TEEKAY CORPORATION

Moderator: Peter Evensen
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10:00 am CT

Operator: Please stand by we are about to begin. Good day and welcome to Teekay Corporations Fourth Quarter and Fiscal 2013 Earnings Results Conference Call. During the call all participants will be in a listen-only mode. Afterwards you'll be invited to participate in a question and answer session.

At that time if you have a question, participants will be asked to press star 1 to register for a question. For assistance during the call please press start 0 on your touch-tone phone. As a reminder this call is being recorded. Now for opening remarks and introductions I would like to turn the call over to Mr. Peter Evensen, Teekay's President and Chief Executive Officer. Please go ahead sir.

(Ryan): Before Mr. Evensen begins I would like to direct all participants to our Web site at www.teekay.com where you'll find a copy of the Fourth Quarter and Fiscal 2013 Earnings Presentation. Mr. Evensen and Mr. Lok will review this presentation during today's conference call.

Please allow me to remind you that our discussion today contains forward looking statements actual results may differ materially from results project by those forward looking statements.

Additional information concerning the factors that could cause actual results to materially differ from those in the forward looking statements is contained in the Fourth Quarter and Fiscal 2013 Earnings Release and Earnings Presentation available on our Web site.

I'll now turn the call over to Mr. Evensen to begin.

Peter Evensen: Thank you (Ryan). Good morning everyone and thank you for joining us today for Teekay Corporation's Fourth Quarter and Fiscal Year 2013 Earnings Call. I'm joined this morning by our CFO Vincent Lok and for the Q&A session we have our Chief Strategy Officer, Kenneth Hvid and our Group Controller (Bryan Forte).

During our call today we will be taking you through the Fourth Quarter and Fiscal 2013 Earnings Presentation which can be found on our Web site. Beginning on Slide 3 of the presentation I'll briefly review some recent highlights for Teekay Corporation and our three publicly traded daughter entity.

For the fourth quarter of 2013 Teekay Corporation generated $247 million of total consolidated cash flow from vessel operations for CFVO an increase of approximately 14% from the same period of the prior year.

Teekay Corporation reported consolidated adjusted net income of $1.1 million or 2 cents per share for the fourth quarter of 2013 compared to $2.9 million or 4 cents per share in the same period of the prior year.

The slight decrease in our adjusted net income year over year is mainly attributable to lower revenues from our FPSO Fleet as a result of operational issues and off hire time experienced in 2013.

Partially offset by contributions from acquisitions and organic projects that delivered throughout the past year. Savings from the redelivery of the 18 chartered-in conventional tankers since the start of 2012. And other cost reduction initiatives.

As a result of a creative acquisitions and new building deliveries completed by Teekay Offshore partners and Teekary LNG partners in the third and fourth quarters for 2013 both of our master limited partnerships increased their limited partner cash distributions by 2.5% for the fourth quarter of 2013.

This resulted in an increase of approximately $12.7 million or 8% to the annual cash flows received by Teekay Parent for its LP and GP ownership interests in the MLPs as both of our general partner incentive distribution rights or IDR are now in the 50% high splits.

In January of 2014 Teekay Corporation agreed to sell its last four directly owned conventional tankers and transfer the associated debt to Tankers Investments Ltd. or TIL a new tanker company created jointly be Teekay Corporation and Teekay Tankers to take advantage of the attractive upside potential we see in the crew tanker market cycle.

This transaction along with the drop down sales of the Voyageur Spirit and the Itajai FPSO units Teekay Offshore completed in 2013 brings Teekay Parent closer to achieving its strategic objective of becoming a fixed asset like company primarily focused on creating value by increasing cash flows generated by publicly traded daughter entities.

Our two publicly traded MLPs continue to execute in their respective business plans during the quarter and Teekay Tankers enjoyed a resurgence in spot tanker rates late in 2013 and into the first quarter of 2014.

For the fourth quarter Teekay LNG Partners declared a cash distribution of 69.18 cents per unit an increase of 2.5% from the previous quarter. The GP and LP distribution that Teekay Parent received from Teekay LNG Partners totaled $25 million for the quarter.

In late November Teekay LNG Partners completed the acquisition of the second LNG carrier new building from Awilco LNG under similar terms as the first vessel acquired in September of 2013.

Based on the strong demand expected for LNG carriers from 2016 onwards, and our attractive new building design Teekay LNG exercised an option to order one addition on - one additional fuel efficient LNG carrier new building from DSME, bringing its new building order book to five vessels, two of which have already secured charters from Cheniere Energy.

These new buildings will be constructed with M-type Electronically Controlled Gas Injection or MEGI twin engines which are expected to be significantly more fuel efficient and have lower emission levels than engines currently being used in LNG shipping.

Teekay LNG expects to secure long term contract employment for all of its new buildings prior to their scheduled delivery in 2017. In late January of 2014 Exmar LPG Teekay LNG's 50% LPG joint venture with Exmar secured long-term contracts for four LPG carriers with Statoil and Potash Corporation to provide transportation services for LPG ((inaudible)).

The contracts with Statoil for two of the vessels will have initial durations of five years with options to extend up to ten years. Utilizing two of the LPG new buildings scheduled to deliver in 2016. Contracts for the other two vessels with Potash Corporation are for a duration of ten years and will be serviced by two of the JV's existing on the water LPG carriers.

Moving to our other MLP for the fourth quarter Teekay Offshore Partners declared the cash distribution of 53.84 cents per unit an increase of 2.5% from the previous quarter. The GP and LP distributions that Teekay Parent received from Teekay Offshore totaled approximately $18 million for the quarter.

In November Teekay Offshore took delivery of the fourth and final shuttle tanker new building to service a long-term charter to BG Group. This vessel began operations under its ten year fixed rate charter in Brazil in early January 2014 which marks the completion of the $450 million shuttle tanker new building program that commenced in 2011.

In January of 2014 Teekay Offshores secured a six year shuttle tanker contract of affreightment for COA plus extension options with BG Group which I'll talk about later on this call. For the fourth quarter Teekay Tankers declared a fixed dividend of 3 cents per share and Teekay Parent received the cash dividend of approximately $600,000.

Teekay Tankers generated cash available for distribution or CAD of 12 cents per share in the fourth quarter of 2013 up from 10 cents per share in the third quarter mainly due to higher average rely spot tanker rates and interest income recognized on its invest in VLCC term loans.

As previously highlighted, Teekay Corporation and Teekay Tankers created and co-invested in Tankers Investments Ltd. or TIL a new tanker company which will seek to opportunistically acquire, operate and ultimately sell modern second hand tankers the benefit from an expected recovery from the current cyclical lows to the tanker market.

In January 2014 TIL completed a $250 million equity private placement in which Teekay Corporation and Teekay Tankers each invested $25 million for a combined ownership of 20% in the new company. In addition to acquiring the four crude oil tankers from Teekay Corporation, TIL has also agreed to acquire four Aframax vessels from a third party and intends to use the remaining proceeds from its private placement to acquire additional tankers.

TIL expects to list its shares on the Oslo Stock Exchange in March of 2014. In January of 2014 crude tanker rates reached their highest level sense the third quarter of 2008. Mainly due to higher crude oil imports into China, an increase in long haul crude oil movements from the Atlantic based into Asia, and seasonal factors. We expect Teekay Tankers earnings for the first quarter of 2014 to be higher than the fourth quarter of 2013.

Turning to Slide 4 we continue to make progress on our existing portfolio growth projects. I won't cover all the projects on this slide, however I would like to provide you with a brief update on a few of the projects shown here.

Construction on the Petrojarl Knarr FPSO and upgrades and repairs to the Petrojarl Knarr FPSO are progressing well and I'll talk about these projects more in a moment. In mid-December Teekay Offshores (Remora) HiLoad Dynamic Position Unit arrived in Brazil and it is now deployed offshore at an FPSO undergoing certain operational tests.

The unit is expected to commence full operations under a ten year time charter with Petrojarl in the second quarter of 2014 following completion of operational testing. Further the Teekay LNG exercising an option for an additional fuel efficient LNG carrier new building in November of 2013 as I noted a moment ago.

The partnership was also able to push out the delivery dates for its other two unchartered LNG new buildings from 2016 to 2017 to better co-inside with the expected timing of new LNG shipping projects.

The Teekay group also continues to add new projects, however what's different from the past is that the new projects are being done directly at the daughter level rather than at Teekay Parent.

The most recent examples of this are Teekay LNG's acquisition and charter backup to LNG carrier new buildings with Awilco LNG and the direct orders for the three LNG carrier new buildings in 2013.

Although not shown on this slide but worth mentioning is that Shell Australia has awarded a contract for the design construction and operation of three infield support vessels for the Prelude Floating Liquefied Natural Gas facility to KT Maritime Services Australia which is a 50/50 joint venture with Teekay Shipping Australia and KOTUG International located in Holland.

The vessels have been specifically designed to meet the prelude FLNG facilities unique marine services requirements which include LNG tanker berthing and offshore operation support including emergency response.

The contract with Shell is for a minimum fixed period of ten years plus options to extend for an additional five years and is expected to commence in 2016. At this stage we have not decided which starter company will be offered our 50% share of the $50 million project.

Although this is initially a relatively small investment this project is another good example of how Teekay can create value as a project developer as well as the value of our various strategic partnerships.

Turning to Slide 5 I will provide a brief update on the Petrojarl Knarr FPSO new building, our largest FPSO project to date. Construction on the unit is progressing well. And I'm pleased to report we recently finalized a new $815 million long-term debt facility which includes a combination of Korean and Norwegian export credit agencies and commercial debt financing at attractive terms.

The unit is scheduled to sail away from the Samsung shipyard in South Korea for the Knarr oil and gas fields in the North Sea in early third quarter of 2014. Following installation on the field and offshore testing, the unit is expected to commence its ten year charter with BG in the later part of 2014 at which point the unit is expected to be eligible for drop down sale to Teekay Offshore.

In addition to the FPSO contract as I highlighted earlier, in December Teekay Offshore was awarded a six year shuttle tanker contract plus extension options with BG to provide oil transportation services from the Knarr oil and gas field.

This is a great example of Teekay Offshore's ability to bundle services for its customers. Turning Slide 6 I'll provide a brief update on Teekay Parent's four remaining on the water FPSOs. The Foinaven FPSO had operational issues with fouling of its gas compressors. In late August 2013 the first of its two gas compressors was repaired.

Since that time the FPSO has been producing between 30,000 and 35,000 barrels of oil per day. Bad weather has delayed the repair and reinstallation of the second gas compressor until next month at which point the unit is expected to be capable of achieving its target production rate of over 40,000 barrels of oil per day.

In September the charter contract from the Hummingbird FPSO was extended out to March 2016 including extension option with Centrica Energy. Centrica also has another option exercisable by the end of February 2014 to extend this contract by a further 12 months.

We have an active dialogue with Centrica now looking at future options for the oil field which include the Hummingbird Spirit and we hope to be in a position to report back to you later this year.

The repair and upgrade work on the Petrojarl Banff FPSO is on track from what I reported last quarter. The Banff is expected to be reinstalled on its field in the North Sea during the later part of the second quarter of 2014 at which point the unit is expected to recommence its contract with CNR.

Under its current contract rate the Banff FPSO will operate near cash breakeven level. However, starting in January of 2015 we expect there will be a rate step up which will result in improved cash flows.

Lastly the Petrojarl One FPSO which completed a previous contract with Statoil in 2013 is currently in layup. But we continue to evaluate potential redeployment opportunities around the world and - or a potential sale to a third party. Vince?

Vincent Lok: Thanks Peter and good morning everyone. Starting with Slide 7. I will review our consolidated results for the quarter. Comparing the adjusted income statement for the fourth quarter against an adjusted income statement for the third quarter which excludes the items listed in appendix A to our release.

Later on I will also provide our outlook for the first quarter of 2014. Starting up at the top of the page, net revenues increase by $35 million primarily due to $24 million of incremental revenues from the ((inaudible)) FPSO which approximately $20 million was related to the annual revenue true up typically recognized in the fourth quarter of each year.

Also an $11 million increase from the Voyageur FPSO as the unit was on hire for the full quarter and a $9 million increase from the Shuttle Tanker Fleet mainly due to deliveries of the BG Shuttle Tanker new buildings and higher utilization of the existing Shuttle Tanker Fleet.

These increases are partially offset by a $17 million decrease in revenues from customer funded front end engineering and design or seed studies we completed and recognized the revenue for in the third quarter relating to two FPSO projects.

The SOR printing expenses decreased by $15 million mainly due to $18 million related to seed studies completed in Q3 which I mentioned earlier. This is partially offset by cost increases relating to the timing or repairs and maintenance for the Shuttle Tanker and FPSO Fleets. And the delivery of the BG Shuttle Tanker new buildings.

Time charter hire expense and depreciation amortization were consistent with the prior quarter. GNA expenses increased by $2 million primarily relating to timing differences. Despite the growth in our offshore businesses, our total GNA expenses for fiscal year 2013 were $4 million lower than 2012 as a result of various cost saving initiatives we have undertaken over the past couple years.

Interest expense increased mainly due to the delivery of the BG Shuttle Tanker new buildings, the acquisition of the second LNG carrier from Awilco, and the impact of the Norwegian bond issued by TGT in September.

Interest income increased mainly due to the recognition of interest income related to the settlement of a loan with a joint venture partner. Equity income in Q4 was consistent with prior quarter. Income tax recovery increased by $5 million mainly due to the adjustments of several of our freight taxes rules.

Non-controlling interest expense increased to $16 million - by $16 million mainly as a result of higher adjusted earnings in Teekay Offshore and Teekay Tankers compared to the third quarter.

Looking at the bottom line, adjusted net income was 2 cents per share in the fourth quarter up significantly from the previous quarter's adjusted net loss of 51 cents. Turning to Slide 8 it provides us some guidance on our consolidated financial results for the first quarter of 2014.

Starting with the revenues from the Six Rate Fleet, we are expecting the Q1 revenues to be lower than Q4 as detailed on the slide. And I'll touch on a couple of the large items on here. The Foinaven reduction of $20 million again relates to the FPSO revenue true up recognized in the fourth quarter.

You notice that the 2013 annual true up amount was lower than previous years due to the operational issues we experienced on the Foinaven during the year. However, we are in negotiations with the charter of the Foinaven FPSO to recover some of the lost 2013 revenue related to subsea issues.

Any potential upside from this negotiation would be recognized in 2014. The $8 million reduction from the remainder of the FPSO Fleet is primarily due to short-term production decreases from a number of our units during Q1 most of which are expected to improve in Q2.

With respect to the VLCC term loans, the $3 million decrease relates to the accrued interest income we recognized in Q4. You may have noticed that we have reversed in Q4 the entire 23.6 million of loss provisions taken in prior quarters, relating to our investment in the three VLCC term loans, reflecting the increase in the value of the vessels securing these loans.

Now turning to the spot conventional fleet, first of all, our forward-looking guidance for Q1 assumes the sale of the four Suezmax tankers from Teekay Parent to TIL, effective at the end of February. We will account for our ownership interest in TIL on an equity basis.

The four tankers were classified as assets held per sale on Teekay's December 31 balance sheet, and, therefore, we written down to fair value and will not be depreciated in the first two months of 2014, prior to their sale to TIL.

Spot revenue days are expected to decrease by 320 days due to the sale of the four Suezmaxes to TIL in February and recent in-charter redeliveries. So far in Q1, we have fixed approximately 65% of our spot Aframax and Suezmax revenue days at average TCE rates of 25,000 a day and $34,000 a day, respectively, which is significantly higher than the averages in Q4.

However, our rates our moderating as we move into the second half of the first quarter. As a rough rule of thumb, for each $1,000 per day change in spot TCE rates, it results in a $1.7 million change in our consolidated revenues per quarter.

Overall vessel operating expenses are expected to decrease by 7 million due to lower shuttle repairs and maintenance and the sale of the six conventional tankers which is partially offset by a full quarter of OPEX for the last two BG shuttle tank and new buildings.

Time charter hire expense is expected to decrease further by 9 million in Q1, reflecting the redelivery of three conventional tankers and two shuttle tankers during Q4 and Q1. Depreciation and amortization is expected to decrease by 5 million, related to the sale of six conventional tankers and the Q4 impairment charges.

We expect G&A to increase by 5 million in Q1 due to certain long-term incentive compensation expenses that are typically recognized annually in the first quarter of each year. Net interest expense for Q1 is expected to increase by 3 million due to the reduction in interest income recognized in the fourth quarter, related to the settlement of the loans to the joint venture partner that I mentioned earlier.

Equity income is expected to remain consistent with Q4. Income tax expense is expected to be approximately 1 million in Q1. Non-controlling interest expense is expected to increase between - to between 56 and 58 million in Q1, primarily as a result of higher expected earnings in Teekay tankers from stronger spot tanker rates.

Overall, we are very focused on returning to run rate profitability in 2014. We have some tailwinds in the form of higher spot tanker rates, helping us get off to a good start to the year. Although it's great to have the potential upside to stronger tanker markets, we are not relying on that.

Our focus remains on maximizing the cash flows from our existing operations, executing on our projects, in particular the Banff and Knarr FPSOs, and securing new, profitable growth for our daughter entities.

With that, I'll turn the call back to Peter.

Peter Evensen: Turning to Slide 9, Teekay remains focused on executing on the core elements of its corporate strategy. This includes de-levering Teekay Parent's balance sheet, primarily through the sale of assets from our existing portfolio. We've already made significant progress in this area.

With the planned sale of the four Suezmaxes to Tankers Investment, Ltd., which will de-lever Teekay Parent's balance sheet by approximately $160 million, and later this year, the sale of the billion dollar Knarr FPSO, is expected to have the greatest de-leveraging effect on Teekay Parent's balance sheet when it's dropped down to Teekay Offshore.

As Vince just discussed, improving the profitability of our existing assets continues to be a primary focus, including the successful execution on our growth projects, rechartering our existing assets, and managing the costs across our operations and offices.

Lastly, Teekay Parent will continue to take advantage of the strong fundamentals we see in the offshore and gas markets to find new opportunities that will support the growth directly at Teekay LNG and Teekay Offshore, and generate the higher cash flows for our general partner interest.

Each of these core elements underpins our overall corporate objective of creating value for Teekay shareholders by increasing Teekay Parent's pre-cash flows and growing our underlying net asset value per share.

Thank you for joining us on the call today, and operator, we're now ready to take questions.

Operator: Thank you and, once again, as a reminder, it is star 1 to be placed into queue. And we'll take our first question from Keith Mori with Barclays.

Keith Mori: Hi, good morning, guys. Yes, I just wanted to kind of touch on the tanker investments that you guys made during the quarter. Can you maybe speak a little bit about the opportunities you see, you know, the specific classes you're targeting, you know, the age profile that you think the portfolio could look like and what your opportunities are?

Peter Evensen: Sure, so Teekay specializes really in the midsize tanker space. That's Aframaxes and Suezmaxes that go inside the Atlantic and Pacific basins. We're probably the biggest player in the Pacific, which is a regional trade of Aframaxes going north and south. And it's our ability to combine cargos that really gives us great higher utilization and lets us outperform.

So we've been waiting for the right moment and this is the first significant investment that Teekay has made outside the group to invest in tankers since 2007. And, so, that tells you that we're positive on the tanker market turning, but we particularly like the midsize because that moves non-OPEC oil. We see a lot of oil coming out of Brazil, from Russia, and this goes inside the basins.

And so TIL really goes to our whole strategy of being a portfolio manager, not owning the assets upstairs but using our knowledge and our software, as we like to call it, to seed out new companies. So rather than own it ourselves and then trade it later, we're now creating it together with external investors, which is what we call our partnering model.

So we're really excited about it. And they have a great - we have a designated team of guys here who are running it and they're out looking for new acquisitions.

Keith Mori: Okay, thank you for that, the color on that. And I guess the other questions I have would a little bit relate to the FPSO Hummingbird Spirit. And, you know, you've mentioned positive conversations around redeployment after the contract matures.

You know, given that you have a contract in place, a pretty good tenure on it, you know, do you feel the need of a three-year time charter is really necessary at this point to still drop down the FPSO potentially earlier than expected?

Peter Evensen: We have a view to maximizing value at Teekay Parent and, so, whenever we sell an asset down, we want to maximize the cast flows. We think that it's got more value to Teekay Parent when it has a longer cash flow stream. So I tell everyone inside the house a dollar is a dollar is a dollar. And so we're going to continue the discussions with (Centrika) because it looks like that oil field will continue longer than was originally planned.

Keith Mori: Okay, and I guess the last one from me, you know, you now have sold off the ((inaudible)) tankers. You know, you have line of sight on the FPSO Knarr delivery. You know, your step-up at the daughter company dividend.

You know, what's your timing on maybe revisiting the dividends? You know, you're going to get a lot more cash flow coming in. You know, when should we think about maybe a new dividend policy or potential feedback on shareholder distribution?

Peter Evensen: I think that's something we'll be taking up later this year in combination with the drop down of the Knarr FPSO. That's what we've told people and we haven't changed on that.

Keith Mori: Okay, thanks guys. I appreciate your time.

Peter Evensen: Thank you.

Operator: Thank you, and we'll take our next question from Michael Webber with Wells Fargo.

Michael Webber: Good morning, guys. How are you? I'm good, I'm good. Peter, you did a good job of going through your existing pipeline and kind of detailing where you stand with the Knarr and the updates on the rest of those FPSOs, so I want to focus a bit maybe on growth beyond your current pipeline. And I know, you know, you already touched on the tanker investment, but that's relatively small in the grand scheme of things.

So if I think about, you know, growth within the offshore segment beyond your current pipeline, you know, is that primarily FPSO-centric? Do you think we could see more floating accommodation units within that pipeline? How would you characterize that now even though it's very early? What do you think that could look like?

Peter Evensen: I think we have a lot of - we've actually branched out from being, I guess you could say, FPSO-centric to looking at a lot more other possibilities in the offshore side. We're following our customers and our customers are telling us that they want Teekay managed assets on the offshore side. So we're employing our partnering model in order to find new places.

So you mentioned accommodation. We also have other areas that we're looking at as well. But it all comes off of the partnering. That's why I mentioned the small deal with Teekay Australia. Because I have...

Michael Webber: Yes.

Peter Evensen: I'm pleased that I have guys all around the world, but we don't have to have all of the skills ourselves. We go out and partner with people in order to provide services to customers.

Michael Webber: Got you.

Peter Evensen: So yes, expect to hear other areas that we're moving into.

Michael Webber: That's helpful. And just as a refresher, back when you guys acquired your stake in Sevan. They had two holes there that have since become closed accommodation units. Do you guys still hold a roper on those two units and where does that stand? Or did you hold a roper on them?

Peter Evensen: Yes, we're in dialogue with Sevan. Sevan is converting them to accommodation units and they have policy, a lot like Teekay Parent, of not owning fixed assets. So we have a natural dialogue going with them. But what, just as I said earlier, the important thing for us in our LNG and our offshore is that we have contracts. And so they have...

Michael Webber: Right.

Peter Evensen: ...one contract on one of those units and so that's what becomes eligible for Teekay Offshore to look at is when we have contracts. It isn't just buying assets. It's having assets with contracts.

Michael Webber: Right, right. That makes sense. Maybe kind of moving to the other side of the - of your old business, on the LNG side, there's a lot going on in the market right now in terms of tendering and you guys have obviously been active in terms of adding additional new builds and kind of building out a visible growth profile.

Can you give us a little bit of color, either in scale or region, around the kind of tenders that you're looking at right now on the LNG side that would be, you know, long-term assets with long-term contracts on them right now?

Peter Evensen: Well for - I actually read your note which was very insightful about all of the projects. So I feel like I'm preaching to the converted. But I don't...

Michael Webber: I'm just trying to get you to ((inaudible)).

Peter Evensen: I don't for competitor reasons say which projects we're going on, and Teekay as a matter of policy doesn't comment on rumors or which projects we'll get until we sign and announce the projects. So - but I can say that we're bidding on multiple projects on the LNG side and I'm confident that we'll ((inaudible)).

Michael Webber: Got you. That's very fair. Thank you. Just one more and I'll turn it over and get more of an ((inaudible)). It looks like you guys lucked out. The sum of the parts, NAV slide, this quarter. And I'm going to guess that that wasn't by accident and that's kind of a sign that you guys are really moving away from that sum of the parts, ((inaudible)) models, and more of a pure play GP model. Is that accurate or did that just not make the cut this quarter?

Peter Evensen: Well clearly you're reading between the slides. So, right, we did leave it out because I think as we start to generate the cash flows, we're going to be valued much more on a cash flow generating model and, as I said to the first question, that's something we'll be revisiting in line with the drop down and sale of Knarr. Plus as we...

Michael Webber: Right, now.

Peter Evensen: As we become more...

Michael Webber: Yes, no.

Peter Evensen: ...parent company, most of our value will be more in the form of the daughter entities, so like I said, anybody can sort of do that calculation.

Michael Webber: Yes, no, it makes sense and cash-based metrics are certainly the way we're looking at it and certainly seem to make more sense going forward, so I just wanted to see if that was the case. Okay, guys. I appreciate it and thanks for the time.

Peter Evensen: Thank you.

Operator: Thank you. We'll take our next question from T.J. Schultz with RBC Capital Markets.

T.J. Schultz: Hi, guys. Good morning. Really just one thing. You know, the goal as I've understood it, and correct me if I'm wrong, is for you all to have all of these FPSOs down at the Teekay level by the end of 2015, so if the Hummingbird and Foinaven are not dropped this year.

And I understand there are some moving parts there, but in 2015, are you comfortable that those two, plus the Banff and, you know, likely another part of the Knarr can all be absorbed by TOO in 2015, or put another way, how firm is, you know, that internal goal to become kind of fully asset light by the end of next year?

Peter Evensen: I would say that's our goal. But as I said earlier, a dollar is a dollar is a dollar, so if - my job is to maximize the values that we have at Teekay Parent. So a lot of these drop downs depend upon getting the agreement with the charterers and getting the right - well getting the agreement from charterers and getting the right contract terms.

So obviously the Foinaven, we've had to extend it for the last two years because we didn't get agreement from the charterer and then we had some operational issues. But I'm pleased to say that we have active dialogues with charterers on Foinaven, as well as on Hummingbird, as well as on Petrojarl Banff.

So the big thing is that you're working things out so that it does become eligible to be dropped down. And assuming we are successful in those, then we can meet the end 2015. And, of course, the Knarr is the big one and it's already - the structure is already there to drop down the Knarr.

T.J. Schultz: Okay, and the Knarr - the plan is still to drop that in stages, so, you know, your latest thinking around how that will be managed, whether it comes down to maybe just two stages and how quickly a second interest could be dropped if the first is at the time of the charter commencement?

Peter Evensen: Yes, our plan is still - because it's a big asset, a billion dollars to drop it in two stages, and I think that depends upon how the capital markets look. We will time that to be best for the capital markets and - but it will be a very strongly creative transaction, so I think everyone will be looking forward to it.

T.J. Schultz: Great, thanks Peter.

Peter Evensen: Thank you.

Operator: Thank you. Again, it is star 1 if you'd like to ask a question. As we'll go next to Fotis Giannakoulis with Morgan Stanley.

Fotis Giannakoulis: Yes, hi, Peter. Good morning. My only question is about the ((inaudible)) level. You - obviously you have de-leveled the company substantially and now you have no assets at the Parent level. At what point shall we expect to see some ((inaudible)) increase and are there any thoughts over potentially linking your dividend to your free cash flow?

Peter Evensen: Thanks, Fotis. I think I answered that question earlier when I said that we're going to revisit our dividend policy in connection with the drop down of the Knarr FPSO. We still do have, as TJ pointed out, four FPSOs upstairs, but the biggest - but they aren't all of the same value so the big de-leveraging event is clearly when the Knarr gets dropped down initially.

Fotis Giannakoulis: But either a thought of potentially providing some link between the cash flows and the dividend daughter, you think that there is going to be more of a stable dividend policy?

Peter Evensen: No, I think that as we've said, it makes sense, in line with most GPs, to have an increasing dividend link to its MOPs. That's a key part of the valuation of Teekay as general partner. That's why we're moving it to being fixed asset light. So it doesn't make sense to revisit the dividend policy and not have a linkage.

Fotis Giannakoulis: Thank you very much, Peter.

Peter Evensen: Thank you.

Operator: Thank you, and we'll go next to Martin Roher with MSR Capital Management.

Martin Roher: Thank you very much. I wonder if you could just add a little color as to why you chose to set up this new publically traded entity, which I didn't know would be public until this morning, and the quarter of a billion dollar equity that's in this tanker investments. Is the fee structure to the parent company similar to the other daughter companies?

Peter Evensen: Hi, Marty.

Martin Roher: Hi.

Peter Evensen: Yes. It isn't the same that we have, but we've put in $25 million and Teekay Tankers has put in $25 million, and both Teekay Tankers and Teekay have received warrants equal to roughly 10% of the initial capital. And, so, if the share price goes up, the warrants will kick in, and that will provide extra value to Teekay. In addition, Teekay will be compensated for providing services on the commercial side, on the sale and purchase side.

So it's consistent with Teekay's corporation strategy of both investing in companies as well as receiving extra income for generating value for the shareholders in our daughter company entities. But it's a little different from Teekay Tankers.

And Teekay Tankers, and the other announcement we made in connection with that, was that we were going to drop the software at Teekay Corporation down, which is our pools and our technical management.

And I think that's also consistent with what we want to do and that's what we're - so that's consistent with becoming more of a standalone entity for Teekay Tankers. So we're moving the tanker franchise down to Teekay Tankers and - but at the same time, Teekay Corporation will benefit.

And that's because more and more of Teekay Corporation's value is really in the LNG and the offshore side. That's what really is going to power the valuation. But the tankers can still create incremental value for Teekay Corporation.

Martin Roher: That's interesting. So this tanker investments company is going to be more of a trading entity in the assets over a period of time?

Peter Evensen: Actually, Teekay Tankers is going to do the in-chartering and out-chartering. It's an asset play company.

Martin Roher: Okay.

Peter Evensen: Teekay has been good at growing, but this company was set up really to be a cyclical play. It's going to buy in this cyclically low time, and the vessels have already appreciated from where they bought them, and then it's going to keep them all spot, and then it's going to ultimately sell out. So we see it as an asset play company.

Some of us have been in the tanker market for 25 or 30 years and we see that one of the better things we have to do is create more value on buying and selling, not just buying and operating. But the essence of Teekay Corporation, which is being a great operator of tankers, is going to be preserved down in Teekay Tankers.

Martin Roher: Very interesting. Thank you and good luck.

Peter Evensen: Thank you.

Operator: Thank you. And once again it is star 1 if you'd like to ask a question. And with no further questioners in the queue, I'd like to turn it back over to today's presenters for any additional or closing comments.

Peter Evensen: Great, thank you very much. As you hear, we have a dedicated team that's executing across all our verticals and we look forward to reporting back to you next quarter. Thank you.

Operator: And that concludes today's call. Thank you for your participation.

END