

TEEKAY CORPORATION

# Teekay's Second Quarter 2008 Earnings Presentation

August 7, 2008



TEEKAY – THE MARINE MIDSTREAM COMPANY®

# Forward Looking Statements

This presentation contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: the Company's future growth prospects; tanker market fundamentals, including the balance of supply and demand in the tanker market, and spot tanker charter rates; expected demand in the offshore oil production sector and the demand for vessels; the Company's future capital expenditure commitments and the financing requirements for such commitments; the timing of newbuilding deliveries; the commencement of charter contracts; and the timing of the Company's determination of restated results for prior periods and the effect of restatements on prior period results. 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, LNG and LPG, 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, FSOs and FPSOs; 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; shipyard production delays; the Company's future capital expenditure requirements; the Company's, Teekay LNG's, Teekay Offshore's, and Teekay Tankers' potential inability to raise financing to purchase additional vessels; conditions in the United States capital markets; changes affecting the conventional tanker market; the determination of the Company's restatement of prior period results; 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, 2007. 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.

## Second Quarter Highlights

- ▶ 2Q-08 operating net income of \$77.1m, or \$1.05 per share, a 14% increase over 2Q-07
  - ▶ Excluding specific items which increased net income by \$27.4m, or \$0.38 per share
  - ▶ Financial results will be restated for accounting of derivatives under SFAS 133. Restatements will have no impact on cash flow or stockholders' equity.
- ▶ Generated cash flow from vessel operations\* (CFVO) of \$221.7m, a 33% increase over 2Q-07
  - ▶ 53% of CFVO from fixed-rate businesses (vs. 69% in 2Q-07)
- ▶ Achieved record-high Q2 spot tanker rates
- ▶ Acquired remaining 35.3% of Teekay Petrojarl; now own 100%
- ▶ Completed follow-on equity issuances at Teekay Offshore Partners L.P. and Teekay LNG Partners L.P.
  - ▶ Total third-party equity raised - \$302m
- ▶ Actively executing on value creation strategy
  - ▶ Grew each of our subsidiaries accretively through drop-downs of assets from Teekay Corp

\*Please see the Company's web site, [www.teekay.com](http://www.teekay.com) for the reconciliation of this non-GAAP financial measure

# Executing on Our Strategy - Tankers



## Teekay Corporation: Conventional Tankers

- ▶ Achieved record-high average Suezmax rate of \$73,400/day
- ▶ Achieved strong average Aframax rate of \$43,600/day
- ▶ Strong Q3 to date spot bookings:
  - ▶ 50% of Suezmax at \$75,000/day
  - ▶ 50% of Aframax at \$48,000/day
- ▶ First of 10 Suezmax newbuildings delivered
- ▶ Increased in-chartering activity
- ▶ Sold 6 vessels (4 ex-OMI Handymax, 1 MR product tanker and 1 Aframax)
- ▶ Sold 50% interest in Swift product tanker pool in July for \$49m



## Teekay Tankers Ltd. (NYSE:TNK)

- ▶ Dropped-down 2 Suezmaxes in Q2 for \$186.9m
- ▶ 2 Suezmaxes must be offered to TNK within the next 12 months
- ▶ Declared quarterly dividend of \$0.90/share

**Teekay Performance fee if annual dividend > \$3.20**



## Executing on Our Strategy – Liquefied Gas

### **TK** Teekay Corporation: Liquefied Gas

- ▶ Agreed to acquire 2 Skaugen multi-gas carriers for delivery in 2010
- ▶ Arranged \$840m of debt financing for 4 Angola LNG carriers scheduled for delivery in 2011



### Teekay LNG Partners L.P. (NYSE:TGP)

- ▶ Dropped-down 2 Kenai LNG carriers for \$230m
- ▶ Took delivery of 4 newbuild Q-Flex RasGas 3 carriers
- ▶ Increased distributions by 4% in Q2 and intends to further increase distributions in Q3 based on contribution from RasGas 3 carriers
- ▶ Completed \$209m follow-on equity offering (Teekay Corp. subscribed to \$50m)

**GP at 25% I.D.R. split**

# Executing on Our Strategy - Offshore

## Teekay Corporation: Offshore

- ▶ Acquired remaining 35.3% of Teekay Petrojarl
- ▶ Renegotiation of certain existing FPSO contracts underway
- ▶ Increased tender activity in offshore sector
- ▶ Momentum in Shuttle Tanker sector
  - ▶ Very high utilization in Q2
  - ▶ Contract renewals at higher rates



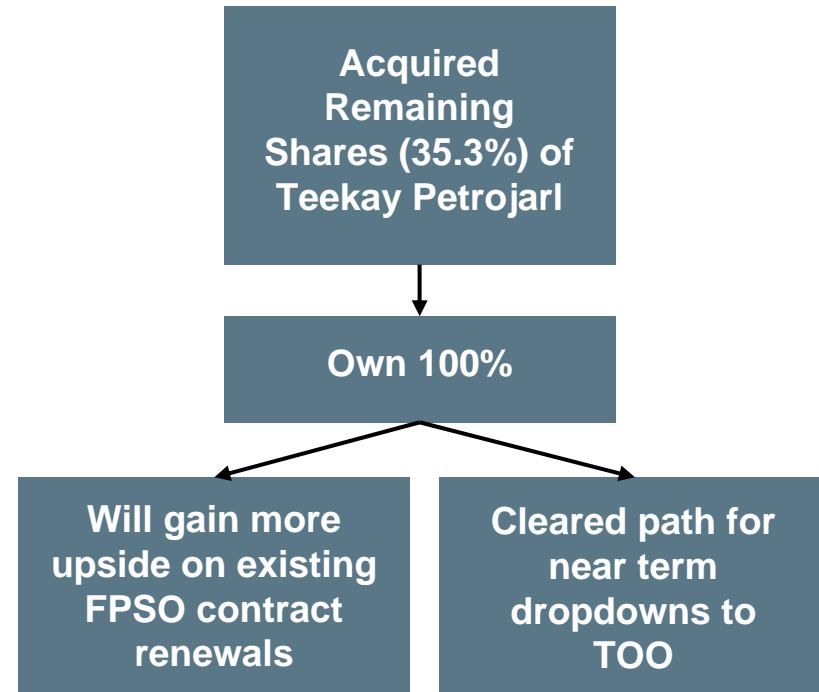
## Teekay Offshore Partners L.P. (NYSE:TOO)

- ▶ Sold an additional 25% of OPCO to Teekay Offshore and dropped-down 2 Aframax lightering vessels for \$311m
- ▶ Announced intention to increase distribution by 12-15%, effective Q3
- ▶ Completed \$217m follow-on equity offering (Teekay Corp. subscribed to \$65m)

**GP at 2% I.D.R. split - expected to increase to 25% I.D.R. split in Q3, surpassing the 15% split**

## Teekay Petrojarl Update

- ▶ In June we acquired the remaining 35.3% of Teekay Petrojarl
  - ▶ Purchase price (\$302.3m or NOK 59/share) represents fair value
- ▶ Benefits of 100% ownership:
  - ▶ Teekay will receive additional benefit from contract rollovers
  - ▶ Facilitates the drop-down of FPSOs to Teekay Offshore
  - ▶ Formal integration of Petrojarl into Teekay
- ▶ Renegotiation of certain existing FPSO contracts underway
- ▶ Significant new opportunities in the FPSO market



**The acquisition of Teekay Petrojarl is core to our offshore strategy**

# Sum-of-the-Parts Value

**\$60.07**  
per Share

“Standalone”  
assets \$36.68  
per TK Share



**TGP**  
\$9.23 per  
TK Share

**TNK**  
\$3.91 per  
TK Share

**TOO/OPCO**  
\$10.25 per  
TK Share

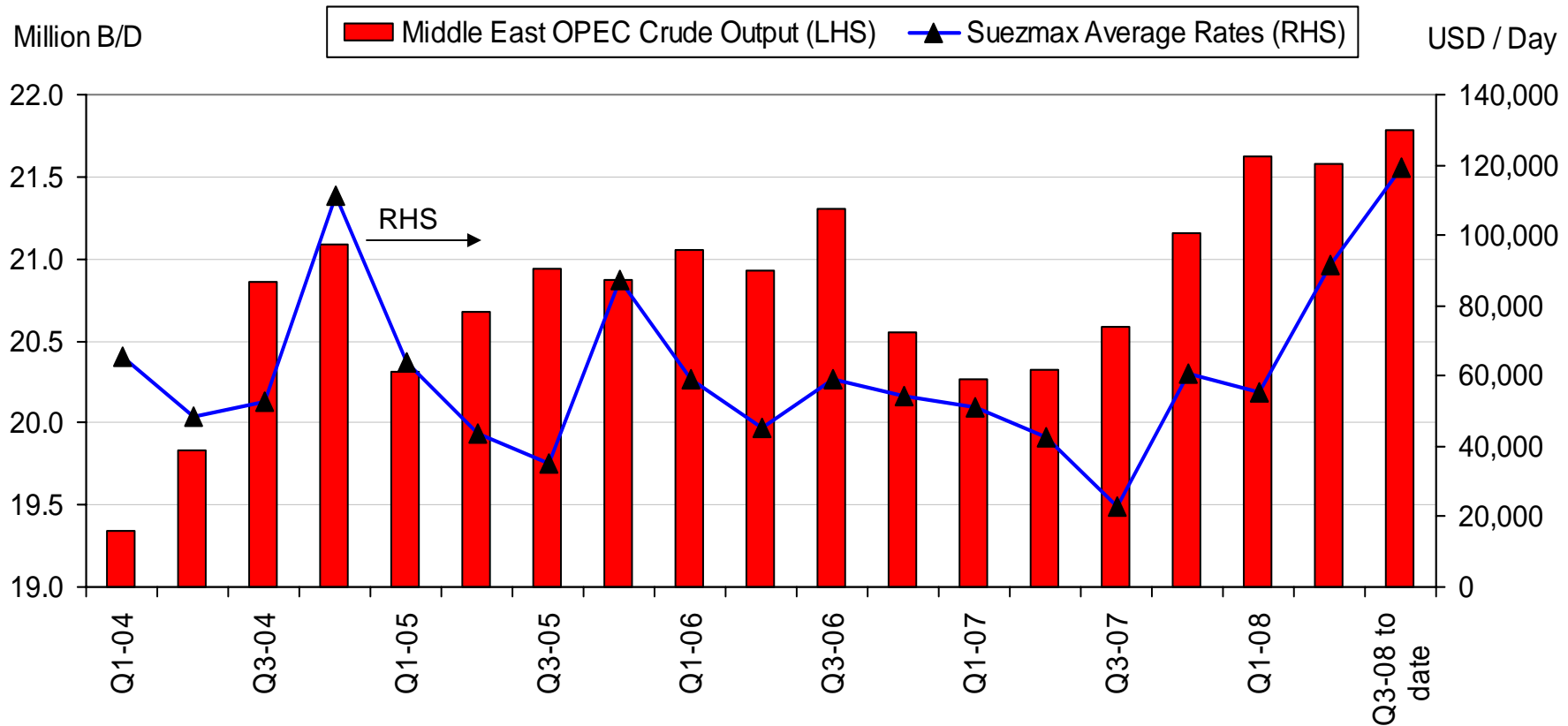
**Current Teekay trading price of ~ \$42 is a 30% discount to sum-of-parts value**

See following slides for detailed calculations





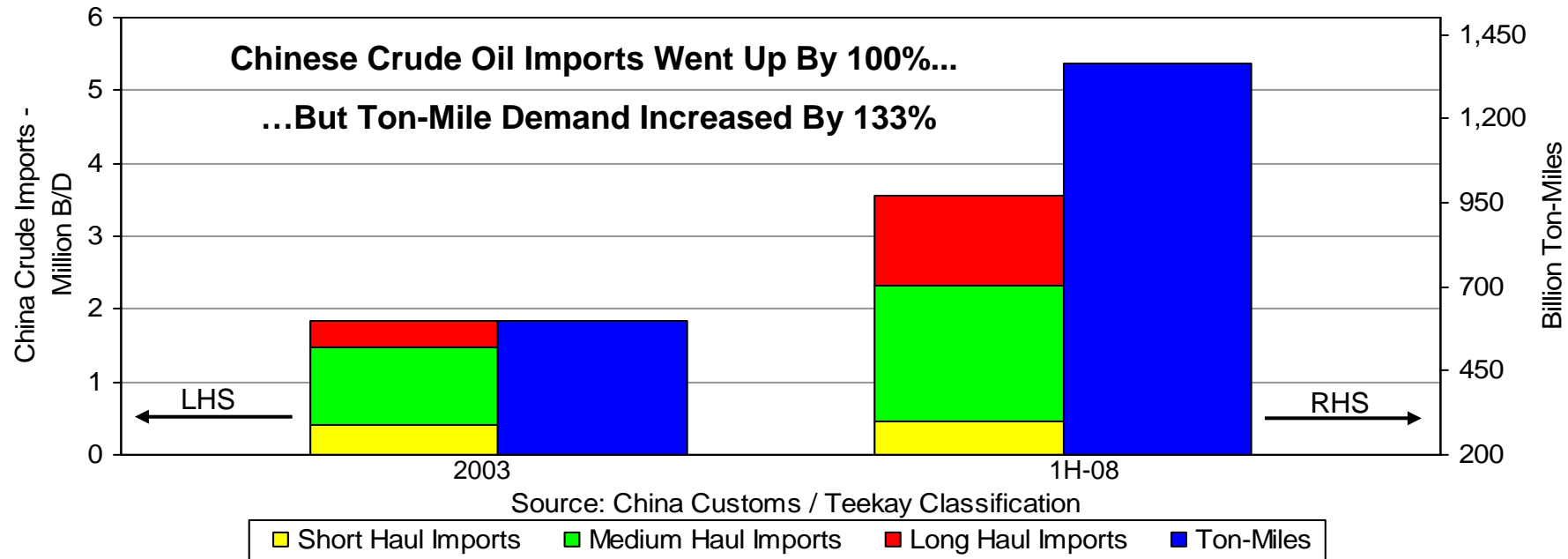
# Q2-08 : Strongest Second Quarter On Record



Source : IEA / CRS

- ▶ Q2-08 Middle East OPEC output up ~1.3 mb/d year on year
  - ▶ Increase in output led by Saudi Arabia (8.9 mb/d) as Nigerian output hampered by attacks
  - ▶ Saudi Arabia production capacity to rise to 12.5 mb/d by end-2009 E and next target is 15 mb/d
- ▶ 2008 YTD crude oil tanker average earnings at record highs

# Combination of Volume and Distance Driving Tanker Demand



- ▶ Chinese Oil imports from the Atlantic basin increasing:
  - ▶ Angola is now the single largest crude supplier – WAF supplies 25% of imports
  - ▶ 6% of crude imports sourced from Venezuela
- ▶ Growing distance is now a widespread phenomenon
  - ▶ Mexico / Venezuela exports to US down 0.5 mb/d vs. 2003; MED / WAF imports up 0.7 mb/d
  - ▶ USWC refiners replacing depleting Alaskan production with WAF / Brazil barrels
  - ▶ Indian crude imports from the Atlantic rising (5 mb / month Venezuela - Jamnagar)

**More tankers required to move the same volume of oil**

# Scrapping / Conversions Constraining Fleet Supply Growth

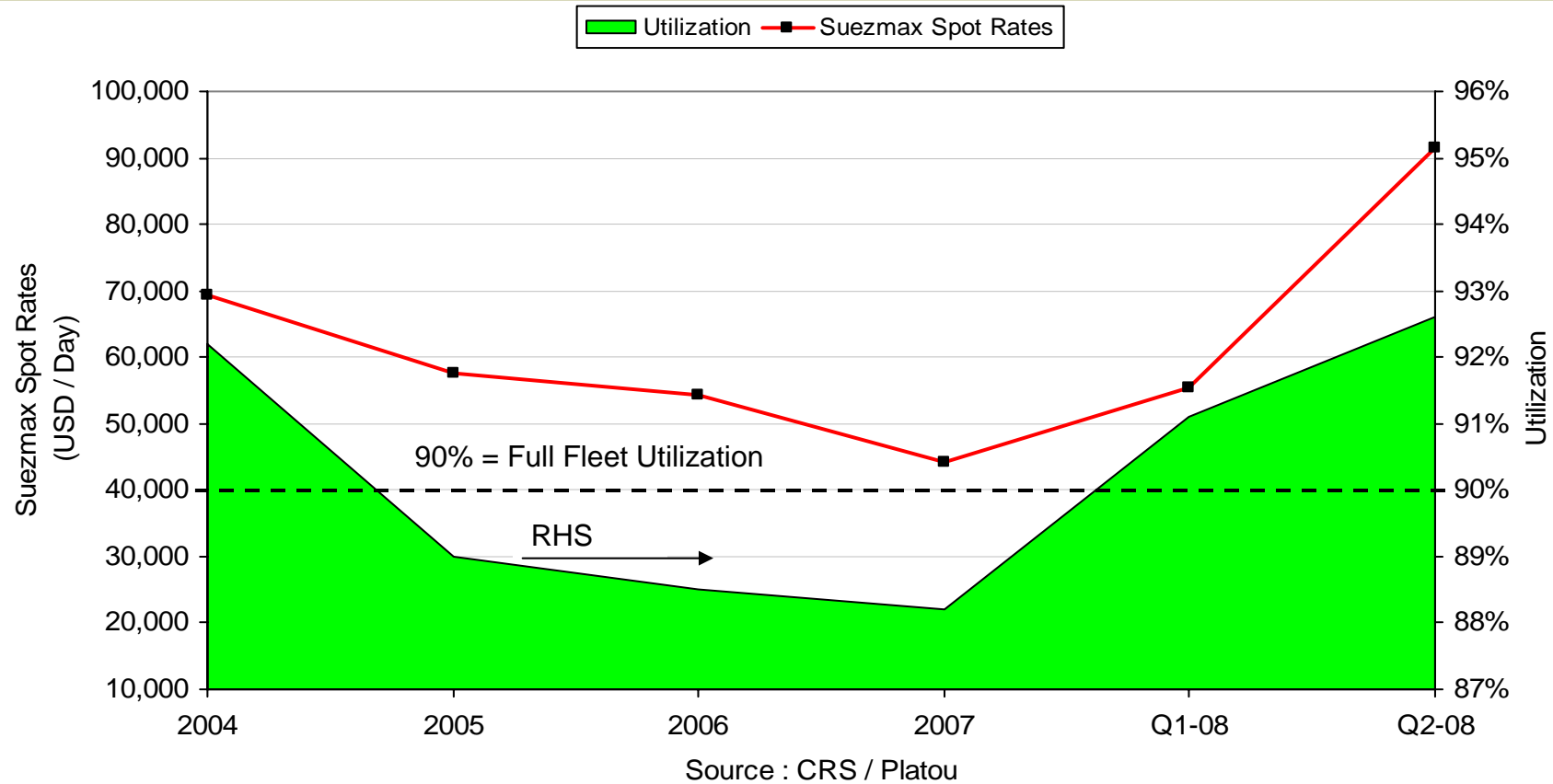
Type	1H 2008 Actual					2H 2008 Estimate*			
	Fleet End-2007	Deliveries	Scrapping	Conversions	Net Change	Deliveries	Scrapping (Only IMO Mandated)	Conversions (Sold but yet to leave)	Net Change
VLCC	504	16	3	11	+2	20	1	15	+4
Suezmax	316	8	1	4	+3	9	-	10	-1
Aframax	726	21	5	14	+2	45	6	22	+17
Total	1,546	45	9	29	+7	74	7	47	+20

Source: CRS (numbers do not include shuttle tankers or tankers laid up / in long term storage) / Industry Sources

\* 2H 2008 figures assume zero voluntary scrapping, 75% of ships sold for conversion leaving fleet by end 2008, and 50% of 2H08 Chinese newbuilding deliveries slip into 2009

- ▶ Tanker sales for conversion to drybulk and offshore continued at high levels through 1H 2008
- ▶ Delivery of tanker newbuildings delayed at many Chinese shipyards
- ▶ Growing inefficiency in the use of the world tanker fleet
  - ▶ Increasing discrimination against world single hull tanker fleet (~20% of the total world fleet)
  - ▶ Increasing duration of dry-docking and repair times
  - ▶ Slow steaming due to high bunker prices

# Rates Spike – A Result of a Stretched World Tanker Fleet



- ▶ Q2-08 – Second highest tanker fleet utilization after Q4-04
- ▶ Platou: 1H-08 tanker demand up 6.8% vs. 2007. Fleet supply growth ~2.1% since end of 2007
- ▶ Q4-08 – IEA’s global oil demand estimate is 1.9 mb/d higher than Q2-08

**Tanker fundamentals in place for a strong winter market**

TEEKAY CORPORATION

# Financial Discussion



TEEKAY – THE MARINE MIDSTREAM COMPANY®

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



# Preliminary Disaggregated Income Statement

(in thousands of U.S. dollars)

	Three Months Ended June 30, 2008 (unaudited)						Three Months Ended March 31, 2008 (unaudited)	
	Teekay Offshore	Teekay LNG	Teekay Tankers	Teekay Petrojarl	Teekay Corp. Standalone	Consoli- dation Adjust- ments	Total	Total
Voyage revenues	222,282	71,592	35,745	92,104	435,815	(67,008)	790,530	736,391
Voyage expenses	59,811	649	618	-	129,781	-	190,859	168,723
Vessel operating expense	45,970	20,792	7,669	55,017	29,500	-	158,948	145,443
Time charter hire expense	32,262	-	-	6,718	170,730	(67,008)	142,702	144,921
Depreciation and amortization	35,747	18,872	5,429	22,565	24,087	-	106,700	97,707
General and administrative	15,869	5,745	1,670	11,431	35,184	-	69,899	67,671
Gain on disposal of vessels and equipment	-	-	-	-	(2,925)	-	(2,925)	(496)
Restructuring charge	-	-	-	-	4,617	-	4,617	1,500
Total operating expenses	189,659	46,058	15,386	95,731	390,974	(67,008)	670,800	625,469
Income from vessel operations	32,623	25,534	20,359	(3,627)	44,841	-	119,730	110,922
Net interest expense	18,911	(16,774)	1,655	(6,774)	(5,713)	-	(8,695)	(68,829)
Income tax recovery (expense)	5,942	551	-	-	3,667	-	10,160	(2,726)
Equity income (loss)	-	(1,627)	-	-	(436)	-	(2,063)	(3,609)
Equity in earnings of subsidiaries <sup>(1)</sup>	-	-	-	-	57,976	(57,976)	-	-
Foreign exchange gain (loss)	(532)	(29)	(8)	(248)	1,775	-	958	(29,483)
Minority interest income (expense) <sup>(1)</sup>	(486)	(1,114)	-	180	(348)	(19,183)	(20,951)	3,472
Other (net)	2,315	1,093	-	(784)	2,704	-	5,328	5,431
Total other income	26,150	(17,900)	1,647	(7,626)	59,625	(77,159)	(15,263)	(95,744)
<b>NET INCOME (LOSS)</b>	58,773	7,634	22,006	(11,253)	104,466	(77,159)	104,467	15,178
<b>CASH FLOW FROM VESSEL OPERATIONS <sup>(1)</sup></b>	68,370	44,406	25,788	7,024	76,102	-	221,690	184,782
<b>CASH FLOW FROM VESSEL OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2008</b>	61,683	46,367	19,674	8,204	48,854	-	184,782	

(1) For details regarding these items, please refer to Teekay's second quarter 2008 Earnings Release available on our website at [www.teekay.com](http://www.teekay.com).



# Preliminary Disaggregated Balance Sheet

(in thousands of U.S. dollars)

	As at June 30, 2008 (unaudited)							As at March 31, 2008 (unaudited)
	Teekay Offshore	Teekay LNG	Teekay Tankers	Teekay Petrojarl	Teekay Corp. Standalone	Consoli- dation Adjust- ments	Total	Total
<b>ASSETS</b>								
Cash and cash equivalents	113,021	78,811	19,706	44,155	243,240	-	498,933	555,673
Other current assets	112,456	17,385	25,655	73,217	328,323	-	557,036	523,162
Restricted cash (current & non-current)	-	695,128	-	2,745	16,952	-	714,825	699,814
Other assets <sup>(1)</sup>	70,906	402,222	994	(13,055)	432,093	-	893,160	840,898
Vessels and equipment	1,751,281	1,810,796	441,135	1,413,694	1,247,247	-	6,664,153	6,389,565
Advances on vessels	-	322,897	-	-	370,395	-	693,292	682,178
Equity investment in subsidiaries	-	-	-	-	1,715,893	(1,715,893)	-	-
Intangibles and goodwill	177,436	185,650	-	273,859	111,036	-	747,981	715,092
<b>TOTAL ASSETS</b>	<b>2,225,100</b>	<b>3,512,889</b>	<b>487,490</b>	<b>1,794,615</b>	<b>4,465,179</b>	<b>(1,715,893)</b>	<b>10,769,380</b>	<b>10,406,382</b>
<b>LIABILITIES AND EQUITY</b>								
Accounts payable and accrued liabilities	73,973	64,136	11,899	78,503	210,356	-	438,867	505,232
Current portion of debt and leases	96,988	253,835	3,600	47,100	24,666	-	426,189	538,052
Long-term debt and capital leases	1,521,519	2,247,031	317,028	398,900	1,223,758	-	5,708,236	5,583,863
Other long-term liabilities / in process								
revenue contracts	111,168	66,915	6,792	420,114	187,483	-	792,472	756,420
Minority interest <sup>(2)</sup>	29,148	20,288	-	534	4,215	534,730	588,915	487,357
Equity	392,304	860,684	148,171	849,464	2,814,701	(2,250,623)	2,814,701	2,535,458
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,225,100</b>	<b>3,512,889</b>	<b>487,490</b>	<b>1,794,615</b>	<b>4,465,179</b>	<b>(1,715,893)</b>	<b>10,769,380</b>	<b>10,406,382</b>
<b>NET DEBT AS AT JUNE 30, 2008</b>	<b>1,505,486</b>	<b>1,726,927</b>	<b>300,922</b>	<b>399,100</b>	<b>988,232</b>	<b>-</b>	<b>4,920,667</b>	<b>4,866,428</b>
<b>NET DEBT AS AT MARCH 31, 2008</b>	<b>1,421,632</b>	<b>1,552,290</b>	<b>103,723</b>	<b>394,536</b>	<b>1,394,247</b>	<b>-</b>	<b>4,866,428</b>	

(1) Other assets includes equity investments in joint ventures.

(2) Minority interest in the Teekay Offshore, Teekay LNG, Teekay Tankers and Teekay Petrojarl columns represent the joint venture partners' share of the joint venture net assets. Minority interest in the Consolidation Adjustments column represents the public's share of the net assets of Teekay's publicly-traded subsidiaries.

TEEKAY CORPORATION

# Appendix



TEEKAY – THE MARINE MIDSTREAM COMPANY®

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





# Sum-of-the-Parts Support

Teekay Offshore Partners and OPCO in (millions)	
<b>TOO</b>	
L.P. units outstanding	30.2
Price per unit	\$ 16.61
Market Capitalization	502.0
Teekay's L.P. ownership of TOO	48.0%
<b>TOO Equity Value</b>	<b>240.9</b>
<b>OPCO</b>	
TOO Ent. Value/EBITDA trading multiple	9.2x
Implied OPCO Ent. Value (based on above)	2,489.9
Less: Net Debt	1,505.5
OPCO Equity Value	984.4
<b>Teekay's Equity Value in OPCO (49%)</b>	<b>482.3</b>
<b>Total TOO/OPCO Equity Value</b>	<b>723.3</b>
G.P. Cash Flow (dist'n of \$1.60 p.a.)	1.5
G.P. Comp Multiple of DCF	18.5
<b>Est. value of G.P. interest</b>	<b>27.6</b>
Diluted shares o/s at Jun. 30, 2008	73.3
<b>Equity Value per Teekay share</b>	<b>10.25</b>

Teekay Tankers	
<b>TNK</b>	
Shares outstanding	25.0
Price per share	21.21
Market Capitalization	530.3
Teekay's economic interest in TNK	54.0%
<b>TNK Equity Value</b>	<b>286.3</b>
Diluted shares o/s at Jun. 30, 2008	73.3
<b>Equity Value per Teekay share</b>	<b>3.91</b>

Teekay LNG Partners	
<b>TGP</b>	
L.P. units outstanding	44.4
Price per unit	\$ 23.99
Market Capitalization	1,064.9
Teekay's L.P. ownership of TGP	55.7%
<b>TGP Equity Value</b>	<b>592.6</b>
G.P. Cash Flow (dist'n of \$2.20 p.a.)	4.5
G.P. Comp Multiple of DCF	18.5
<b>Est. value of G.P. interest</b>	<b>83.8</b>
Diluted shares o/s at Jun. 30, 2008	73.3
<b>Equity Value per Teekay share</b>	<b>9.23</b>

Teekay Standalone	
FMV of owned 'on-the-water' fleet <i>(per Clarkson's)</i>	2,020.0
Teekay Petrojarl (TPO) Ent. Value	1,202.1
less: Net Debt <i>(Teekay Standalone + Petrojarl)</i>	1,819.7
<b>Equity Value of owned fleet</b>	<b>1,402.4</b>
Less: TPO Minority Equity	-
<b>Equity Value of Owned Fleet+ TPO</b>	<b>1,402.4</b>
<i>Other Items</i>	
Equity value of in-chartered fleet <i>(Management est.)</i>	154.8
'In-the-money' amount of N/Bs	402.6
N/B Installments paid to-date	693.3
Angola Installments to-date <i>(not consolidated)</i>	35.0
<b>Subtotal Other Items</b>	<b>1,285.7</b>
<b>Total Teekay Standalone Equity Value</b>	<b>2,688.1</b>
Diluted shares o/s at Jun. 30, 2008	73.3
<b>Equity Value per Teekay share</b>	<b>36.68</b>

Based on closing prices as at Aug. 6, 2008

# Sum-of-the-Parts Support

## TOO Net Debt Calculation

Cash	113.0
Restricted cash - current	
Restricted cash - long-term	
Total cash	<u>113.0</u>
Current portion of l/t debt	97.0
Long-term debt	<u>1,521.5</u>
Total debt	<u>1,618.5</u>
Net debt	<u>1,505.5</u>

## Teekay LNG Net Debt Calculation

Cash	78.8
Restricted cash - current	33.5
Restricted cash - long-term	<u>661.6</u>
Total cash	<u>773.9</u>
Current portion of l/t debt	253.8
Long-term debt	<u>2,247.0</u>
Total debt	<u>2,500.9</u>
<u>Adjustments:</u>	
Debt on NB's (VIEs)	(387.3)
Net debt	<u>1,339.6</u>

## Teekay Tankers Net Debt Calculation

Cash	19.7
Restricted cash - current	-
Restricted cash - long-term	-
Total cash	<u>19.7</u>
Current portion of l/t debt	3.6
Long-term debt	<u>317.0</u>
Total debt	<u>320.6</u>
Net debt	<u>300.9</u>

## Adjustments (i.e. Teekay Standalone + Petrojarl)

Cash	287.4
Restricted cash - current	19.5
Restricted cash - long-term	<u>0.2</u>
Total cash	<u>307.1</u>
Current portion of l/t debt	71.8
Long-term debt	<u>1,622.7</u>
Total debt	<u>1,694.4</u>
<u>Adjustments:</u>	
Debt on TGP VIEs	387.3
Debt for remaining 5.2% of Teekay Petrojarl	45.1
Net Debt	<u>1,819.7</u>

## Consolidated Teekay Net Debt Calculation

Cash	498.9
Restricted cash - current	53.1
Restricted cash - long-term	<u>661.8</u>
Total cash	<u>1,213.8</u>
Current portion of l/t debt	426.2
Long-term debt	<u>5,708.2</u>
Total debt	<u>6,134.4</u>
Net debt	<u>4,920.7</u>