



# First Quarter 2014 Earnings Presentation

May 15, 2014

# 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 crude oil and refined product tanker market fundamentals, including the balance of supply and demand in the tanker market, estimated growth in the world tanker fleet in 2014 and 2015, estimated growth in global oil demand and crude oil tanker demand in 2014, and tanker fleet utilization and spot tanker rates in 2014 and 2015; the Company's financial position and ability to take advantage of growth opportunities in an expected future tanker market recovery; the finalization by TIL of an expected new credit facility; and the timing of Teekay Tankers' acquisition of an ownership interest in Teekay Operations, future growth in the number of vessels under management, and the expected future effect of such acquisition on the Company's financial results, including net income. 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 the production of or demand for oil; changes in trading patterns significantly affecting overall vessel tonnage requirements; greater or less than anticipated levels of tanker newbuilding orders and deliveries or greater or less than anticipated rates of tanker scrapping; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; the potential for early termination of short- or medium-term contracts and inability of the Company to renew or replace short- or medium-term contracts; changes in interest rates and the financial markets; delays in the completion, if any, of the Company's acquisition of an ownership interest in Teekay Operations; increases in the Company's expenses, including any dry docking expenses and associated off-hire days; failure of Teekay Tankers Board of Directors and its Conflicts Committee to accept future acquisitions of vessels that may be offered by Teekay Corporation or third parties; and other factors discussed in Teekay Tankers' filings from time to time with the United States Securities and Exchange Commission, including its Report on Form 20-F for the fiscal year ended December 31, 2013. 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.

# Recent Highlights

- Q1-14 Results
  - Reported adjusted net income of \$0.20 per share, compared to a net loss of \$0.04 per share in Q1-13
  - Generated Cash Available for Distribution (CAD)<sup>(1)</sup> of \$0.36 per share, compared to \$0.10 per share in Q1-13
  - Declared quarterly fixed dividend of \$0.03 per share
- In the first quarter of 2014, TNK recognized the highest spot tanker earnings in its Suezmax and Aframax segments since 2010
- In March 2014, TNK took over ownership of the two VLCCs securing its investment in term loans and, in May 2014, TNK sold the vessels for a combined purchase price of \$154 million to Tanker Investments Ltd. (TIL)
- In April 2014, TNK agreed to acquire a 50% joint-venture interest in Teekay Corporation's commercial and technical management operations for approximately \$15.6 million
- In January 2014, TNK invested \$25 million in Tanker Investments Ltd. (TIL) which completed its initial public offering on the Oslo Stock Exchange in late-March

(1) Cash Available for Distribution represents net income (loss), plus depreciation and amortization, unrealized losses from derivatives, non-cash items and any write-downs or other non-recurring items, less unrealized gains from derivatives. Please refer to the Teekay Tankers Q1-14 Earnings Release for reconciliation to most directly comparable GAAP financial measure.



# Profitable Monetization of Term Loan Investment

- In late-March 2014, TNK exercised its rights under the security documents and assumed full ownership of two VLCC vessels, which previously secured its \$115 million investment in term loans
- In early-May 2014, TNK sold the vessels to Tanker Investments Ltd (*TIL*) for their fair market value of \$154 million
- Based on interest income received, all expenses incurred, and the sale price of the vessels, TNK earned a total rate of return of 12% p.a. on this investment since inception (July 2010)



# Strategic Acquisition of Tanker Operations

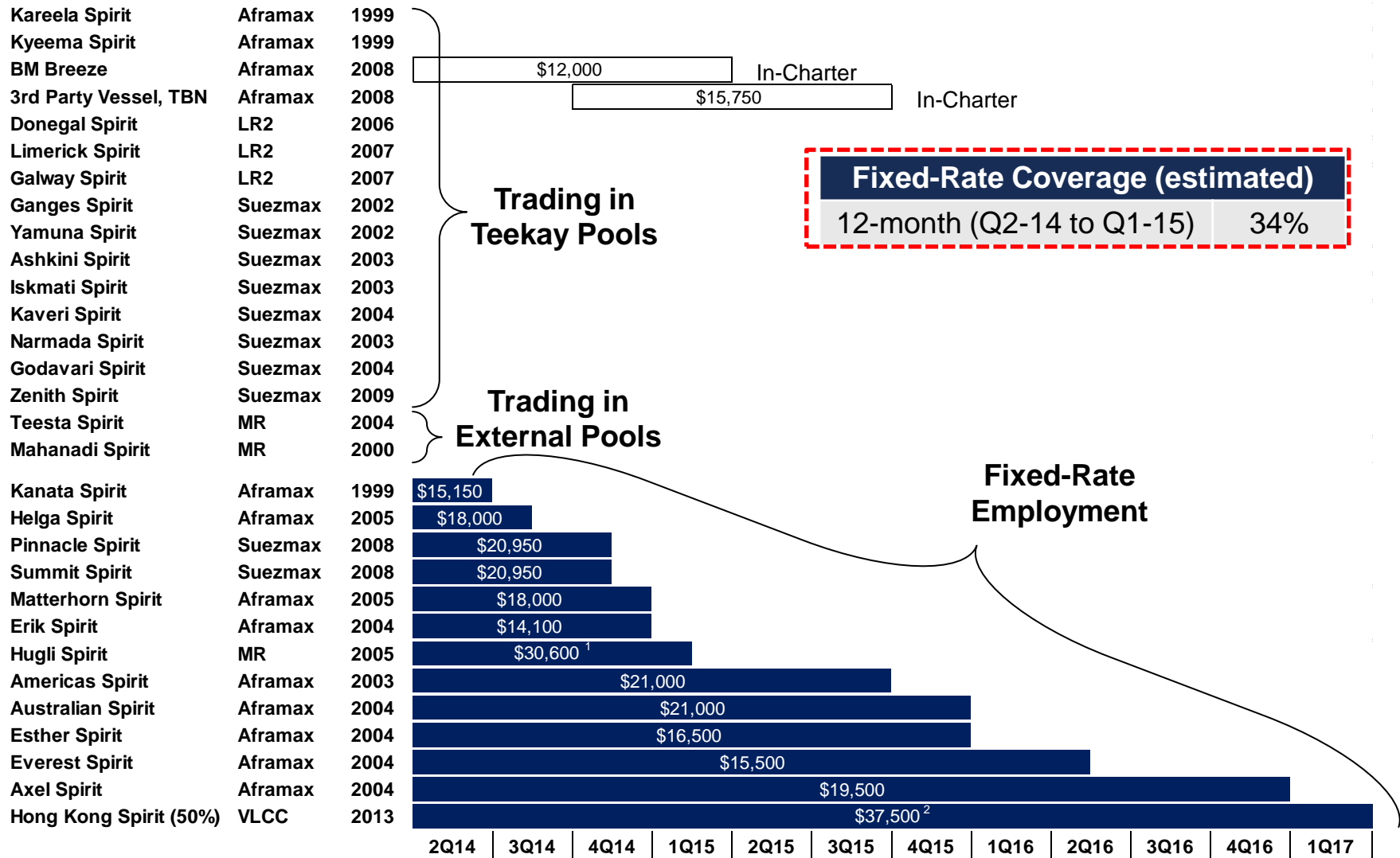
- In Q2-14, TNK agreed to acquire a 50% joint venture interest in Teekay Corporation's commercial and technical management operations (*Teekay Operations*) for \$15.6 million
- TNK will pay Teekay in equity at a price of \$3.70 per share
- The transaction will result in ownership in a new TNK-Teekay joint venture which will include ownership of:
  - Commercial Management Operations, including the Gemini Suezmax Pool (33% owned by Teekay), Aframax RSA, and Taurus LR2 Pool
    - *Currently Teekay commercially manages 89 vessels*
  - Teekay Marine Limited (51% owned by Teekay)
    - *Currently Teekay technically manages 51 vessels*
- TNK expects to earn ~\$2.5 million<sup>1</sup> in additional equity income per year
- Teekay group entities and TIL have a contractual obligation to use Teekay Operations to manage their conventional tanker vessels

**This acquisition represents the final step in Teekay Tankers' evolution into a full-service conventional tanker platform**

<sup>1</sup> Based on the last 4 quarters adjusted for known changes to the fleet



# Fleet Employment Shifting to Spot Market

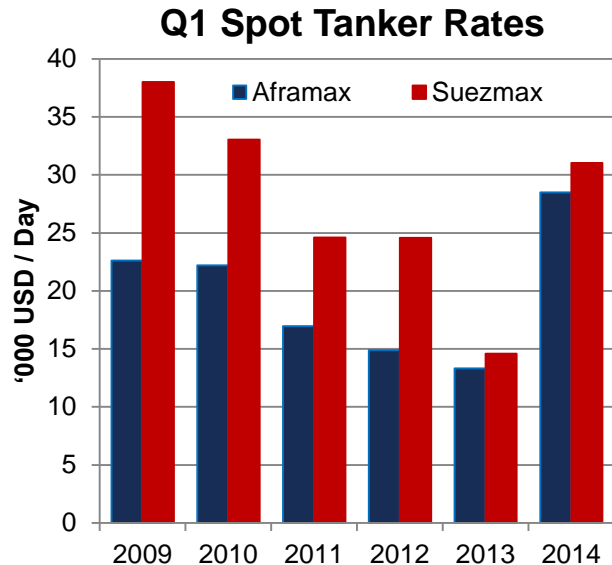


Note: Excludes TNK's investment in TIL

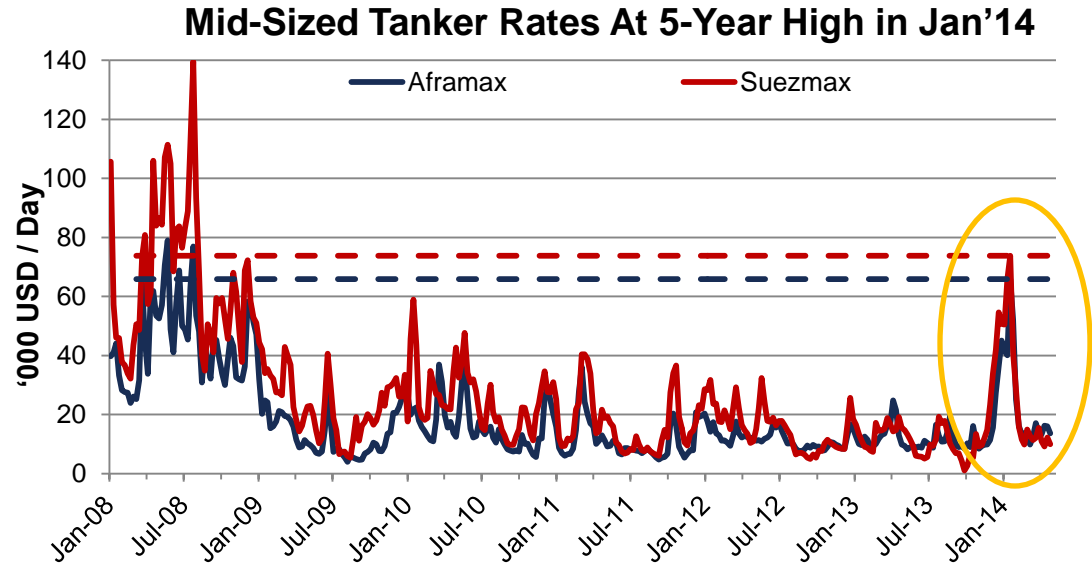
<sup>1</sup> Charter rate covers incremental Australian crewing expenses of approximately \$14,000 per day above international crewing costs.

<sup>2</sup> 50% profit share if market earnings above \$40,500 per day.

# Q1-14 Freight Market Review



Source: Clarksons



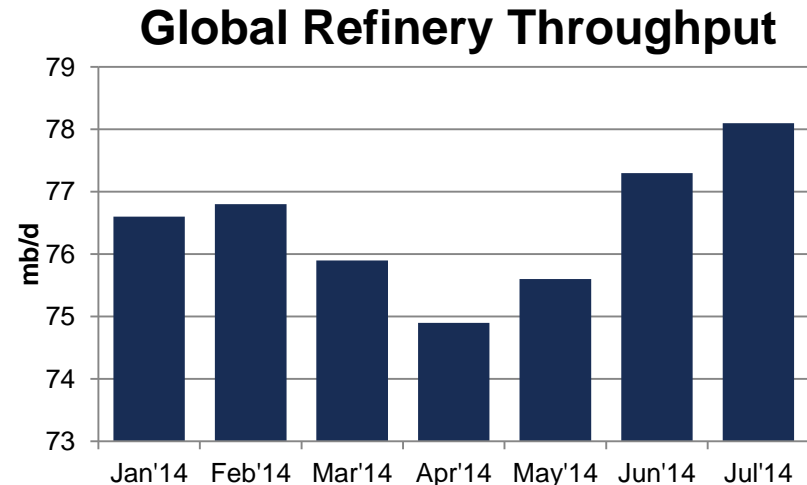
Source: Clarksons

- Crude tanker rates strengthened significantly during Q1-14
  - Winter weather delays + record Chinese crude imports
- Earnings came off Q1 highs towards the end of the quarter due to seasonal refinery maintenance, end of weather delays
  - Crude tanker rates in Q2-14 to date are averaging above 2013 levels y-o-y

**Strong Q1-14 rates an indication of tightening fundamentals**

# Q2 / Q3 Crude Shipping Market Outlook

- Expect a seasonally weaker crude tanker market in Q2 and Q3 due to scheduled refinery maintenance
- However, rates are expected to average higher than in the same period of 2013 due to tightening supply / demand fundamentals



Source: IEA

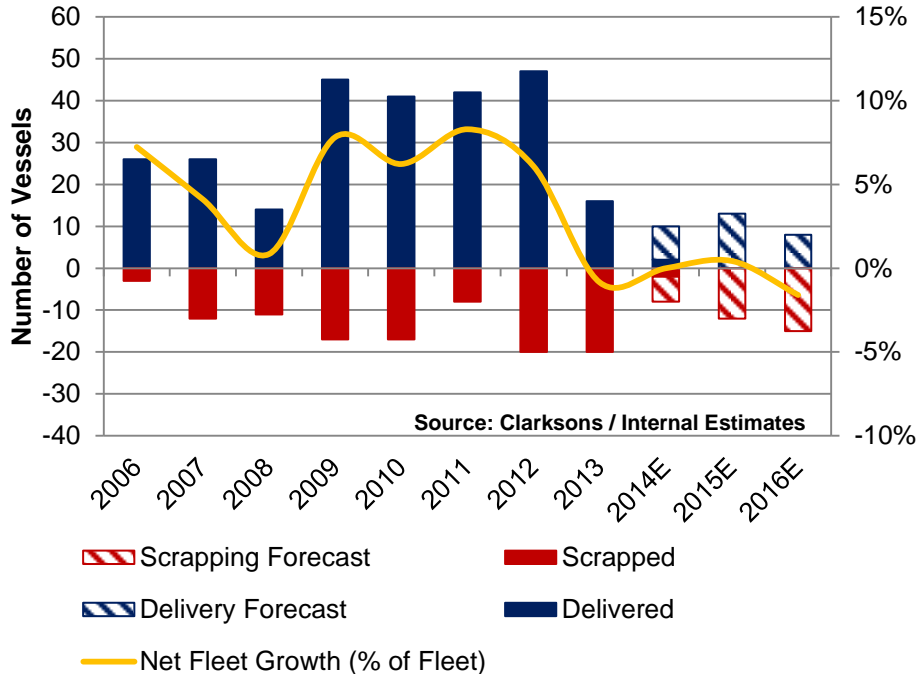
- Wild card factors that may impact the market over the next 6 months include:
  - An escalation of the Russia / Ukraine conflict & associated impact on trade
  - Potential upturn in OPEC production volumes (Libya, Iran)
  - Further strategic stockpiling in China (2<sup>nd</sup> phase of SPR build)

**Q2 / Q3 tanker rates expected to average higher than in 2013**

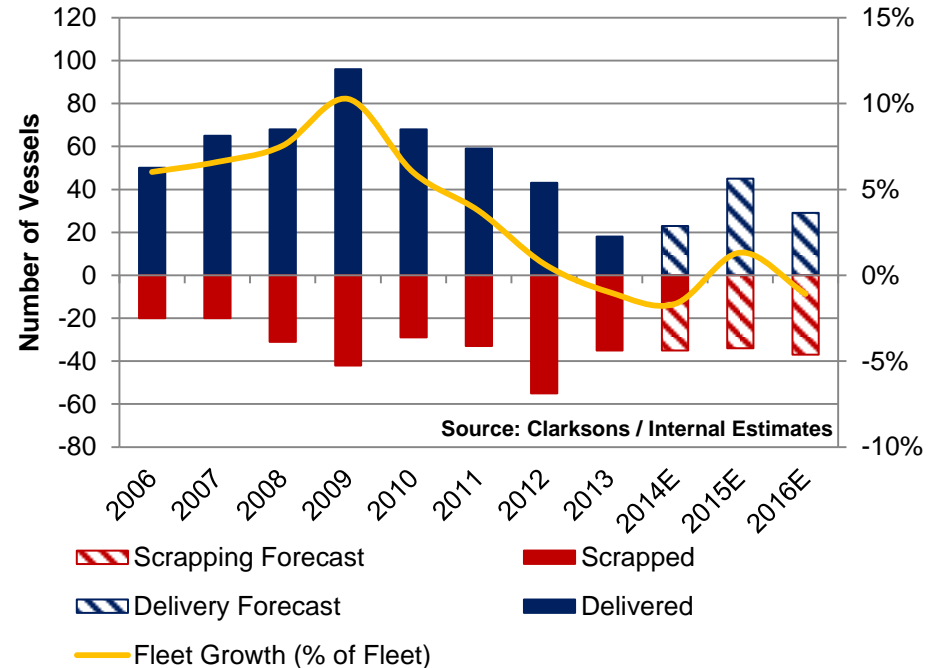


# Shrinking Mid-Size Tanker Fleet

## Suezmax Fleet Growth



## Aframax\* Fleet Growth

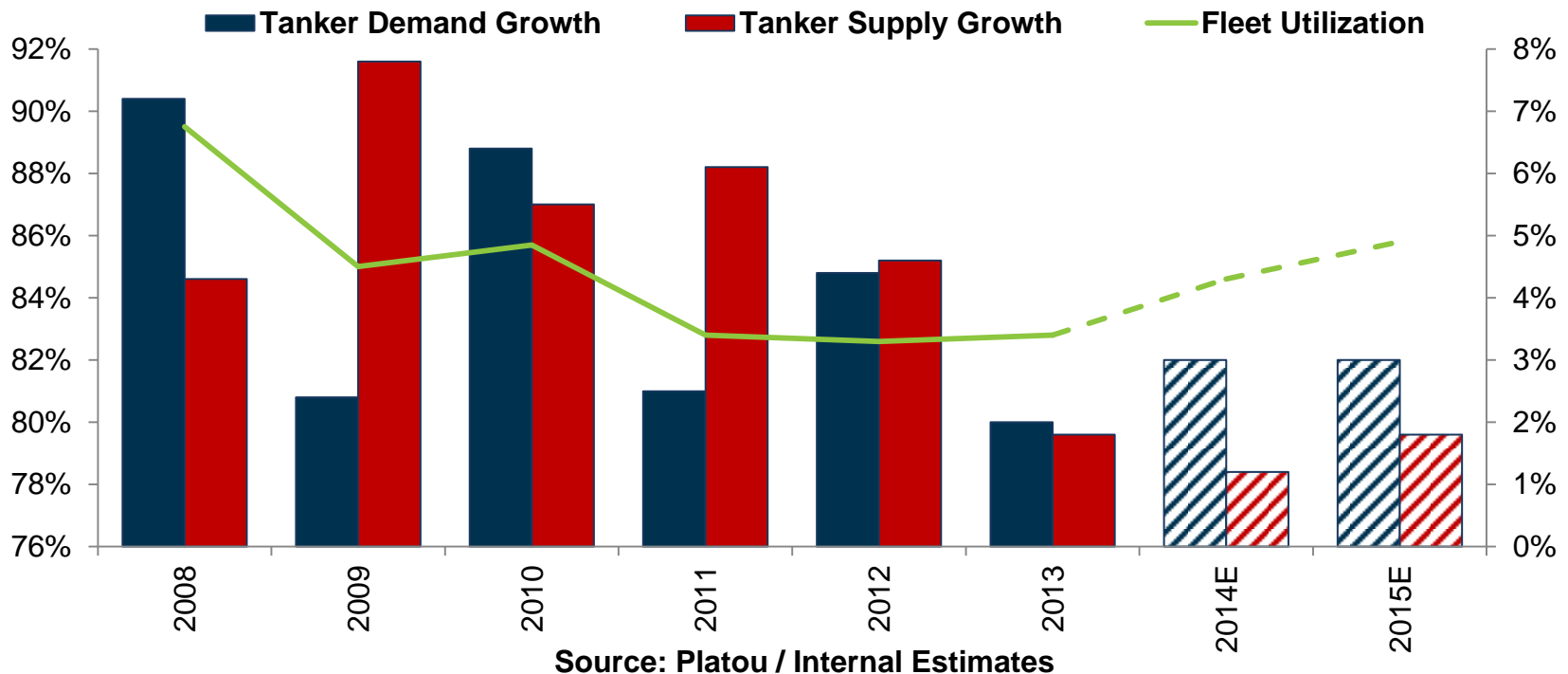


- The Suezmax and Aframax tanker fleets are expected to decrease in size during 2014-16 as scrapping is estimated to exceed new vessel deliveries
- Most major shipyards are full through to late 2016

\*Includes Coated Aframaxes

**Shrinking Mid-Size fleet paves the way for a market recovery**

# Higher Fleet Utilization Starting in 2014



- Improvement in rates expected from 2014 onwards due to slowing fleet growth (sub-2% p.a.) coupled with economic recovery, improved oil demand
- Increased level of rate volatility expected as fleet utilization improves

**Strengthening fundamentals the basis for a sustained tanker market recovery**

# Q2-14 Spot Earnings Update

- Overall, average spot bookings for Q2-14 to-date are significantly higher than Q2-13 (based on approximately 55% and 70% of days booked in the quarter for Suezmax/Aframax and LR2 segments, respectively)
  - Suezmax \$17,200 per day (vs. \$12,150 per day in Q2-13)
  - Aframax \$15,800 per day (vs. \$12,400 per day in Q2-13)
  - LR2 \$14,000 per day (vs. \$12,800 per day in Q2-13)



# 2014 Investor Day



## SAVE THE DATE Teekay Group 2014 Investor Day New York



**WHEN** September 30, 2014

**WHERE** The St. Regis New York

### SCHEDULE OF EVENTS

**7:30 - 8:00 am** Coffee

**8:00 - 11:30 am** Presentations  
(1x1s to follow)

*Live webcasting will be available on the respective websites.*

### CONTACT

For more information, or to schedule a one-on-one meeting, contact Emily Yee at + 1 604 609 6437  
emily.yee@teekay.com  
No RSVP required.

NYSE: TK | NYSE: TOO | NYSE: TGP | NYSE: TNK

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

# Appendix

# TNK 2014 Drydock Schedule

Teekay Tankers Segment	March 31, 2014 (A)		June 30, 2014 (E)		September 30, 2014 (E)		December 31, 2014 (E)		Total 2014	
	Vessels Off-hire	Total Off-hire Days	Vessels Off-hire	Total Off-hire Days	Vessels Off-hire	Total Off-hire Days	Vessels Off-hire	Total Off-hire Days	Vessels Off-hire	Total Off-hire Days
Spot Tanker	1	21	-	-	1	23	-	-	2	44
Fixed-Rate Tanker	-	-	3	66	-	-	1	23	4	89
	1	21	3	66	1	23	1	23	6	133

**Note:**

- (1) In the case that a vessel drydock straddles between quarters, the drydock has been allocated to the quarter in which majority of drydock days occur.
- (2) Only owned vessels were accounted for in this schedule.





TEEKAY TANKERS