to the reduction in interest expense from the repayment and refinancing of debt over the past 12 months. The repurchase of $32 million of our bonds, and the conversion of our exchangeable preferred units to equity in February 2006. This was partially offset by the expiry of certain of our more favorable interest rate swap. We are protected from higher interest rates as the results of the swaps we entered into at lower interest rate levels.

We recognized an income tax expense of seven million in this quarter, of which 6.9 million was related to unrealized foreign exchange gains. Foreign exchange loss of 21.8 million primarily results from the unrealized foreign exchange translation losses relating to the company's euro denominated debt. Other items net of 4.3 million primarily includes income from (Valk) asset, and a minority interest recovery due to unrealized foreign exchange losses, partially offset by $3 million loss from the expiry of options we held to purchase L&G carriers.

Turning to slide 12, we presented our June 30th balance sheet and compared it to our March 31st balance sheet. Other assets have increased by $83 million, which is due primarily to the increase in the value of our interest-rate loss, which hedge our floating-rate debt. Advances on new building contracts has increased by $63 million from $224 million and March 31st, primarily due to further advances made on our new building.

Our total liquidity on June 30th was about $1 billion, unchanged from March 31st. Net of restricted cash, net debt to capitalization was 37 percent at the end of the quarter, unchanged from March 31st.

Turning to slide 13, on June 12th our board authorized a $150 million increase to the existing share-repurchase program. From June 12th to August 1st, we have repurchased 1.3 million shares for a total cost of roughly $54 million or approximately $41.60 per share.

If the remaining share-repurchase authorization of approximately $132 million is completed at an average price of $43.35 per share, we will have repurchased over 22.2 million shares or 27 percent of our outstanding shares since November 2004, when our first share repurchase was announced.

Looking at third-quarter results: we have fixed approximately 50 percent of our ((inaudible)) at an average ((inaudible)) rate of $35,000 per day and current ((inaudible)) rates are averaging around $40,000 per day.

On slide 14, we're updating our rule-of-thumb EPS guidance, as our average in-charter rate has increased, and our share count is declining to due to our share repurchase program. Our updated guidance is a quarterly EPS increase of 6 cents for every $1,000 ((inaudible)) (DCE) above $15,500 per day.

On slide 15, we look at our in-charter portfolio. While our in-charter costs may have gone up recently, we have a highly profitable in-charter portfolio of over 35 vessels, with in-charter rates which compare favorably to current ((inaudible)) rates, at a time when we expect continued strong rates in the coming months.

I'll now turn the mike over to Bjorn to conclude.

Bjorn Moller: Thanks, Peter. In conclusion, I believe that Teekay is in a sweet spot. Each of our business segments, oil tankers, L&G carriers, and offshore are in hot sectors. With our large modern fleet, our considerable new building ((inaudible)), our strong balance sheet and our (MLT)s, Teekay is well positioned to grow even faster in the future.

Thank you for listening in this morning, and we'll open it up to your questions.

Operator: Thank you. The question and answer session will be conducted electronically. If you do wish to signal for a question, you may do so by pressing the star key followed by the digit one on your touch-tone phone. Again, that is star one on your touch-tone phone to signal for any questions. If you are using a speakerphone today, please make sure that your mute function is turned off to allow your signals to reach our equipment, and we ask that anyone who is using a hands-free phone or speaker phone to please pick up the handset when asking your question. And again, that is star one. And we'll pause momentarily.

Our first question will come from Scott Burke at Bear Stearns.

Scott Burke: Hey, good morning, gentlemen.

Bjorn Moller: Hey, Scott.

Scott Burke: Got a couple of questions. The shuttle tanker that you've got on lease in the Gulf of Mexico, would that be accounted for in your spot visits, because it's, you know, or would it still be in your shuttle tanker business?

Bjorn Moller: That will remain in our shuttle segment.

Scott Burke: So it will just be a kind of a higher utilization of that segment?

Bjorn Moller: Yes, if you can argue, you could say that, and also the rate's indicative of today's shuttle rates, which are higher than last year.

Scott Burke: OK. Are there any other bidders out there? Do you anticipate getting any more deals like this for the hurricane season?

Bjorn Moller: Well, I guess one of the issues is, there isn't really a lot of stash, a lot of ((inaudible)) capacity, so it's not without, you know, some contortion that we free up tonnage like that. It's attractive to note that there is growing shuttle demand, so I wouldn't expect, maybe, a lot more of that, but if more comes along, we'll try and help customers out.

Scott Burke: OK. And then, kind of one more industry-type question. Are you guys seeing any negative effects on the Caribbean ((inaudible)) trades from increased (VOCC) loadings out of Venezuela?

Bjorn Moller: No. We are seeing ((inaudible)) rates pretty good in the Caribbean. They're pretty stable at the moment. The movement of all to Venezuela to China, for example, we estimate it to be about 150,000 barrels a day. There's talk about doubling, and that will take some time before that occurs.

On the whole, for the tanker business, that would be very positive. We estimate that 300,000 barrels a day of Venezuelan oil to China compared to that oil went to the U.S., that could increase tanker demand between 1 percent and 2 percent. So, that's a positive effect overall.

Scott Burke: OK. Thank you very much.

Operator: Our next question comes from Omar Nokta with Dahlman Rose.

Omar Nokta: You've really ramped up your focus in the services and shuttle business sectors. You're also ((inaudible)) and building up your L&G business as well. What does this mean for your ((inaudible)). Do you see yourself maintaining that fleet the way it is today and perhaps growing everything else around it?

Bjorn Moller: There's no focus away from ((inaudible)). The ((inaudible)) fleet is a very important part of our business. We have, you know, we are opportunistic. It's a little easier to in-charter ((inaudible)) than it is to in-charter ((inaudible)), so it, you know, there's more flexibility how we maintain and eventually how we grow ((inaudible)) fleet, where as in the ((inaudible)) market, we felt it was easier to go in through the investment route.

On the other hand, you know, if we get an dip in asset prices, we certainly would expect to be investing in our ((inaudible)) segment. So that will continue to be a major part of our business. ((inaudible)) and ((inaudible)) of course is, you know, in a way, just a mobile asset. We characterize that as the medium-sized segment, and so we're building on the medium-sized segment.

And the other thing, I think you ((inaudible)) summed up the strategy, I guess the project business we've been growing has not been at the expense of our ((inaudible)) business. It's been in addition.

Omar Nokta: Got you. And ((inaudible)) you see them becoming like another work-horse of the industry like the ((inaudible))?

Bjorn Moller: On some routes that, you know, that they're interchangeable. On other routes there's a migration to bigger ships as there would always be a drive to try to get economies of scale. Similarly we're seeing some ((inaudible)) trades, migrating to ((inaudible)) trades. So there's evolution, but we intend to obviously be a force in both ((inaudible)) and ((inaudible)).

Omar Nokta: OK, thanks very much.

Bjorn Moller: Yes.

Operator: And our next question will come from Doug Mavrinak, Jefferies and Company.

Doug Mavrinak: All right, thanks. Good morning. Congratulations on the fantastic quarter. Just a quick question. As far as rates go currently, I mean is there one thing that you can pinpoint to as why you believe rates are so strong or is it a culmination of multiple events that are responsible for the current strength in rates?

Bjorn Moller: Well, certainly the fundamentals are important. There is no spare capacity in the tanker market and here we are in the middle of the summer, and you know, rates are $40,000 ((inaudible)). This goes to (talk) through both the fundamentals, but also these intangible factors in a way. Maybe it's got some elements of similarity to the (oil) market, where you can do all the math on what the oil market should be, but it turns out that prices and realities are very different.

And certainly distance factors, I don't think, are captured by the rule of thumb of converting oil demands to tanker demands because trading patterns are changing. For example, right now I think Angola is the biggest supplier to China and has overtaken the Middle East as Saudi Arabia used to be the biggest supplier. Now it's Angola. That's the kind of subtle shift in ton miles that we're experiencing.

Doug Mavrinak: Great. And then, also on the shuttle tanker that you fixed on a short-term contract in the Gulf of Mexico, if I recall, you guys did something after, we had a lot of disruptions after the hurricanes last fall. Do you see any longer term opportunities within that particular region, where you could utilize your experience in that particular sector and take advantage of opportunities in the Gulf?

Bjorn Moller: We see the Gulf of Mexico as one of several growth frontiers for the shuttle tanker business, so I would expect as they go further off shore, and go into deeper water, shuttle tankers would definitely a growing solution there, as it is one of several potential growth markets.

Doug Mavrinak: OK, great. Fantastic. Thank you.

Bjorn Moller: Thanks.

Operator: Jonathan Chappell with JP Morgan.

Jonathan Chappell: Thank you. Good morning, guys.

Bjorn Moller: Hi, Jonathan.

Jonathan Chappell: Just a follow up to Doug's question, which I hadn't planned on asking, but your shuttle tankers, are they capable of trading in the U.S. flag market, or do you need reflag, or do you need some type of easing of the Jones Act to trade in the Gulf?

Bjorn Moller: Last year, the customer we held up, had to use our vessel under a waiver of the Jones Act, so the current shuttle fleet would not be eligible to permanently trade in the Gulf of Mexico, so it would involve having to become involved with Jones Act tonnage.

Jonathan Chappell: OK, so you'd need another waivers. As far as your time charter and strategy, thanks for ((inaudible)) the details on the last page of the slide show. I assume that's as of last week, July 28th, and if so, that's about 6 more ships chartered in than just at the end of the second quarter.

Obviously shows a little bit of bullishness on your part. What's your, what's the in-charter strategy going forward vis-a-vis second-hand ships or new builds?

Bjorn Moller: Sorry. What's the in-charter strategy on new buildings?

Jonathan Chappell: No, what's the in-charter strategy versus ((inaudible))?

Bjorn Moller: Well, I guess we are clearly experiencing very high (asset) prices at this time and so we have opted for a combination of forward ordering of new buildings combined with in-charters, because there's a bit of ((inaudible)) in the valuation, and we've been able to get some slots both in China and Korea that we felt were attractive during slight dips and new building prices, but what's interesting is the way prices continue to power ahead.

So we feel very good about our new building orders. I guess, you know, I think, if you look at the pattern of in-charters, we in-chartered in the summer of 2003. We in-chartered in the summer of 2004. We didn't in-charter in '05, because we thought that the charter markets had got ahead of themselves and we were feeling maybe a little bit concerned about the tanker market.

And now everybody is being (surprised) including us on the upsize and the strength of the market and now we're back chartering in, signifying our positive view of the market. So clearly, the fact that we're back in at these rates speaks about (speaks to) our confidence in the market but you know, we will obviously be more active if we see a dip. If rates stay as high as they are, you know, we'll go from deal to deal.

Jonathan Chappell: And can I just confirm that this chart on the presentation is as of last week or something since June 30th, and that you have added six charter-in vessels since the end of the second quarter?

Bjorn Moller: Yes.

Jonathan Chappell: OK and then one last one for Peter, just on the G&A guidance that you gave in your prepared remarks. Last year, there was a pretty big spike in the fourth quarter. I assume that had to do with bonuses and annual compensation. Are you accruing for bonuses now throughout the course of the year so the G&A should be much smoother as we move into the second half?

Peter Evensen: Yes we are.

Jonathan Chappell: OK, so no bit spike in the fourth.

Peter Evensen: We don't expect that.

Jonathan Chappell: Great. Thanks Bjorn and Peter.

Bjorn Moller: Thank you.

Operator: Next question comes from Phillipe Lanier with Banc of America Securities.

Phillipe Lanier: Yes, good morning. A technical questions as relates to the L&G tankers coming in the fourth quarter and then next year. Could you detail for us a little more clear, now that we're nearing that day, how it's going to affect your balance sheet to transfer your debt to PGP? What should we expect there?

Peter Evensen: Well, because we consolidate the Teekay L&G partners, there isn't much of an effect upon Teekay shipping, and we're not going to raise any equity as Teekay, L&G partners in order to purchase these assets, so when the assets are purchased, you won't see any effect at Teekay Shipping Corporation.

Phillipe Lanier: But will you see any reimbursement for any of the interest expense that you have carried in the process?

Peter Evensen: Absolutely. There will be a cash, while you won't see it on an accounting basis, there will be a cash transfer. All the equity and interest on the equity that has been spent by Teekay

Shipping Corporation during the predelivery part, there will be a cash transfer to reimburse Teekay Shipping Corporation for having warehoused those assets.

Phillipe Lanier: Fantastic. And then another question, and I apologize if this is too granular and you may not be able to answer it, but as relates to Venezuela, there's been a pretty large refinery there, the ((inaudible)) refinery, which in our calculations could release as much as 200,000 barrels a day of crude onto the market for potentially 6 months. It's been a month gone now or close to it. Have you seen any new crude hit the market? Do you have an sensitivity to that?

Bjorn Moller: I think it blends together. It's difficult to follow specific crudes, so I couldn't say that we noticed that, but we're aware of it.

Phillipe Lanier: OK, thank you very much.

Bjorn Moller: Thank you.

Phillipe Lanier: And then just one last question for you, Peter, and I understand if you're not willing to release this, but as relates to your time charter high-expense line, you've moved a lot of things in and out in the quarter. I'm approximating something closer to $100 million in the third quarter, versus the $95 million you have this quarter. Am I close to target there? Or have some more things moved that I'm not aware of?

Peter Evensen: No. That's a good figure to use.

Phillipe Lanier: Right. Well, thank you very much, and a great quarter.

Bjorn Moller: Thank you.

Operator: Jordan Alliger with Deutsche Bank.

Jordan Alliger: Yes, hi. I didn't quite catch. What did you say, I thought you had mentioned what you thought your in-charter rates were on the new ships this past quarter. I didn't quite catch it.

Bjorn Moller: We indicated it was close to $40,000 a day, and you can see on the chart, on the slide, where time travel rates are. We've indicated the one and three in-charter rates, and so you can assume we've paid around the market.

Jordan Alliger: And the next question is just more of a big picture question. There's been a lot of talk, just in general, sort of about the (difference) factors and the favorable impacts and the potential impacts from, you know, for instance, you had mentioned Angola to China and then, sort of Venezuela possibilities. And I guess my question: is that lessening the importance of the Gulf states as drivers to the tanker supply-demand equation? For instance, well, I'll leave it at that for now.

Bjorn Moller: I think that what's interesting about (talking macro), I mean clearly OPEC is pumping a lot of oil and they are going to maintain high oil production at these price levels. It's interesting, also, that their spare capacity has increased, which bodes well, because you are inevitably going to have some of the non-OPEC oil that's being projected every year and not come through. What's happening in Nigeria right now, just having a short-term negative affect on ((inaudible)) tanker rates, because ((inaudible)) and so these are short-term effects.

But, you know, Middle East OPEC remains in the background with spare capacity and so we believe that that oil will eventually move further afield if Middle East oil is being displaced by China out of West Africa, then that oil may go further afield. Of course, China is also seeing growing imports, so it's not necessarily displacing Middle East. It's the Angola (stuff) is growth as opposed to displacement.

So I'd say, you know, OPEC is, if anything, growing to their capacity I think, speaks to the potential for more tanker demands.

Jordan Alliger: India, do you know offhand the main supplier of crude to India? Is it the Arabian Gulf?

Bjorn Moller: It's the Middle East.

Jordan Alliger: OK, thank you very much.

Bjorn Moller: OK.

Operator: We'll go now to Rory Stewart with Simmons and Company.

Rory Stewart: I have a couple of questions. You've given a lot of, you know, good insight on the macro so far. I was just wondering if I could push that and see what you thought the part being played in the current tanker market from storage and people using tankers for storage in terms of, you know, using that for ((inaudible)) opportunities and maybe other strategic reasons.

Bjorn Moller: OK, I think it's two comments I want to make to that. One is that the anecdotal use of storage tankers by Iran appears to be a story that's consistent and we're estimating from the information we have from the oil markets, there are about 10 supertankers, ((inaudible)) were used. They started unloading those. They were taken into use due to short-term oil sales dynamics as opposed to anything strategic, we believe, and so obviously it had a marginal beneficial effect on tanker demand, but it wasn't material.

Others are saying the Saudis are doing the same. It's difficult to know because they have a large fleet that they control themselves.

The second point is that if you look at the broader use of tankers for storage across the growing off-shore market, is expected to draw out a significant meaningful number of tankers in the next several years, both for floating storage units and floating production, so that's worth thinking about in the broader context for storage.

Rory Stewart: OK. I'm sorry. Was your comment there that the Iranians are kind of unwinding that storage position?

Bjorn Moller: Right. Yes.

Rory Stewart: OK. And the main question I had was just, you know, we've seen, you know, a wide variance I guess in asset prices being paid, both in terms of ((inaudible)) the second-hand market and particularly on the new build side. I just wonder, with your recent additions, looks like ((inaudible)) $1 million a copy, whether there's anything specifically different with those vessels, or how you saw the value versus risk with perhaps other orders we've seen closer to $70 million, but at Chinese yards they're perhaps a little greener than the Koreans.

Bjorn Moller: Well, we have four ships on order in China at prices that are in the low $70 millions per vessel. And I guess you have to distinguish between recorded prices and fully built-up costs, which includes predelivery, and supervision, and spares, and provisions, so I guess Teekay did order four ships in China at very attractive prices on the same basis.

The ships we just reported have some differences. They include a number of shuttle features, and again, are fully built-up costs, so the number isn't necessarily directly comparable to other reported orders, but we're very happy with both the price and the delivery window.

Rory Stewart: OK, that's fine for me. (Thanks).

Bjorn Moller: Thank you.

Operator: Once again as a reminder to our audience, that is star one on your touch-tone phone if you do wish to signal for a question. Star one at this time. And we'll take our next question from Justine Fischer with Goldman Sachs.

Justine Fischer: Hi. Most of my questions have been answered, but I wanted to ask you about synthetic ((inaudible)). I know that one of your competitors has started entering into those contracts, and I guess it's a way to sort of use the paper market to eliminate the fluctuations in the stock market if it works out. And I know that, you know, you guys have some ((inaudible)) for your ((inaudible)) that have affected the rates you report. But just more generally, would you guys be interested in this type of contract?

Bjorn Moller: We have hedged, if you will, by diversifying our business stream into a number of profitable fixed-rate businesses, so we actually are very happy with the (spot) exposure, and we're wanting the (spot) exposure. We have used some derivatives as you've seen, and that's around, in fact the hedge that's dragging down our ((inaudible)) numbers is physical hedge. The contracts that is out of the money, but which was paired with the in-charter at very favorable rates, a physical vessel to cover the transportation.

But of course, those ships are generating less (TCE), but they also have a very low break even. So we don't have a lot of synthetic hedges. We do occasionally use it on the margin, but we are looking ((inaudible)) segments that have a (spot) exposure and in our other segments we have fixed rates and therefore will hedge our income.

Justine Fischer: OK, thanks.

Bjorn Moller: Sure.

Operator: And our next question will come from Terese Fabian with Sidoti.

Terese Fabian: Hi, good morning. I don't know whether you can talk about it with your upcoming registration statement, but you reported that you had a couple of extensions and renewals on off-shore contracts. Can you, in general, sort of say what you're seeing the off-shore energy business these days in terms of competitors and in terms of your own activity?

Bjorn Moller: I think there's, again, as you did say, I want to not probably go into too much detail here, in light of our registration process. There's generally a very firm market in the off-shore sector, driven by high demand and confined availability of resources, both vessels and people and equipment.

And I guess the high oil price is certainly driving that. So we would say, you know, we obviously are looking to have additional sourcing and funding for our growth in the off-shore sector, hence the (MLP). So we feel positive about that opportunity.

Terese Fabian: On a macro level, maybe more macro level that affects your particular business, are you seeing operations developing in parts of the world where you're not now located?

Bjorn Moller: Well, we've pretty much located in every area of the tanker business. The off-shore business, we have operations at this time in Australia, Asia, Europe, and South America. Certainly South Africa is a large growth market for off-shore, but pretty much every region, I would say, is looking with a lot of oil being stored and a lot of drilling going on, and hence, 12, 24 months down the road there's going to be more production as well.

Terese Fabian: All right. Thank you.

Bjorn Moller: Sorry I couldn't be more helpful.

Operator: And once again as a final reminder, that is star one on your touch-tone phone if you do wish to signal for a question. Star one at this time. At this time, we have no other questions standing by. I would like to turn the conference back to Mr. Moller for any additional statements or closing comments.

Bjorn Moller: Well, thank you very much for participating and enjoy the rest of your summer. Thank you. Have a good day.

Operator: Thank you everyone for your participation in today's conference call. You may disconnect at this time.

END