



## TEEKAY SHIPPING CORPORATION

Bayside House, Bayside Executive Park, West Bay Street & Blake Road  
P.O. Box AP-59212, Nassau, Bahamas

### EARNINGS RELEASE

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#### TEEKAY REPORTS SECOND QUARTER RESULTS

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##### Highlights

- Reported second quarter net income of \$20.4 million, or \$0.27 per share (including specific items which decreased net income by \$29.4 million, or \$0.39 per share) <sup>(1)</sup>
- Generated \$120.7 million in cash flow from vessel operations
- Announced plans to create a Master Limited Partnership for offshore business
- Announced \$150 million increase to share repurchase program
- Repurchased 1.3 million shares for a total cost of \$54.3 million since last reported on June 12, 2006
- Ordered two additional Suezmax newbuildings, scheduled for delivery in early 2009

Nassau, The Bahamas, August 2, 2006 - Teekay Shipping Corporation (*Teekay* or *the Company*) (NYSE: TK) today reported net income of \$20.4 million, or \$0.27 per share, for the quarter ended June 30, 2006, compared to net income of \$104.6 million, or \$1.23 per share, for the quarter ended June 30, 2005. The results for the quarters ended June 30, 2006 and 2005 included a number of specific items that had the net effect of decreasing net income by \$29.4 million, or \$0.39 per share, in the second quarter of 2006, and increasing net income by \$12.7 million, or \$0.15 per share, in the second quarter of 2005, as detailed in *Appendix A* to this release. Net voyage revenues<sup>(2)</sup> for the second quarter of 2006 were \$311.2 million, compared to \$381.8 million for the same period in 2005, and income from vessel operations decreased to \$68.9 million from \$131.5 million, which included \$15.9 million in gains on vessel sales.

Net income for the six months ended June 30, 2006 was \$122.1 million, or \$1.62 per share, compared to \$383.6 million, or \$4.42 per share, for the same period last year. The results for the six months ended June 30, 2006 included a number of specific items that had the net effect of decreasing net income by \$46.8 million, or \$0.62 per share, as detailed in *Appendix A* to this release. The results for the six months ended June 30, 2005 included a number of specific items that had the net effect of increasing net income by \$146.5 million, or \$1.69 per share, also as detailed in *Appendix A* to this release. Net voyage revenues<sup>(2)</sup> for the six months ended June 30, 2006 were \$703.6 million, compared to \$800.7 million for the same period in 2005, and income from vessel operations decreased to \$211.6 million from \$401.4 million, which included \$117.7 million in gains on vessel sales.

##### Teekay Offshore Partners L.P.

On June 12, 2006, Teekay announced that its Board of Directors has approved a plan to create a new publicly-traded master limited partnership, Teekay Offshore Partners L.P., that will focus on providing marine solutions to the growing offshore energy sector. Following the initial public offering, Teekay will own the partnership's general partner and a majority of the partnership's units. The Company expects to file with the U.S. Securities and Exchange Commission a registration statement for the initial public offering of the common units of Teekay Offshore Partners L.P. during the second half of 2006.

##### Share Repurchase Program Update

On June 12, 2006, the Company announced that its Board of Directors had authorized a \$150 million increase to its existing share repurchase program, resulting in a total remaining repurchase authorization of \$186 million on that date. Since June 12, 2006, the Company has repurchased 1.3 million shares at an average price of \$40.92 per share, for a total cost of \$54.3 million, resulting in \$132.1 million remaining under the existing share repurchase authorization. Since the end of November 2004, when Teekay announced the authorization of its initial share repurchase program, the Company has repurchased a total of 19.2 million shares for a total cost of \$801.7 million.

As at June 30, 2006, the Company had 73.7 million common shares issued and outstanding.

(1) Please read *Appendix A* to this release for information about specific items affecting net income.

(2) Net voyage revenues represents voyage revenues less voyage expenses. Net voyage revenues is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. Please see the Company's Web site at [www.teekay.com](http://www.teekay.com) for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable GAAP financial measure.

## Operating Results

The following table highlights certain financial information for Teekay's three main segments: the fixed-rate tanker segment, the fixed-rate liquefied natural gas (LNG) segment, and the spot tanker segment (Please read the "Teekay Fleet" section of this release below and *Appendix B* for further details):

(in thousands of U.S. dollars)	<u>Three Months Ended</u> <u>June 30, 2006</u> (unaudited)				<u>Three Months Ended</u> <u>June 30, 2005</u> (unaudited)			
	Fixed-Rate Tanker Segment	Fixed-Rate LNG Segment	Spot Tanker Segment	Total	Fixed-Rate Tanker Segment	Fixed-Rate LNG Segment	Spot Tanker Segment	Total
Net voyage revenues	159,230	22,119	129,821	311,170	171,856	24,776	185,212	381,844
Vessel operating expenses	33,012	4,828	13,863	51,703	31,453	3,820	16,068	51,341
Time-charter hire expense	44,462	-	50,241	94,703	52,174	-	72,280	124,454
Depreciation & amortization	29,294	7,755	13,108	50,157	30,099	7,523	12,684	50,306
Cash flow from vessel operations*	65,878	13,917	40,934	120,729	74,622	17,694	73,554	165,870

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

### **Fixed-Rate Tanker Segment**

Cash flow from vessel operations from the Company's fixed-rate tanker segment decreased to \$65.9 million in the second quarter of 2006, compared to \$74.6 million in the second quarter of 2005, primarily because of lower utilization of the shuttle tanker fleet due to earlier seasonal maintenance of offshore oil facilities than in the prior year.

In addition to the announcement of the Company's plan to create Teekay Offshore Partners, L.P., there were a number of other developments relating to Teekay's fixed-rate tanker segment during the quarter, including:

- the time charter contract for one of the Company's floating storage and offtake units operating in the Northwest Shelf of Australia was extended for an additional eight years;
- the time charter contracts for three of the Company's existing shuttle tankers operating in Brazil were recently renewed at higher rates; and
- one of the Company's shuttle tankers commenced a short-term contract in July 2006 to operate in the U.S. Gulf.

As previously announced, the Company was awarded 13-year fixed-rate charter contracts for two Suezmax shuttle tankers and one Aframax shuttle tanker by a subsidiary of Petroleo Brasileiro S.A. The charters are scheduled to commence at various dates during the second half of 2006 and the first quarter of 2007.

### **Fixed-Rate LNG Segment**

The Company's cash flow from vessel operations from its existing four LNG carriers during the second quarter of 2006 decreased to \$13.9 million from \$17.7 million for the second quarter of 2005. This decrease in cash flow was primarily due to one LNG carrier being off-hire during a scheduled drydocking, which was extended to complete certain unexpected repairs.

The Company has ownership interests ranging from 40% to 70% in nine additional LNG newbuildings scheduled to deliver at various dates between the fourth quarter of 2006 and early 2009, all of which will commence service upon delivery under 20 or 25-year fixed-rate contracts with major energy companies.

## Spot Tanker Segment

Cash flow from vessel operations from the Company's spot tanker segment decreased to \$40.9 million for second quarter of 2006 from \$73.6 million for the second quarter of 2005, primarily due a reduction in the size of the Company's spot tanker fleet resulting from the sale of a number of older vessels during the past 12 months, and a decrease in spot charter tanker rates, partially offset by newbuilding deliveries. On a net basis, these fleet changes reduced the total number of revenue days in the Company's spot tanker segment from 5,930 days for the second quarter of 2005 to 4,969 days for the second quarter of 2006. Revenue days represent the total number of vessel calendar days less off-hire days associated with major repairs, drydockings or mandated surveys.

In July 2006, the Company exercised options for two additional newbuilding Suezmax tankers for a total delivered cost of approximately \$162 million, scheduled for delivery in early 2009. With this order, the Company currently has eight newbuilding Suezmax tankers on order for a total cost of approximately \$610 million, scheduled to deliver during 2008 and 2009.

The Company's spot tanker segment includes vessels operating on voyage and period out-charters with an initial term of less than three years. The following table highlights the operating performance of the Company's spot tanker segment measured in net voyage revenues per revenue day, or time-charter equivalent (*TCE*), and includes the effect of forward freight agreements (*FFAs*) which are entered into as hedges against a portion of the Company's exposure to spot market rates:

	Three Months Ended			Six Months Ended	
	June 30, 2006	March 31, 2006	June 30, 2005	June 30, 2006	June 30, 2005
<b>Spot Tanker Segment</b>					
<b>Very Large Crude Carrier Fleet</b>					
Revenue days	-	-	-	-	90
TCE per revenue day	-	-	-	-	\$92,844
<b>Suezmax Tanker Fleet</b>					
Revenue days	420	360	577	780	1,117
TCE per revenue day *	\$26,029	\$54,147	\$42,527	\$39,006	\$40,756
<b>Aframax Tanker Fleet</b>					
Revenue days	2,926	2,925	3,575	5,852	7,896
TCE per revenue day	\$29,191	\$44,333	\$34,496	\$36,754	\$37,301
<b>Large/Medium-Size Product Tanker Fleet</b>					
Revenue days	715	948	782	1,663	1,429
TCE per revenue day	\$26,173	\$33,330	\$28,508	\$30,253	\$30,062
<b>Small Product Tanker Fleet</b>					
Revenue days	908	896	996	1,804	1,945
TCE per revenue day	\$16,259	\$17,169	\$15,148	\$16,711	\$15,764

\*TCE results for the Suezmax tanker fleet include certain FFAs and fixed-rate contracts of affreightment that were entered into as hedges against several of the Company's vessels. Excluding these amounts, TCEs on a revenue-day basis for the quarters ended June 30, 2006, March 31, 2006 and June 30, 2005 would have been \$33,864, \$64,493 and \$46,122 per day, respectively. Excluding these amounts, TCEs on a revenue-day basis for the six months ended June 30, 2006 and June 30, 2005 would have been \$48,353 and \$50,967 per day, respectively.

## **Tanker Market Overview**

During the second quarter of 2006, crude tanker freight rates did not follow their normal seasonal pattern of steadily declining into the summer as oil imports continued at a relatively high level. Although freight rates did experience some weakness at the beginning of the second quarter due to heavier than normal refinery maintenance, rates rebounded toward the end of the quarter as the refineries came back on-line and oil imports returned to a high level.

Product tanker rates remained at firm levels, compared to historical averages, due in part to high volumes of product imports into the United States and an increase in West African product imports as a result of refinery outages in Nigeria.

Global oil demand, an underlying driver of tanker demand, declined to 83.3 million barrels per day (*mb/d*) during the second quarter of 2006, a decrease of 1.6 *mb/d* from the previous quarter but was 0.8 *mb/d*, or 1.0%, higher than the second quarter of 2005. On July 12, 2006, the International Energy Agency (*IEA*) reiterated its forecast of strong oil demand growth in the second half of 2006, with demand in the fourth quarter estimated to be 3.0 *mb/d*, or 3.6%, higher than the second quarter of 2006. For 2007, the *IEA* forecasts a further increase in oil demand of 1.6 *mb/d* to 86.4 *mb/d*, 1.8% higher than 2006.

Global oil supply, a direct driver of tanker demand, averaged 85.1 *mb/d*, unchanged from the record high level of the previous quarter, but 0.4 *mb/d* higher than the second quarter of 2005.

The size of the world tanker fleet rose to 366.4 million deadweight tonnes (*mdwt*) as of June 30, 2006, up 3.7 *mdwt*, or 1%, from the end of the previous quarter. Deletions, including vessels converted for offshore projects and thus removed from the trading tanker fleet, aggregated 1.0 *mdwt* in the second quarter of 2006 compared to 0.9 *mdwt* in the previous quarter. Deliveries of tanker newbuildings during the second quarter of 2006 declined to 4.7 *mdwt* from 7.0 *mdwt* during the first quarter of 2006.

As of June 30, 2006, the world tanker orderbook stood at 110.3 *mdwt*, representing 30.1% of the total world tanker fleet, compared to 101.5 *mdwt*, or 28%, as of March 31, 2006.

## Teekay Fleet

As at June 30, 2006, Teekay's fleet (excluding vessels managed for third parties) consisted of 146 vessels, including chartered-in vessels and newbuildings on order.

The following table summarizes the Teekay fleet as at June 30, 2006 (including the two Suezmaxes ordered in early July):

	Number of Vessels <sup>(1)</sup>			Total
	Owned Vessels	Chartered-in Vessels	Newbuildings on Order	
<b>Spot Tanker Segment:</b>				
Suezmax Tankers	1	4	8	13
Aframax Tankers	21	11	-	32
Large / Medium-Size Product Tankers	4	5	4	13
Small Product Tankers	-	11	-	11
<b>Total Spot Tanker Segment</b>	<b>26</b>	<b>31</b>	<b>12</b>	<b>69</b>
<b>Fixed-Rate Tanker Segment:</b>				
Shuttle Tankers <sup>(2)</sup>	27	13	-	40
Conventional Tankers <sup>(3)</sup>	16	1	2	19
Floating Storage & Offtake (FSO) Units <sup>(4)</sup>	4	-	-	4
LPG / Methanol Carriers	1	-	-	1
<b>Total Fixed-Rate Tanker Segment</b>	<b>48</b>	<b>14</b>	<b>2</b>	<b>64</b>
<b>Fixed-Rate LNG Segment <sup>(5)</sup></b>	<b>4</b>	<b>-</b>	<b>9</b>	<b>13</b>
<b>Total</b>	<b>78</b>	<b>45</b>	<b>23</b>	<b>146</b>

(1) Excludes vessels managed on behalf of third parties.

(2) Includes six shuttle tankers of which the Company's ownership interests range from 50% to 50.5%.

(3) Includes eight Suezmax tankers owned by subsidiaries of Teekay LNG.

(4) Includes one unit in which the Company's ownership interest is 89%.

(5) The four existing LNG vessels are owned by Teekay LNG. Teekay LNG has agreed to acquire Teekay's 70% interest in three of the LNG newbuildings and, in accordance with existing agreements, Teekay will offer to Teekay LNG all its interests in the remaining six LNG newbuildings, which interests include a 70% interest in two vessels and a 40% interest in four vessels.

## Liquidity and Capital Expenditures

As of June 30, 2006, the Company had total liquidity of \$964.7 million, comprising \$287.2 million in cash and cash equivalents and \$677.5 million in undrawn medium-term revolving credit facilities.

As of June 30, 2006, the Company had remaining capital commitments relating to its portion of newbuildings and vessels on order as illustrated in the following table:

(in millions)	Remainder of 2006	2007	2008	2009	Total	Undrawn Related Debt Facilities
Fixed-Rate Tanker Segment	\$141	\$36	\$59	-	\$236	\$67
Fixed-Rate LNG Segment	84	331	158	25	598	709
Spot Tanker Segment	81	89	222	37	429	471
<b>Total</b>	<b>\$306</b>	<b>\$456</b>	<b>\$439</b>	<b>\$62</b>	<b>\$1,263</b>	<b>\$1,247</b>

## **About Teekay**

Teekay Shipping Corporation transports more than 10 percent of the world's seaborne oil and has expanded into the liquefied natural gas shipping sector through its publicly-listed subsidiary, Teekay LNG Partners L.P. (NYSE: TGP). With a fleet of over 145 tankers, offices in 15 countries and 5,100 seagoing and shore-based employees, Teekay provides a comprehensive set of marine services to the world's leading oil and gas companies, helping them seamlessly link their upstream energy production to their downstream processing operations. Teekay's reputation for safety, quality and innovation has earned it a position with its customers as The Marine Midstream Company.

Teekay's common stock is listed on the New York Stock Exchange where it trades under the symbol "TK".

## **Earnings Conference Call**

The Company plans to host a conference call at 11:00 a.m. EDT on Thursday, August 3rd, 2006, to discuss the Company's results and the outlook for its business activities. All shareholders and interested parties are invited to listen to the live conference call and view the Company's earnings presentation through the Company's Web site at [www.teekay.com](http://www.teekay.com). The Company plans to make available a recording of the conference call until midnight August 10th, 2006 by dialing (719) 457-0820, access code 4379007, or via the Company's Web site until September 4th, 2006.

For Investor Relations enquiries contact:

Scott Gayton

Tel: +1 (604) 844-6654

For Media enquiries contact:

Kim Barbero

Tel: +1 (604) 609-4703

Web site: [www.teekay.com](http://www.teekay.com)

**TEEKAY SHIPPING CORPORATION**  
**SUMMARY CONSOLIDATED STATEMENTS OF INCOME**

(in thousands of U.S. dollars, except share and per share data)

	<u>Three Months Ended</u>			<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2006</u> (unaudited)	<u>March 31,</u> <u>2006</u> (unaudited)	<u>June 30,</u> <u>2005</u> (unaudited)	<u>June 30,</u> <u>2006</u> (unaudited)	<u>June 30,</u> <u>2005</u> (unaudited)
<b>VOYAGE REVENUES</b>	422,587	525,996	480,140	948,583	997,551
<b>OPERATING EXPENSES</b>					
Voyage expenses	111,417	133,611	98,296	245,028	196,825
Vessel operating expenses	51,703	53,224	51,341	104,927	105,781
Time-charter hire expense	94,703	104,424	124,454	199,127	233,036
Depreciation and amortization	50,157	50,484	50,306	100,641	104,389
General and administrative <sup>(1)</sup>	41,456	40,260	40,179	81,716	73,877
Writedown / (gain) on sale of vessels and equipment	1,650	(607)	(15,894)	1,043	(117,747)
Restructuring charge	2,579	1,887	-	4,466	-
	353,665	383,283	348,682	736,948	596,161
<b>Income from vessel operations</b>	68,922	142,713	131,458	211,635	401,390
<b>OTHER ITEMS</b>					
Interest expense	(36,729)	(36,758)	(33,319)	(73,487)	(71,016)
Interest income	13,585	12,101	8,426	25,686	16,656
Income tax (expense) recovery	(7,040)	(3,784)	555	(10,824)	9,872
Equity (loss) income from joint ventures	(851)	1,145	2,884	294	5,711
Foreign exchange (loss) gain	(21,804)	(11,464)	21,665	(33,268)	47,539
Other – net	4,310	(2,249)	(27,100)	2,061	(26,537)
	(48,529)	(41,009)	(26,889)	(89,538)	(17,775)
<b>Net income</b>	20,393	101,704	104,569	122,097	383,615
Earnings per common share					
- Basic	\$0.27	\$1.41	\$1.31	\$1.67	\$4.72
- Diluted <sup>(2)</sup>	\$0.27	\$1.35	\$1.23	\$1.62	\$4.42
Weighted-average number of common shares outstanding					
- Basic	74,253,710	72,153,868	79,953,740	73,209,590	81,279,750
- Diluted <sup>(2)</sup>	75,784,914	75,230,591	85,314,815	75,509,284	86,741,711

(1) Effective January 1, 2006, Teekay has adopted SFAS 123(R), which requires all share-based payments to employees, including stock options, to be recognized in the income statement based on their fair values. For the three and six months ended June 30, 2006, general and administrative expense includes \$2.3 million and \$4.3 million, respectively, of stock option expense. Prior to January 1, 2006, Teekay disclosed stock option expense on a pro forma basis in the notes to the financial statements, but did not recognize the expense in the income statement.

(2) Reflects the effect of outstanding stock options, and the \$143.75 million mandatory convertible preferred PEPS Units, computed using the treasury stock method. For the first quarter of 2006, the impact of the PEPS Units was limited to the period from January 1, 2006 to February 16, 2006, at which time the Company issued 6,534,300 shares of common stock following settlement of the purchase contracts associated with the PEPS Units.

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**TEEKAY SHIPPING CORPORATION**  
**SUMMARY CONSOLIDATED BALANCE SHEETS**

(in thousands of U.S. dollars)

	<u>As at June 30,</u> <u>2006</u> (unaudited)	<u>As at December 31,</u> <u>2005</u>
<b>ASSETS</b>		
Cash and cash equivalents	287,228	236,984
Other current assets	268,430	241,147
Restricted cash – current	161,074	152,286
Vessel held for sale	2,500	-
Restricted cash – long-term	615,614	158,798
Vessels and equipment	3,171,765	3,248,122
Advances on newbuilding contracts	287,190	473,552
Other assets	530,517	360,034
Intangible assets	242,902	252,280
Goodwill	170,897	170,897
<b>Total Assets</b>	<b>5,738,117</b>	<b>5,294,100</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	167,800	166,786
Current portion of long-term debt	189,126	298,054
Long-term debt	2,461,625	2,134,924
Other long-term liabilities	225,366	174,991
Minority interest	281,630	282,803
Stockholders' equity	2,412,570	2,236,542
<b>Total Liabilities and Stockholders' Equity</b>	<b>5,738,117</b>	<b>5,294,100</b>

**TEEKAY SHIPPING CORPORATION**  
**SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands of U.S. dollars)

	<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2006</u> (unaudited)	<u>2005</u> (unaudited)
Cash and cash equivalents provided by (used for)		
<b>OPERATING ACTIVITIES</b>		
<b>Net operating cash flow</b>	<b>242,256</b>	<b>346,790</b>
<b>FINANCING ACTIVITIES</b>		
Net proceeds from long-term debt	569,033	1,222,834
Scheduled repayments of long-term debt	(15,134)	(58,986)
Prepayments of long-term debt	(259,375)	(1,732,460)
(Increase)/decrease in restricted cash	(430,753)	16,599
Repurchase of common stock	(176,903)	(223,482)
Net proceeds from the initial public offering of Teekay LNG	-	139,395
Settlement of interest rate swaps	-	(143,295)
Other	(30,682)	(10,425)
<b>Net financing cash flow</b>	<b>(343,814)</b>	<b>(789,820)</b>
<b>INVESTING ACTIVITIES</b>		
Expenditures for vessels and equipment	(156,801)	(160,729)
Proceeds from sale of vessels and equipment	312,972	433,748
Other	(4,369)	(10,194)
<b>Net investing cash flow</b>	<b>151,802</b>	<b>262,825</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>50,244</b>	<b>(180,205)</b>
Cash and cash equivalents, beginning of the period	236,984	427,037
<b>Cash and cash equivalents, end of the period</b>	<b>287,228</b>	<b>246,832</b>

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**TEEKAY SHIPPING CORPORATION**  
**APPENDIX A – SPECIFIC ITEMS AFFECTING NET INCOME**

(in thousands of U.S. dollars, except per share data)

Set forth below are some of the significant items of income and expense that affected the Company's net income for the three and six months ended June 30, 2006 and 2005, all of which items are typically excluded by securities analysts in their published estimates of the Company's financial results:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2006</u>		<u>June 30, 2006</u>	
	<u>(unaudited)</u>		<u>(unaudited)</u>	
	<u>\$</u>	<u>\$ Per</u>	<u>\$</u>	<u>\$ Per</u>
		<u>Share</u>		<u>Share</u>
Gain on sale of vessels	500	0.01	1,107	0.01
Foreign currency exchange losses <sup>(1)</sup>	(15,252)	(0.20)	(24,194)	(0.32)
Deferred income tax expense on unrealized foreign exchange gains <sup>(2)</sup>	(6,966)	(0.09)	(10,583)	(0.14)
Write down of vessels and equipment	(2,150)	(0.03)	(2,150)	(0.03)
Loss on bond repurchases (8.875% Notes due 2011)	-	-	(375)	-
Restructuring charge <sup>(3)</sup>	(2,579)	(0.04)	(4,466)	(0.06)
Loss on expiry of options to construct LNG carriers <sup>(4)</sup>	(3,000)	(0.04)	(6,102)	(0.08)
<b>Total</b>	<b>(29,447)</b>	<b>(0.39)</b>	<b>(46,763)</b>	<b>(0.62)</b>

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2005</u>		<u>June 30, 2005</u>	
	<u>(unaudited)</u>		<u>(unaudited)</u>	
	<u>\$</u>	<u>\$ Per</u>	<u>\$</u>	<u>\$ Per</u>
		<u>Share</u>		<u>Share</u>
Gain on sale of vessels	26,095	0.31	127,948	1.48
Foreign currency translation gains <sup>(1)</sup>	16,601	0.19	42,475	0.49
Deferred income tax recoveries on unrealized foreign exchange losses <sup>(2)</sup>	4,304	0.05	10,297	0.12
Write off of capitalized loan costs and loss on termination of interest rate swaps	(15,282)	(0.18)	(15,282)	(0.18)
Write down of vessels and equipment	(10,201)	(0.12)	(10,201)	(0.12)
Loss on bond repurchase (8.875% Notes due 2011)	(8,775)	(0.10)	(8,775)	(0.10)
<b>Total</b>	<b>12,742</b>	<b>0.15</b>	<b>146,462</b>	<b>1.69</b>

(1) Foreign currency exchange gains and losses (net of minority owners' share) primarily relate to the Company's debt denominated in Euros and deferred tax liability denominated in Norwegian Kroner. Nearly all of the Company's foreign currency exchange gains and losses are unrealized.

(2) Portion of deferred income tax related to unrealized foreign exchange gains and losses.

(3) Restructuring charge in 2006 relates primarily to the relocation of certain operational functions.

(4) During February and June 2006, options to order four newbuilding LNG carriers expired. Of the \$12 million cost of these options, \$6 million was forfeited and expensed in the first six months of 2006, and \$6 million is to be applied against any LNG newbuildings which Teekay may order at these particular shipyards during 2006.

**TEEKAY SHIPPING CORPORATION**  
**APPENDIX B - SUPPLEMENTAL INFORMATION**

(in thousands of U.S. dollars)

**Three Months Ended June 30, 2006**  
**(unaudited)**

	<b>Fixed-Rate Tanker Segment</b>	<b>Fixed-Rate LNG Segment</b>	<b>Spot Tanker Segment</b>	<b>Total</b>
Net voyage revenues <sup>(1)</sup>	159,230	22,119	129,821	311,170
Vessel operating expenses	33,012	4,828	13,863	51,703
Time-charter hire expense	44,462	-	50,241	94,703
Depreciation and amortization	29,294	7,755	13,108	50,157
General and administrative	15,878	3,374	22,204	41,456
Writedown / (gain) on sale of vessels and equipment	1,950	-	(300)	1,650
Restructuring charge	-	-	2,579	2,579
<b>Income from vessel operations</b>	<b>34,634</b>	<b>6,162</b>	<b>28,126</b>	<b>68,922</b>

**Three Months Ended March 31, 2006**  
**(unaudited)**

	<b>Fixed-Rate Tanker Segment</b>	<b>Fixed-Rate LNG Segment</b>	<b>Spot Tanker Segment</b>	<b>Total</b>
Net voyage revenues <sup>(1)</sup>	172,537	23,700	196,148	392,385
Vessel operating expenses	34,883	3,693	14,648	53,224
Time-charter hire expense	49,921	-	54,503	104,424
Depreciation and amortization	29,611	7,678	13,195	50,484
General and administrative	14,539	3,381	22,340	40,260
Gain on sale of vessels and equipment	(105)	-	(502)	(607)
Restructuring charge	-	-	1,887	1,887
<b>Income from vessel operations</b>	<b>43,688</b>	<b>8,948</b>	<b>90,077</b>	<b>142,713</b>

**Three Months Ended June 30, 2005**  
**(unaudited)**

	<b>Fixed-Rate Tanker Segment</b>	<b>Fixed-Rate LNG Segment</b>	<b>Spot Tanker Segment</b>	<b>Total</b>
Net voyage revenues <sup>(1)</sup>	171,856	24,776	185,212	381,844
Vessel operating expenses	31,453	3,820	16,068	51,341
Time-charter hire expense	52,174	-	72,280	124,454
Depreciation and amortization	30,099	7,523	12,684	50,306
General and administrative	13,607	3,262	23,310	40,179
Writedown / (gain) on sale of vessels and equipment	10,253	-	(26,147)	(15,894)
<b>Income from vessel operations</b>	<b>34,270</b>	<b>10,171</b>	<b>87,017</b>	<b>131,458</b>

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**TEEKAY SHIPPING CORPORATION**  
**APPENDIX B - SUPPLEMENTAL INFORMATION**

(in thousands of U.S. dollars)

**Six Months Ended June 30, 2006**  
**(unaudited)**

	<b>Fixed-Rate Tanker Segment</b>	<b>Fixed-Rate LNG Segment</b>	<b>Spot Tanker Segment</b>	<b>Total</b>
Net voyage revenues <sup>(1)</sup>	331,767	45,819	325,969	703,555
Vessel operating expenses	67,895	8,521	28,511	104,927
Time-charter hire expense	94,383	-	104,744	199,127
Depreciation and amortization	58,905	15,433	26,303	100,641
General and administrative	30,417	6,755	44,544	81,716
Writedown / (gain) on sale of vessels and equipment	1,845	-	(802)	1,043
Restructuring charge	-	-	4,466	4,466
<b>Income from vessel operations</b>	<b>78,322</b>	<b>15,110</b>	<b>118,203</b>	<b>211,635</b>

**Six Months Ended June 30, 2005**  
**(unaudited)**

	<b>Fixed-Rate Tanker Segment</b>	<b>Fixed-Rate LNG Segment</b>	<b>Spot Tanker Segment</b>	<b>Total</b>
Net voyage revenues <sup>(1)</sup>	329,733	48,993	422,000	800,726
Vessel operating expenses	63,743	8,163	33,875	105,781
Time-charter hire expense	94,540	-	138,496	233,036
Depreciation and amortization	60,794	15,045	28,550	104,389
General and administrative	26,040	6,202	41,635	73,877
Writedown / (gain) on sale of vessels and equipment	5,369	-	(123,116)	(117,747)
<b>Income from vessel operations</b>	<b>79,247</b>	<b>19,583</b>	<b>302,560</b>	<b>401,390</b>

(1) Net voyage revenues represents voyage revenues less voyage expenses, which comprise all expenses relating to certain voyages, including bunker fuel expenses, port fees, canal tolls and brokerage commissions. Net voyage revenues is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. Please see the Company's Web site at [www.teekay.com](http://www.teekay.com) for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable GAAP financial measure.

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## FORWARD LOOKING STATEMENTS

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