



## Teekay's First Quarter 2005 Earnings Presentation

April 21<sup>st</sup>, 2005





# 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; the Company's future capital expenditure commitments and the financing requirements for such commitments; the timing of and the proceeds and gain relating to the sale of vessels; the Company's \$225 million share repurchase program; and the initial public offering of common units of Teekay LNG Partners L.P. 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 impacting overall tanker 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; the potential for early termination of long-term contracts and inability of the Company to renew or replace long-term contracts; the Company's future capital expenditure requirements; potential changes in the timing of, or expected gains from expected vessel sales; the potential inability to repurchase the Company's shares under its share repurchase program; the potential inability to complete the initial public offering of Teekay LNG Partners L.P. 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, 2004, and in the Registration Statement of Teekay LNG Partners L.P. on Form F-1. 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.

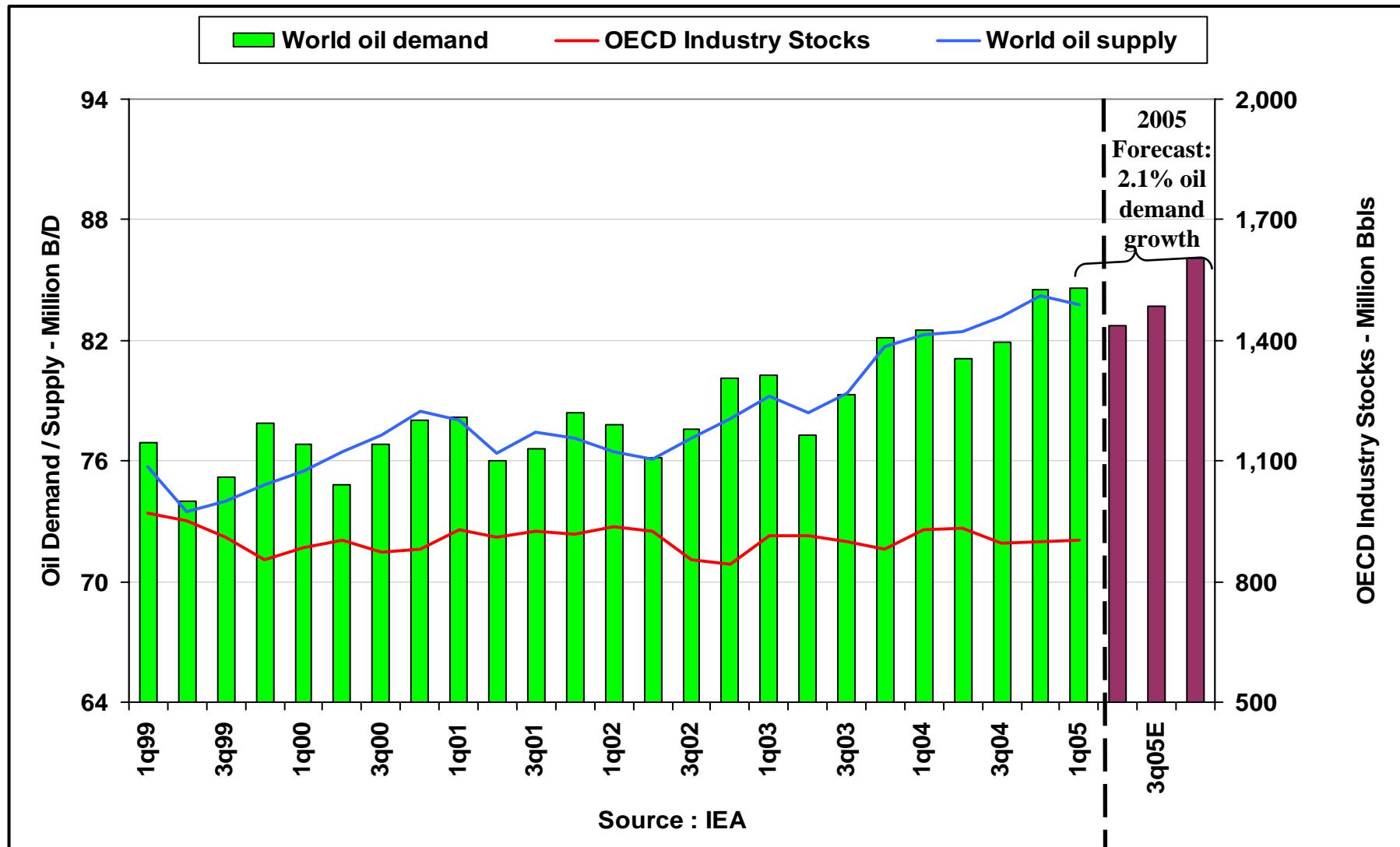


# 1st Quarter Highlights

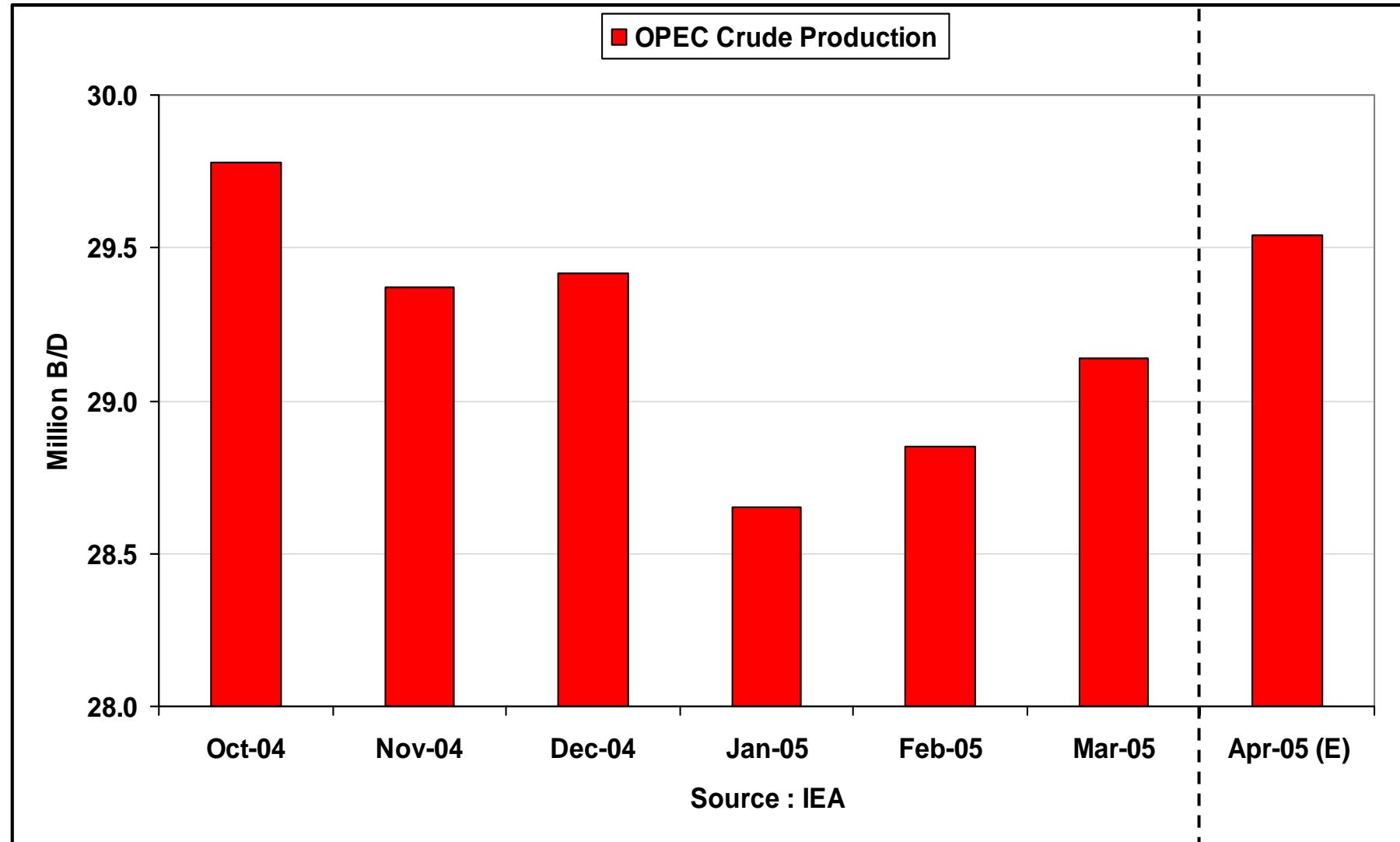
- Net income of \$279 million, or \$3.19 per share.
- Continued firm spot tanker rates.
- Fixed-rate segments produced another good quarter.
- More than \$100 million in gains from asset sales, mainly older single hull tonnage => nearing completion of \$700 million single hull tanker disposal program.
- Due to record high ship values, using cash for debt repayment and share buyback.
- Announced new \$225 million share buyback program.
- Teekay LNG Partners remains in registration process.



# Continued Strong Oil Demand



# Tanker Demand Grew During the Quarter





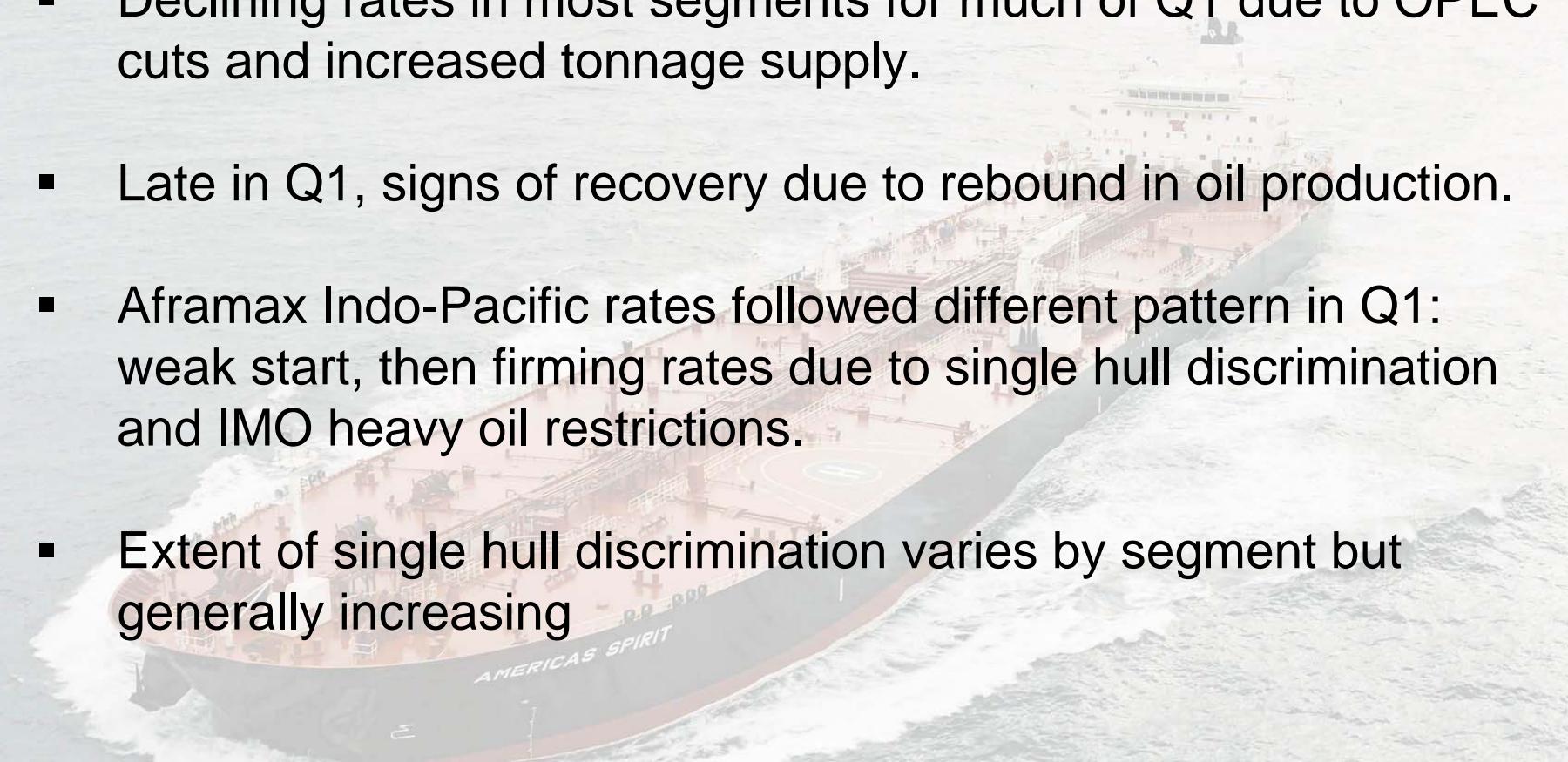
# Tanker Supply Developments

- World tanker fleet increased by 1.8% in Q1.
- Typical pick up in Q1 newbuilding deliveries; 8.4 million tons delivered.
- Deletions remained moderate at 2.7 million tons.
- IMO April 05, 2005 deadline produced limited immediate scrapping.
- Category 1 ships: 7 of 25 VLCCs / Suezmax and 29 of 44 Aframaxes appear to be still trading, possibly converted to Category 2.
- Conversions to Category 2 provides only short-term life extension.
- China announced enforcement of IMO 13 G/H; closes big loophole.
- Low utilization, customer discrimination, other regulations expected to drive scrapping in the months ahead.



# Developments in Tanker Rates

- Declining rates in most segments for much of Q1 due to OPEC cuts and increased tonnage supply.
- Late in Q1, signs of recovery due to rebound in oil production.
- Aframax Indo-Pacific rates followed different pattern in Q1: weak start, then firming rates due to single hull discrimination and IMO heavy oil restrictions.
- Extent of single hull discrimination varies by segment but generally increasing





# Market Outlook for the Balance of 2005

- Q2 rates expected to remain at seasonal lows, although still at historically strong levels
- Recovery likely in 2H05 due to:
  - Continued high oil demand.
  - OPEC intention to build global oil stocks.
  - North Sea maintenance expected to be completed early.
  - Shakeout from IMO to drive increased scrapping.



# Developments in Teekay's Spot Tanker Segment

- Previously announced sale of 9 ships executed in Q1.
- Agreed to sell a further four single hull ships; three Aframaxes (delivered during April) and one Suezmax (expected delivery June/July) at an estimated total gain of \$25 million.
- Only two owned single hulls remain in spot fleet.
- Two newbuilding Aframaxes joined spot fleet year-to-date; six remain on order.
- Chartered out VLCC "Venture Spirit" for 3-year timecharter from April 2005.
- Teekay Suezmax TCE reduced by freight derivatives and below-market COA.



# Developments in Teekay's Fixed Rate Segments

- Cash flow from vessel operations down slightly due to shuttle tanker earnings.
- Lower-than-expected shuttle revenues due to:
  - Production problems on three North Sea oil fields.
  - Better-than-normal weather in March reduced loading / transit times.
- Annual North Sea maintenance will be done early => Q2 likely to be impacted, but Q3 should be better than normal.
- Good level of new shuttle business enquiry due to high exploration activity.
- Delivered one older shuttle tanker to new owners.

# Segment Operating Results

(in thousands of U.S. dollars)

|                                   | Three Months Ended<br><u>31-Mar-05</u><br><u>(unaudited)</u> |                                 |                              |         | Three Months Ended<br><u>31-Mar-04</u><br><u>(unaudited)</u> |                                 |         |
|-----------------------------------|--|---------------------------------|------------------------------|---------|--|---------------------------------|---------|
|                                   | Spot<br>Tanker<br>Segment                                    | Fixed-rate<br>Tanker<br>Segment | Fixed-rate<br>LNG<br>Segment | Total   | Spot<br>Tanker<br>Segment                                    | Fixed-rate<br>Tanker<br>Segment | Total   |
|                                   |  |                                 |                              |         |  |                                 |         |
| Net voyage revenues               | 236,788  | 157,877                         | 24,217                       | 418,882 | 288,081  | 159,486                         | 447,567 |
| Vessel operating expenses         | 17,807   | 32,290                          | 4,343                        | 54,440  | 23,453   | 25,459                          | 48,912  |
| Time-charter hire expense         | 66,216   | 42,366                          | -                            | 108,582 | 59,555   | 49,110                          | 108,665 |
| Depreciation & amortization       | 15,866   | 30,695                          | 7,522                        | 54,083  | 24,886   | 28,728                          | 53,614  |
| Cash flow from vessel operations* | 134,440  | 70,788                          | 16,934                       | 222,162 | 191,293  | 70,310                          | 261,603 |

Average Aframax TCE

\$39,622

\$40,874

\* 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. 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.

# Summary Income Statement

| Three months ended<br>'000s of USD (except per share data) | <u>Mar. 31, 2005</u><br><u>(unaudited)</u> | <u>Mar. 31, 2004</u><br><u>(unaudited)</u> |
|--|--|--|
| <b>VOYAGE REVENUES</b>                                     | <b>517,411</b>                             | <b>551,451</b>                             |
| General and administrative expenses                        | (33,698)                                   | (27,625)                                   |
| Gain on sale of vessels                                    | 101,853                                    | 603  |
| Other operating expenses                                   | (315,634)                                  | (315,837)                                  |
| <b>Income from vessel operations</b>                       | <b>269,932</b>                             | <b>208,592</b>                             |
| <b>OTHER ITEMS</b>   |  |  |
| Net interest expense                                       | (29,467)                                   | (20,309)                                   |
| Income tax recovery (expense) *                            | 9,317                                      | (2,149)                                    |
| Equity income from joint ventures                          | 2,827                                      | 1,836                                      |
| Other items  | 563  | 1,903                                      |
| Other - unrealized foreign exchange gain (loss)            | 25,874                                     | (864)                                      |
| <b>Subtotal of other items</b>                             | <b>9,114</b>                               | <b>(19,583)</b>                            |
| <b>Net income</b>  | <b>279,046</b>                             | <b>189,009</b>                             |
| Earnings per common share - diluted **                     | \$3.19                                     | \$2.18                                     |
| <b>Weighted-avg. # shares outstanding - diluted **</b>     | <b>87,467,141</b>                          | <b>86,522,164</b>                          |

\* includes \$6.0 million in Q1 2005 and \$4.5 million in Q1 2004 relating to deferred income tax recovery on unrealized foreign exchange losses

\*\* Reflects the effect of outstanding stock options and the \$143.75 million mandatory convertible preferred PEPS units, computed using the treasury stock method

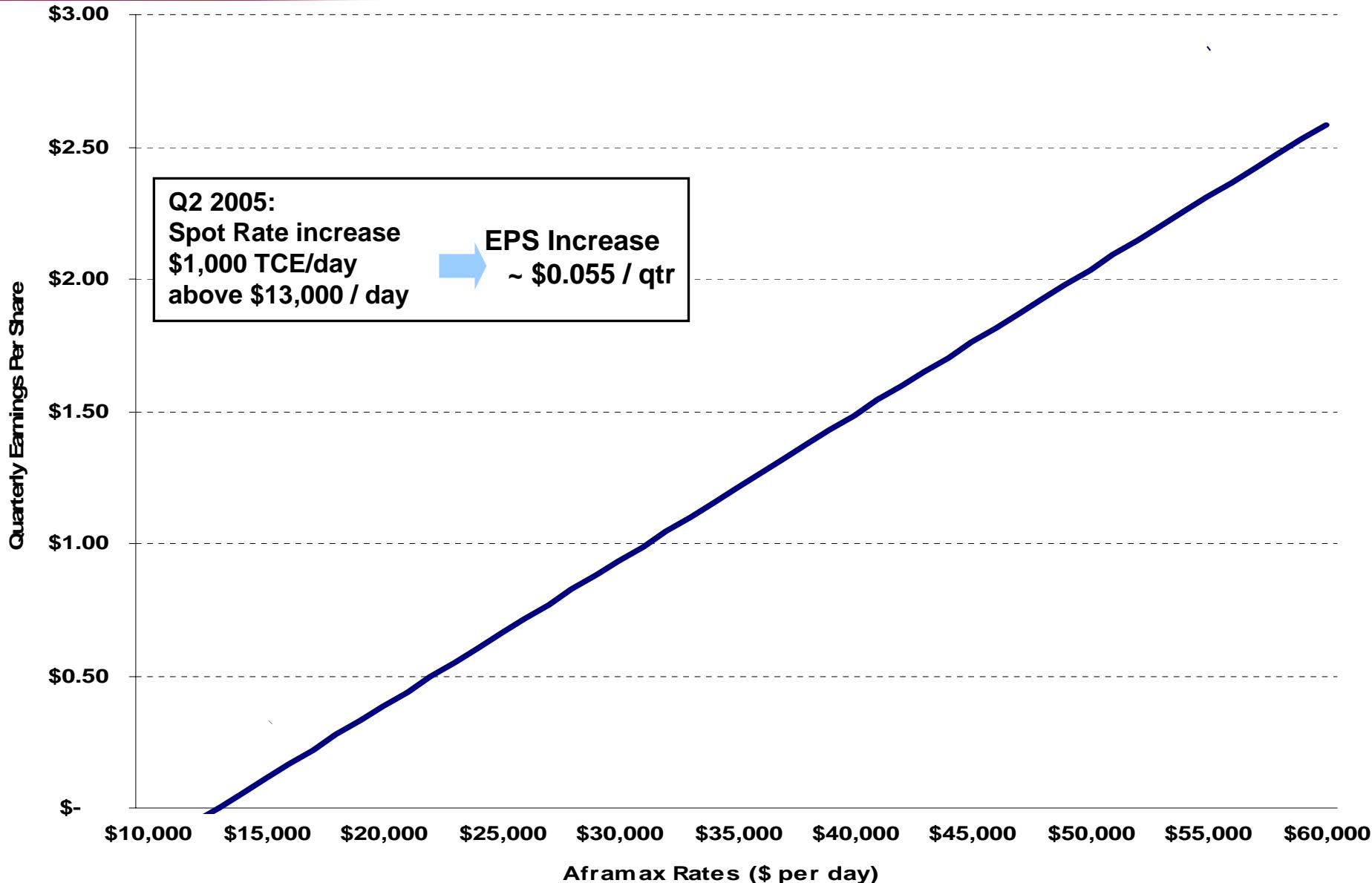
# Summary Balance Sheet

In 000s of USD

|   | <u>As at March 31,</u><br><u>2005</u><br><u>(unaudited)</u> | <u>As at Dec. 31,</u><br><u>2004</u> |
|---|---|--------------------------------------|
| <b>ASSETS</b>                                     |   |                                      |
| Cash and cash equivalents                         | 554,315   | 427,037                              |
| Other current assets                              | 228,218   | 264,806                              |
| Total restricted cash                             | 430,322   | 448,812                              |
| Vessels held for sale                             | 66,214  | 129,952                              |
| Total vessels and equipment                       | 3,378,266   | 3,278,710                            |
| Other assets                                      | 254,460   | 254,745                              |
| Intangibles and Goodwill                          | 440,554   | 447,101                              |
| <b>Total Assets</b>                               | <b>5,352,349</b>  | <b>5,503,740</b>                     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |   |                                      |
| Accounts payable and accrued liabilities          | 164,156   | 206,022                              |
| Current portion of long-term debt *               | 147,674   | 208,387                              |
| Long-term debt *                                  | 2,310,378   | 2,536,158                            |
| Other long-term liabilities                       | 249,765   | 301,091                              |
| Minority interest                                 | 16,050  | 14,724                               |
| Stockholders' equity                              | 2,464,326   | 2,237,358                            |
| <b>Total Liabilities and Stockholders' Equity</b> | <b>5,352,349</b>  | <b>5,503,740</b>                     |

\*includes capital lease obligations

# Significant Operating Leverage





# Teekay - The Marine Midstream Company

