

TEEKAY CORP  
Form 6-K  
December 09, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 6-K  
Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

**For the quarterly period ended September 30, 2010  
Commission file number 1- 12874  
TEEKAY CORPORATION  
(Exact name of Registrant as specified in its charter)  
4<sup>th</sup> Floor, Belvedere Building  
69 Pitts Bay Road  
Hamilton, HM 08 Bermuda  
(Address of principal executive office)**

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.  
Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).

Yes  No

**TEEKAY CORPORATION AND SUBSIDIARIES**  
**REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010**  
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**Table of Contents****ITEM 1 FINANCIAL STATEMENTS****TEEKAY CORPORATION AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME (LOSS)****(in thousands of U. S. dollars, except share and per share amounts)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>30,</b>	<b>30,</b>	<b>30,</b>	<b>30,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>REVENUES</b>	462,118	500,368	1,571,602	1,649,392
<b>OPERATING EXPENSES</b>				
Voyage expenses	53,719	71,659	192,636	225,253
Vessel operating expenses ( <i>note 16</i> )	159,570	149,790	464,897	446,554
Time-charter hire expense	62,189	94,964	201,208	348,243
Depreciation and amortization	109,194	107,111	328,658	321,856
General and administrative ( <i>note 16</i> )	46,910	49,890	145,257	146,818
Loss (gain) on sale of vessels and equipment net of write-downs of intangible assets and vessels and equipment ( <i>notes 6 and 13</i> )	24,173	915	24,955	(9,210)
Restructuring charge ( <i>note 19</i> )	3,240	1,456	11,218	12,017
<b>Total operating expenses</b>	458,995	475,785	1,368,829	1,491,531
<b>Income from vessel operations</b>	3,123	24,583	202,773	157,861
<b>OTHER ITEMS</b>				
Interest expense	(34,852)	(30,035)	(100,930)	(111,505)
Interest income	3,467	4,193	9,949	15,894
Realized and unrealized (loss) gain on non-designated derivative instruments ( <i>note 16</i> )	(133,241)	(121,664)	(440,313)	83,066
Equity (loss) income from joint ventures ( <i>note 11b</i> )	(16,010)	(8,945)	(40,503)	29,857
Foreign exchange (loss) gain ( <i>notes 8 and 16</i> )	(28,717)	(26,047)	27,797	(39,900)
Loss on bond repurchase ( <i>note 8</i> )			(12,645)	
Other income ( <i>note 14</i> )	2,042	2,938	5,742	9,419
Net (loss) income before income taxes	(204,188)	(154,977)	(348,130)	144,692
Income tax (expense) recovery ( <i>note 18</i> )	(8,572)	(10,904)	3,882	(12,174)
<b>Net (loss) income</b>	(212,760)	(165,881)	(344,248)	132,518
Less: Net loss (income) attributable to non-controlling interests	26,717	23,633	(8,945)	(33,902)
	(186,043)	(142,248)	(353,193)	98,616

**Net (loss) income attributable to stockholders of  
Teekay Corporation**

**Per common share of Teekay Corporation**

*(note 17)*

Basic (loss) earnings attributable to stockholders of Teekay Corporation	(2.55)	(1.96)	(4.84)	1.36
Diluted (loss) earnings attributable to stockholders of Teekay Corporation	(2.55)	(1.96)	(4.84)	1.35
Cash dividends declared	0.3163	0.3163	0.9488	0.9488

**Weighted average number of common shares**

**outstanding** *(note 17)*

Basic	72,982,870	72,553,809	72,911,689	72,535,438
Diluted	72,982,870	72,553,809	72,911,689	72,876,558

*The accompanying notes are an integral part of the unaudited consolidated financial statements.*

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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
(in thousands of U.S. dollars, except share and per share amounts)

	As at September 30, 2010 \$	As at December 31, 2009 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents ( <i>note 8</i> )	692,454	422,510
Restricted cash ( <i>note 9</i> )	37,639	36,068
Accounts receivable, including non-trade of \$21,339 (2009 \$19,521) and related party balance \$6,103 (2009 \$2,672)	195,765	234,676
Vessels held for sale ( <i>note 13</i> )		10,250
Net investment in direct financing leases ( <i>note 4</i> )	27,043	27,210
Prepaid expenses	94,512	96,549
Current portion of derivative assets ( <i>note 16</i> )	26,266	29,996
Advances to joint venture partner	6,900	
Other assets	9,804	7,119
<b>Total current assets</b>	<b>1,090,383</b>	<b>864,378</b>
Restricted cash – non-current ( <i>note 9</i> )	646,580	579,243
<b>Vessels and equipment (<i>note 8</i>)</b>		
At cost, less accumulated depreciation of \$1,907,501 (2009 \$1,673,380)	5,669,069	5,793,864
Vessels under capital leases, at cost, less accumulated amortization of \$163,537 (2009 \$138,569) ( <i>note 9</i> )	888,923	903,521
Advances on newbuilding contracts ( <i>notes 11a and 11b</i> )	167,386	138,212
<b>Total vessels and equipment</b>	<b>6,725,378</b>	<b>6,835,597</b>
Net investment in direct financing leases – non-current ( <i>note 4</i> )	468,603	485,202
Marketable securities	17,173	18,904
Loans to joint ventures, bearing interest between 4.4% to 8.0%	10,791	21,998
Derivative assets ( <i>note 16</i> )	109,203	18,119
Deferred income tax asset ( <i>note 18</i> )	11,959	6,516
Investment in joint ventures ( <i>note 11b</i> )	125,674	139,790
Investment in term loans ( <i>note 3</i> )	115,775	
Other non-current assets	116,604	130,624
Intangible assets – net ( <i>note 6</i> )	181,007	213,870
Goodwill	203,191	203,191
<b>Total assets</b>	<b>9,822,321</b>	<b>9,517,432</b>

**LIABILITIES AND EQUITY****Current**

Accounts payable	55,986	57,242
Accrued liabilities ( <i>note 16</i> )	304,794	308,122
Current portion of derivative liabilities ( <i>note 16</i> )	142,875	143,770
Current portion of long-term debt ( <i>note 8</i> )	303,398	231,209
Current obligation under capital leases ( <i>note 9</i> )	44,750	41,016
Current portion of in-process revenue contracts ( <i>note 6</i> )	44,461	56,758
Loan from joint venture partners	44	1,294

<b>Total current liabilities</b>	896,308	839,411
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Long-term debt, including amounts due to joint venture partners of \$13,664 (2009 \$16,410) ( <i>note 8</i> )	4,153,082	4,187,962
Long-term obligation under capital leases ( <i>note 9</i> )	732,147	743,254
Derivative liabilities ( <i>note 16</i> )	630,452	215,709
Deferred income tax liability ( <i>note 18</i> )		11,628
Asset retirement obligation	22,752	22,092
In-process revenue contracts ( <i>note 6</i> )	163,504	187,602
Other long-term liabilities	227,618	214,104

<b>Total liabilities</b>	6,825,863	6,421,762
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Commitments and contingencies (*notes 4, 9, 11 and 16*)

<b>Redeemable non-controlling interest</b> ( <i>note 11d</i> )	43,330	
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**Equity**

Common stock and additional paid-in capital (\$0.001 par value; 725,000,000 shares authorized; 72,993,003 shares outstanding (2009 72,694,345); 73,492,203 shares issued (2009 73,193,545)) ( <i>note 10</i> )	676,734	656,193
Retained earnings	1,227,690	1,585,431
Non-controlling interest	1,052,626	855,580
Accumulated other comprehensive loss ( <i>note 15</i> )	(3,922)	(1,534)

<b>Total equity</b>	2,953,128	3,095,670
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<b>Total liabilities and equity</b>	9,822,321	9,517,432
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*The accompanying notes are an integral part of the unaudited consolidated financial statements.*

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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands of U.S. dollars)

	Nine Months Ended September	
	30,	
	2010	2009
	\$	\$
Cash and cash equivalents provided by (used for)		
<b>OPERATING ACTIVITIES</b>		
Net (loss) income	(344,248)	132,518
Non-cash items:		
Depreciation and amortization	328,658	321,856
Amortization of in-process revenue contracts	(36,395)	(56,719)
Loss (gain) on sale of vessels and equipment	2,664	(27,399)
Write-down of intangible assets and other	12,300	1,076
Write-down of vessels and equipment	9,991	17,113
Loss on repurchase of bonds	12,645	
Equity loss (income), net of dividends received	40,503	(26,914)
Income tax (recovery) expense	(3,882)	12,174
Employee stock option compensation	11,816	8,607
Foreign exchange (gain) loss	(19,111)	24,747
Other	10,955	12,302
Unrealized loss (gain) on derivative instruments	325,038	(195,048)
Change in operating assets and liabilities	36,192	132,802
Expenditures for drydocking	(40,223)	(58,815)
<b>Net operating cash flow</b>	<b>346,903</b>	<b>298,300</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of long-term debt (note 8)	1,142,000	762,712
Debt issuance costs	(12,808)	(3,852)
Scheduled repayments of long-term debt	(143,361)	(113,534)
Prepayments of long-term debt	(954,133)	(1,104,204)
Repayments of capital lease obligations	(1,961)	(6,949)
Proceeds from loans from joint venture partner	1,182	591
Repayment of loans from joint venture partner	(1,250)	(23,390)
(Increase) decrease in restricted cash (note 9)	(75,246)	5,228
Net proceeds from issuance of Teekay LNG Partners L.P. units (note 5)	50,000	67,095
Net proceeds from issuance of Teekay Offshore Partners L.P. units (note 5)	221,492	102,098
Net proceeds from issuance of Teekay Tankers Ltd. shares (note 5)	103,036	65,556
Issuance of Common Stock upon exercise of stock options	2,627	352
Distribution from subsidiaries to non-controlling interests	(113,598)	(83,646)
Cash dividends paid	(69,615)	(68,800)



<b>Net financing cash flow</b>	148,365	(400,743)
<b>INVESTING ACTIVITIES</b>		
Expenditures for vessels and equipment	(176,238)	(431,607)
Proceeds from sale of vessels and equipment	49,402	198,837
Investment in term loans <i>(note 3)</i>	(115,575)	
Investment in joint ventures	(1,977)	(7,288)
Repayment (advances) to joint ventures and joint venture partner	1,510	(1,206)
Investment in direct financing lease assets	(4,199)	
Direct financing lease payments received	20,965	2,135
Other investing activities	788	22,809
<b>Net investing cash flow</b>	(225,324)	(216,320)
<b>Increase (decrease) in cash and cash equivalents</b>	269,944	(318,763)
Cash and cash equivalents, beginning of the period	422,510	814,165
<b>Cash and cash equivalents, end of the period</b>	692,454	495,402

Supplemental cash flow information *(note 7)*

*The accompanying notes are an integral part of the unaudited consolidated financial statements.*

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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY**  
(in thousands of U.S. dollars)

	Thousands of		TOTAL EQUITY			Total
	Shares of Common Stock Outstanding #	Common Stock and Additional Paid-in Capital \$	Retained Earnings \$	Accumulated Other - Comprehensive Income (Loss) \$	Non-controlling Interest \$	
<b>Balance as at December 31, 2009</b>	72,694	656,193	1,585,431	(1,534)	855,580	3,095,670
Net (loss) income			(353,193)		8,945	(344,248)
Other comprehensive income (loss):						
Unrealized loss on marketable securities				(1,731)		(1,731)
Pension adjustments, net of taxes				761		761
Unrealized net loss on qualifying cash flow hedging instruments ( <i>note 16</i> )				(3,817)	(1,022)	(4,839)
Realized net loss on qualifying cash flow hedging instruments ( <i>note 16</i> )				2,399	978	3,377
Comprehensive income (loss)					8,901	(346,680)
Dividends declared			(69,652)		(113,598)	(183,250)
Reinvested dividends	2	37				37
Exercise of stock options and other	297	2,627				2,627
Employee stock option compensation and other ( <i>note 10</i> )		17,877				17,877
Dilution gain on equity offerings of Teekay Offshore and Teekay Tankers and direct equity placement of Teekay LNG ( <i>note 5</i> )			70,280			70,280
Dilution loss on initiation of majority owned subsidiary ( <i>note 11d</i> )			(5,176)		(2,256)	(7,432)
Addition of non-controlling interest from share and unit issuances and other					303,999	303,999
<b>Balance as at September 30, 2010</b>	72,993	676,734	1,227,690	(3,922)	1,052,626	2,953,128



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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(in thousands of U.S. dollars)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Net (loss) income</b>	(212,760)	(165,881)	(344,248)	132,518
<b>Other comprehensive income (loss):</b>				
Unrealized gain (loss) on marketable securities	3,341	3,963	(1,731)	5,053
Pension adjustments, net of taxes	349	437	761	1,308
Unrealized gain (loss) on qualifying cash flow hedging instruments	15,103	22,980	(4,839)	43,910
Realized loss on qualifying cash flow hedging instruments	1,480	4,628	3,377	23,315
<b>Other comprehensive income (loss)</b>	20,273	32,008	(2,432)	73,586
Comprehensive (loss) income	(192,487)	(133,873)	(346,680)	206,104
Less: Comprehensive loss (income) attributable to non-controlling interests	24,021	19,657	(8,901)	(42,589)
<b>Comprehensive (loss) income attributable to stockholders of Teekay Corporation</b>	(168,466)	(114,216)	(355,581)	163,515

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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(all tabular amounts stated in thousands of U.S. dollars, except share data)**

**1. Summary of Significant Accounting Policies****Basis of Presentation**

The unaudited interim consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (or *GAAP*). They include the accounts of Teekay Corporation (or *Teekay*), which is incorporated under the laws of the Republic of the Marshall Islands, and its wholly-owned or controlled subsidiaries (collectively, the *Company*). Certain information and footnote disclosures required by GAAP for complete annual financial statements have been omitted and, therefore, it is suggested that these interim financial statements be read in conjunction with the Company's audited financial statements for the year ended December 31, 2009, included in the Company's Annual Report on Form 20-F. In the opinion of management, these unaudited financial statements reflect all adjustments, of a normal recurring nature, necessary to present fairly, in all material respects, the Company's consolidated financial position, results of operations, and cash flows for the interim periods presented. The results of operations for the three and nine months ended September 30, 2010, are not necessarily indicative of those for a full fiscal year. Significant intercompany balances and transactions have been eliminated upon consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Given the current credit markets, it is possible that the amounts recorded as derivative assets and liabilities could vary by material amounts.

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current period, primarily relating to the reclassification of unrecognized tax benefits of \$40.9 million at December 31, 2009 from accrued liabilities to other long-term liabilities in the consolidated balance sheets, and certain crew training expenses of \$2.3 million and \$9.3 million, respectively, for the three and nine months ended September 30, 2009 from general and administrative expenses to vessel operating expenses in the consolidated statements of income (loss).

**Adoption of New Accounting Pronouncements**

In January 2010, the Company adopted an amendment to Financial Accounting Standards Board (or *FASB*) Accounting Standards Codification (or *ASC*) 810, *Consolidations* that eliminates certain exceptions to consolidating qualifying special-purpose entities, contains new criteria for determining the primary beneficiary, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. This amendment also contains a new requirement that any term, transaction, or arrangement that does not have a substantive effect on an entity's status as a variable interest entity, a company's power over a variable interest entity, or a company's obligation to absorb losses or its right to receive benefits of an entity must be disregarded. The elimination of the qualifying special-purpose entity concept and its consolidation exceptions means more entities will be subject to consolidation assessments and reassessments. During February 2010, the scope of the revised standard was modified to indefinitely exclude certain entities from the requirement to be assessed for consolidation. The adoption of this amendment did not have an impact on the Company's consolidated financial statements.

**2. Segment Reporting**

The Company has five operating segments and four reportable segments: its shuttle tanker and floating storage and offtake (or *FSO*) segment (or *Teekay Navion Shuttle Tankers and Offshore*), its floating production, storage and offloading (or *FPSO*) segment (or *Teekay Petrojarl*), its liquefied gas segment (or *Teekay Gas Services*) and its conventional tanker segment (or *Teekay Tanker Services*). The Company's shuttle tanker and FSO segment consists of shuttle tankers and FSO units. The Company's FPSO segment consists of FPSO units and other vessels used to service its FPSO contracts. The Company's liquefied gas segment consists of liquefied natural gas (or *LNG*) and liquefied petroleum gas (or *LPG*) carriers. The Company's conventional tanker segment consists of conventional crude oil and product tankers that: are subject to long-term, fixed-rate time-charter contracts, which have an original term of one year or more; operate in the spot tanker market; or are subject to time-charters or contracts of affreightment that are priced on a spot-market basis or are short-term, fixed-rate contracts, which have an original term of less than one year.

Segment results are evaluated based on income from vessel operations. The accounting policies applied to the reportable segments is the same as those used in the preparation of the Company's consolidated financial statements. The following tables present results for these segments for the three and nine months ended September 30, 2010 and 2009:

Three months ended September 30, 2010	Shuttle	FPSO	Liquefied	Conventional	Total
	Tanker and FSO Segment		Gas Segment	Tanker Segment	
Revenues <sup>(1)</sup>	146,745	86,966	62,131	166,275	462,118
Voyage expenses	23,525		(50)	30,244	53,719
Vessel operating expenses	43,588	54,176	10,982	50,824	159,570
Time-charter hire expense	20,314			41,875	62,189
Depreciation and amortization	31,228	23,751	15,702	38,513	109,194
General and administrative <sup>(2)</sup>	12,322	7,071	4,841	22,676	46,910
Loss on sale of vessels and equipment, net of write-downs of intangible assets and vessels and equipment	10,775			13,398	24,173
Restructuring charge	(46)		48	3,238	3,240
Income (loss) from vessel operations	5,039	1,968	30,608	(34,493)	3,123
Total assets of operating segments at September 30, 2010	1,814,207	1,157,028	2,887,566	2,744,951	8,603,752

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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
(all tabular amounts stated in thousands of U.S. dollars, except share data)

<b>Three months ended September 30, 2009</b>	<b>Shuttle Tanker and FSO Segment</b>	<b>FPSO Segment</b>	<b>Liquefied Gas Segment</b>	<b>Conventional Tanker Segment</b>	<b>Total</b>
Revenues	144,182	100,327	61,435	194,424	500,368
Voyage expenses	23,652		465	47,542	71,659
Vessel operating expenses	39,720	49,917	12,620	47,533	149,790
Time-charter hire expense	27,772			67,192	94,964
Depreciation and amortization	30,014	25,344	14,188	37,565	107,111
General and administrative <sup>(2)</sup>	12,875	7,918	5,059	24,038	49,890
Loss (gain) on sale of vessels and equipment, net of write-downs	961			(46)	915
Restructuring charge	693		590	173	1,456
Income (loss) from vessel operations	8,495	17,148	28,513	(29,573)	24,583

Total assets of operating segments at September 30, 2009	1,695,154	1,272,105	2,890,314	2,902,175	8,759,748
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<b>Nine months ended September 30, 2010</b>	<b>Shuttle Tanker and FSO Segment</b>	<b>FPSO Segment</b>	<b>Liquefied Gas Segment</b>	<b>Conventional Tanker Segment</b>	<b>Total</b>
Revenues <sup>(1)</sup>	470,196	343,187	185,462	572,757	1,571,602
Voyage expenses	88,589		45	104,002	192,636
Vessel operating expenses	128,403	152,574	35,582	148,338	464,897
Time-charter hire expense	68,785			132,423	201,208
Depreciation and amortization	95,242	71,253	47,114	115,049	328,658
General and administrative <sup>(2)</sup>	38,612	20,418	15,170	71,057	145,257
Loss on sale of vessels and equipment, net of write-downs of intangible assets and vessels and equipment	10,039			14,916	24,955
Restructuring charge	628		362	10,228	11,218
Income (loss) from vessel operations	39,898	98,942	87,189	(23,256)	202,773

<b>Nine months ended September 30, 2009</b>	<b>Shuttle Tanker and FSO Segment</b>	<b>FPSO Segment</b>	<b>Liquefied Gas Segment</b>	<b>Conventional Tanker Segment</b>	<b>Total</b>

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Revenues	432,371	289,825	176,283	750,913	1,649,392
Voyage expenses	58,227		723	166,303	225,253
Vessel operating expenses	129,051	143,104	37,079	137,320	446,554
Time-charter hire expense	85,645			262,598	348,243
Depreciation and amortization	88,003	76,869	44,257	112,727	321,856
General and administrative <sup>(2)</sup>	38,266	23,520	15,034	69,998	146,818
Loss (gain) on sale of vessels and equipment, net of write-downs of intangible assets and vessels and equipment	1,902			(11,112)	(9,210)
Restructuring charge	5,991		3,802	2,224	12,017
Income from vessel operations	25,286	46,332	75,388	10,855	157,861

(1) FPSO segment includes \$nil and \$59.2 million in revenue for the three and nine months ended September 30, 2010, respectively, related to operations in previous years as a result of executing a contract amendment in March 2010.

(2) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to each segment based on estimated use of corporate resources).





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A reconciliation of total segment assets to amounts presented in the accompanying consolidated balance sheets is as follows:

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<b>\$</b>	<b>\$</b>
Total assets of all segments	8,603,752	8,640,315
Cash and restricted cash	692,454	422,510
Accounts receivable and other assets	526,115	454,607
Consolidated total assets	9,822,321	9,517,432

**3. Investment in Term Loans**

On July 16, 2010, the Company's subsidiary Teekay Tankers Ltd. (or *Teekay Tankers*) acquired two term loans with a total principal amount outstanding of \$115.0 million for a total cost of \$115.6 million (the *Loans*). The Loans bear interest at an annual interest rate of 9% per annum and includes a repayment premium feature which provides a total investment yield of approximately 10% per annum. The interest income is received in quarterly installments and the Loans and repayment premium are repayable in full at maturity in July 2013 where the repayment premium of 3% is calculated on the Loan outstanding at the time of maturity. The interest income is included in revenues in the consolidated statements of income (loss) and within the Company's conventional tanker segment. The Loans are collateralized by first priority mortgages on two 2010-built Very Large Crude Carriers (or *VLCCs*) owned by a ship-owner based in Asia, together with other related security. The Loans can be repaid prior to maturity, at the option of the borrower. The maximum potential loss is Teekay Tanker's original investment of \$115.6 million plus any unpaid interest, which exposes Teekay Tankers to a concentration of credit risk.

The Company's investments in loans are recorded at cost. The expected premium to be paid over the outstanding principal amount is amortized to interest income over the term of the loan using the effective interest rate method. The Company analyzes its loans for impairment during each reporting period. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is impaired, the Company measures the amount of the impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate and recognizes the resulting impairment in the statement of income (loss) and within the Company's conventional tanker segment.

**4. Operating and Direct Financing Leases****Operating Lease Obligations***Teekay Tangguh Subsidiary*

On November 1, 2006, the Company's subsidiary Teekay LNG Partners, L.P. (or *Teekay LNG*) entered into an agreement with Teekay to purchase Teekay's 100% interest in Teekay Tangguh Borrower LLC (or *Teekay Tangguh*), which owns a 70% interest in Teekay BLT Corporation (or *Teekay Tangguh Subsidiary*). Teekay LNG ultimately acquired 99% of Teekay's interest in Teekay Tangguh, essentially giving it a 69% interest in Teekay Tangguh Subsidiary. As at September 30, 2010, the Teekay Tangguh Subsidiary was a party to operating leases whereby it is the lessor and is leasing its two LNG carriers (or the *Tangguh LNG Carriers*) to a third party company (or *Head Leases*). The Teekay Tangguh Subsidiary is then leasing back the LNG carriers from the same third party company (or *Subleases*). Under the terms of these leases, the third party company claims tax depreciation on the capital expenditures it incurred to lease the vessels. As is typical in these leasing arrangements, tax and change of law risks are assumed by the Teekay Tangguh Subsidiary. Lease payments under the Subleases are based on certain tax and financial assumptions at the commencement of the leases. If an assumption proves to be incorrect, the third party

company is entitled to increase the lease payments under the Sublease to maintain its agreed after-tax margin. The Teekay Tangguh Subsidiary's carrying amount of this tax indemnification was \$10.4 million at September 30, 2010, and is included as part of other long-term liabilities in the accompanying consolidated balance sheets of the Company. The tax indemnification is for the duration of the lease contract with the third party plus the years it would take for the lease payments to be statute barred, and ends in 2033. Although there is no maximum potential amount of future payments, the Teekay Tangguh Subsidiary may terminate the lease arrangements on a voluntary basis at any time. If the lease arrangements terminate, the Teekay Tangguh Subsidiary will be required to pay termination sums to the third party company sufficient to repay the third party company's investment in the vessels and to compensate it for the tax effect of the terminations, including recapture of any tax depreciation. The Head Leases and the Subleases have 20 year terms and are classified as operating leases. The Head Lease and the Sublease for each of the two Tangguh LNG Carriers commenced in November 2008 and March 2009, respectively.

As at September 30, 2010, the total estimated future minimum rental payments to be received and paid under the lease contracts are as follows:

<b>Year</b>	<b>Head Lease Receipts <sup>(1)</sup></b>	<b>Sublease Payments <sup>(1)</sup></b>
Remainder of 2010	\$ 7,221	\$ 6,268
2011	\$ 28,875	\$ 25,072
2012	\$ 28,859	\$ 25,072
2013	\$ 28,843	\$ 25,072
2014	\$ 28,828	\$ 25,072
Thereafter	\$ 303,735	\$ 357,387
<b>Total</b>	<b>\$ 426,361</b>	<b>\$ 463,943</b>

(1) The Head Leases are fixed-rate operating leases while the Subleases have a small variable-rate component. As at September 30, 2010, the Company had received \$84.0 million of Head Lease receipts and had paid \$35.4 million of Sublease payments.

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**Net Investment in Direct Financing Leases**

The time-charters for two of the Company's LNG carriers, one FSO unit and equipment that reduces volatile organic compound emissions (or *VOC equipment*) are accounted for as direct financing leases. The following table lists the components of the net investments in direct financing leases:

	September 30, 2010	December 31, 2009
	\$	\$
Total minimum lease payments to be received	814,057	869,268
Estimated unguaranteed residual value of leased properties	203,465	203,465
Initial direct costs and other	1,797	1,134
Less unearned revenue	(523,673)	(561,455)
 Total	 495,646	 512,412
Less current portion	27,043	27,210
 Long-term portion	 468,603	 485,202

As at September 30, 2010, minimum lease payments to be received by the Company in each of the next five succeeding fiscal years were approximately \$17.8 million (remainder of 2010), \$68.5 million (2011), \$59.1 million (2012), \$48.0 million (2013) and \$47.1 million (2014). The VOC equipment lease is scheduled to expire in 2014, the FSO contract is scheduled to expire in 2017, and the LNG time-charters are both scheduled to expire in 2029.

**5. Equity Offerings by Subsidiaries**

In March 2010, the Company's subsidiary Teekay Offshore Partners L.P. (or *Teekay Offshore*) completed a public offering of 5.06 million common units (including 660,000 units issued upon the exercise of the underwriter's overallotment option) at a price of \$19.48 per unit, for total gross proceeds of \$100.6 million (including the general partner's \$2.0 million proportionate capital contribution). In August 2010, Teekay Offshore completed a public offering of approximately 6.0 million common units (including 787,500 common units issued upon the exercise of the underwriter's overallotment option) at a price of \$22.15 per unit, for total gross proceeds of approximately \$136.5 million (including the general partner's \$2.7 million proportionate capital contribution). As a result of the two offerings, the Company's ownership of Teekay Offshore has been reduced from 40.5% to 31.7% (including the Company's 2% general partner interest). Teekay maintains control of Teekay Offshore by virtue of its control of the general partner and continues to consolidate this subsidiary. As a result of these offerings, the Company recorded an increase to retained earnings of \$51.8 million, which represents the Company's dilution gain from the issuance of units in Teekay Offshore during the nine months ended September 30, 2010.

In April 2010, Teekay Tankers completed a public offering of 8.78 million common shares of its Class A Common Stock (including 1,079,000 common shares issued upon the partial exercise of the underwriter's overallotment option) at a price of \$12.25 per share, for gross proceeds of \$107.5 million. Teekay Tankers concurrently issued to Teekay 2,612,244 unregistered shares of Class A Common Stock at the April 2010 offering price as partial consideration for vessel acquisitions. As a result, the Company's ownership of Teekay Tankers was reduced from 42.2% to 37.1%. Teekay maintains voting control of Teekay Tankers through its ownership of shares of Teekay Tankers' Class A and Class B common stock and continues to consolidate this subsidiary. As a result of the offering, the Company recorded an increase to retained earnings of \$7.8 million, which represents the Company's dilution gain from the issuance of share in Teekay Tankers during the nine months ended September 30, 2010.

In July 2010, Teekay LNG completed a direct equity placement of 1.7 million common units at a price of \$29.18 per unit, for gross proceeds (including the general partner's \$1.0 proportionate capital contribution) of approximately \$51 million. As a result, the Company's ownership of Teekay LNG has been reduced from 49.2% to 47.7% (including the Company's 2% general partner interest). Teekay maintains control of Teekay LNG by virtue of its control of the general partner and continues to consolidate this subsidiary. As a result of the direct equity placement, the Company recorded an increase to retained earnings of \$10.7 million, which represents the Company's dilution gain from the issuance of units in Teekay LNG during the nine months ended September 30, 2010.

See Notes 21(a) and 21(e) to these unaudited consolidated financial statements for information relating to equity offerings by Teekay Tankers in October 2010 and Teekay Offshore in December 2010.

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**6. Intangible Assets and In-Process Revenue Contracts***Intangible Assets*

	Weighted-Average Amortization (Years)	Gross Carrying Amount \$	Accumulated Amortization \$	Net Carrying Amount \$
<b>As at September 30, 2010:</b>				
Customer contracts	14.0	354,919	(190,221)	164,698
Vessel purchase options		11,600		11,600
Other intangible assets	4.5	11,430	(6,721)	4,709
	13.3	377,949	(196,942)	181,007
<b>As at December 31, 2009:</b>				
Customer contracts	14.0	355,472	(171,838)	183,634
Vessel purchase options		23,900		23,900
Other intangible assets	2.8	20,731	(14,395)	6,336
	12.6	400,103	(186,233)	213,870

During the three and nine months ended September 30, 2010, the Company recognized a \$12.3 million write-down of a vessel purchase option as the option expired unexercised. The write-down is included in loss (gain) on sale of vessels and equipment, net of write-downs of intangible assets and vessels and equipment, on the consolidated statements of income (loss) and within the Company's conventional tanker segment. Aggregate amortization expense of intangible assets for the three and nine months ended September 30, 2010, was \$6.0 million (2009 \$8.5 million) and \$20.2 million (2009 \$25.6 million), respectively, which is included in depreciation and amortization. Amortization of intangible assets for the next five fiscal years is expected to be \$6.0 million (remainder of 2010), \$23.2 million (2011), \$19.1 million (2012), \$14.2 million (2013), \$13.2 million (2014) and \$105.3 million (thereafter).

***In-Process Revenue Contracts***

As part of the Company's previous acquisitions of Petrojarl ASA (subsequently renamed Teekay Petrojarl AS, or *Teekay Petrojarl*) and OMI Corporation (or *OMI*), the Company assumed certain FPSO service contracts and time charter-out contracts with terms that were less favorable than the then prevailing market terms. The Company has recognized a liability based on the estimated fair value of these contracts. The Company is amortizing this liability over the remaining terms of the contracts on a weighted basis based on the projected revenue to be earned under the contracts.

Amortization of in-process revenue contracts for the three and nine months ended September 30, 2010 was \$11.6 million (2009 \$18.9 million) and \$36.4 million (2009 \$56.7 million), respectively, which is included in revenues on the consolidated statements of income (loss). Amortization for the next five years is expected to be \$12.1 million (remainder of 2010), \$43.4 million (2011), \$41.0 million (2012) and \$37.7 million (2013), \$26.3 million (2014) and \$47.5 million (thereafter).

**7. Supplemental Cash Flow Information**

During the nine months ended September 30, 2010, an unrelated party contributed a shuttle tanker with a value of \$35.0 million to a subsidiary of the Company in exchange for a 33% equity interest in the subsidiary as described in

Note 11(d) to these unaudited consolidated financial statements. This contribution has been treated as a non-cash transaction in the Company's consolidated statement of cash flows.

### 8. Long-Term Debt

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<b>\$</b>	<b>\$</b>
Revolving Credit Facilities	1,797,842	1,975,360
Senior Notes (8.875%) due July 15, 2011	16,201	177,004
Senior Notes (8.5%) due January 15, 2020	446,497	
USD-denominated Term Loans due through 2022	1,798,832	1,837,980
Euro-denominated Term Loans due through 2023	383,444	412,417
USD-denominated Unsecured Demand Loan due to Joint Venture Partners	13,664	16,410
<b>Total</b>	<b>4,456,480</b>	<b>4,419,171</b>
Less current portion	303,398	231,209
Long-term portion	4,153,082	4,187,962

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As of September 30, 2010, the Company had 15 long-term revolving credit facilities (or the *Revolvers*) available, which, as at such date, provided for aggregate borrowings of up to \$3.4 billion, of which \$1.6 billion was undrawn. Interest payments are based on LIBOR plus margins; at September 30, 2010, the margins ranged between 0.45% and 3.25% (2009 0.45% and 3.25%). At September 30, 2010 and December 31, 2009, the three-month LIBOR was 0.29% and 0.25%, respectively. The total amount available under the Revolvers reduces by \$86.3 million (remainder of 2010), \$243.2 million (2011), \$353.3 million (2012), \$760.2 million (2013), \$789.1 million (2014) and \$1.2 billion (thereafter). The Revolvers are collateralized by first-priority mortgages granted on 63 of the Company's vessels, together with other related security, and include a guarantee from Teekay or its subsidiaries for all outstanding amounts.

In January 2010, the Company completed a public offering of senior unsecured notes due January 15, 2020 (or the *8.5% Notes*) with a principal amount of \$450 million. The 8.5% Notes were sold at a price equal to 99.181% of par and the discount is accreted using the effective interest rate of 8.625% per year. The Company capitalized issuance costs of \$9.4 million, which is recorded in other non-current assets in the consolidated balance sheet and is amortized over the term of the senior unsecured notes. The 8.5% Notes and the 8.875% senior unsecured notes due July 15, 2011 (or the *8.875% Notes*) rank equally in right of payment with all of Teekay's existing and future senior unsecured debt and senior to any future subordinated debt of Teekay. The 8.5% Notes and 8.875% Notes are not guaranteed by any of Teekay's subsidiaries and effectively rank behind all existing and future secured debt of Teekay and other liabilities, secured and unsecured, of its subsidiaries. During the nine months ended September 30, 2010, the Company repurchased a principal amount of \$160.5 million (2009 \$17.4 million) of the 8.875% Notes, using a portion of the proceeds of the 8.5% Notes offering, and recognized a loss on repurchase of \$12.6 million.

The Company may redeem the 8.5% Notes in whole or in part at any time before their maturity date at a redemption price equal to the greater of (i) 100% of the principal amount of the 8.5% Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 8.5% Notes to be redeemed (excluding accrued interest) discounted to the redemption date on a semi-annual basis, at the treasury yield plus 50 basis points, plus accrued and unpaid interest to the redemption date. In addition, at any time or from time to time prior to January 15, 2013, the Company may redeem up to 35% of the aggregate principal amount of the 8.5% Notes issued under the indenture with the net cash proceeds of one or more qualified equity offerings at a redemption price equal to 108.5% of the principal amount of the 8.5% Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date, provided certain conditions are met.

See Note 21(d) to these unaudited consolidated financial statements for information relating to a public offering of senior unsecured bonds by Teekay Offshore in November 2010.

As of September 30, 2010, the Company had 15 U.S. Dollar-denominated term loans outstanding, which totaled \$1.8 billion (December 31, 2009 \$1.8 billion). Certain of the term loans with a total outstanding principal balance of \$441.6 million, as at September 30, 2010 (December 31, 2009 - \$480.1 million) bear interest at a weighted-average fixed rate of 5.2% (December 31, 2009 5.2%). Interest payments on the remaining term loans are based on LIBOR plus a margin. At September 30, 2010, the margins ranged between 0.3% and 3.25% (December 31, 2009 0.3% and 3.25%). At September 30, 2010 and December 31, 2009, the three-month LIBOR was 0.29% and 0.25%, respectively. The term loan payments are made in quarterly or semi-annual payments commencing three or six months after delivery of each newbuilding vessel financed thereby, and 14 of the term loans have balloon or bullet repayments due at maturity. The term loans are collateralized by first-priority mortgages on 29 (December 31, 2009 30) of the Company's vessels, together with certain other security. In addition, at September 30, 2010, all but \$125.9 million (December 31, 2009 \$134.3 million) of the outstanding term loans were guaranteed by Teekay or its subsidiaries.

The Company has two Euro-denominated term loans outstanding, which, as at September 30, 2010, totaled 281.2 million Euros (\$383.4 million). The Company repays the loans with funds generated by two Euro-denominated long-term time-charter contracts. Interest payments on the loans are based on EURIBOR plus a margin. At September 30, 2010 and December 31, 2009, the margins ranged between 0.6% and 0.66% and the one-month



EURIBOR at September 30, 2010, was 0.63% (December 31, 2009 0.45%). The Euro-denominated term loans reduce in monthly payments with varying maturities through 2023 and are collateralized by first-priority mortgages on two of the Company's vessels, together with certain other security, and are guaranteed by a subsidiary of Teekay.

Both Euro-denominated term loans are revalued at the end of each period using the then prevailing Euro/U.S. Dollar exchange rate. Due substantially to this revaluation, the Company recognized an unrealized foreign exchange (loss) gain of \$(28.7) million and \$27.8 million during the three and nine months ended September 30, 2010 (2009 \$(26.0) million and \$(39.9) million).

The Company has one U.S. Dollar-denominated loan outstanding owing to a joint venture partner, which, as at September 30, 2010, totaled \$13.7 million, including accrued interest. Interest payments on the loan, which are based on a fixed interest rate of 4.84%, commenced in February 2008. This loan is repayable on demand no earlier than February 27, 2027.

The weighted-average effective interest rate on the Company's long-term aggregate debt as at September 30, 2010, was 2.3% (December 31, 2009 2.0%). This rate does not reflect the effect of related interest rate swaps that the Company has used to economically hedge its floating-rate debt (see Note 16).

Among other matters, the Company's long-term debt agreements generally provide for maintenance of certain vessel market value-to-loan ratios and minimum consolidated financial covenants. Certain loan agreements require that a minimum level of free cash be maintained and as at September 30, 2010 and December 31, 2009, this amount was \$100.0 million. Certain of the loan agreements also require that the Company maintain an aggregate level of free liquidity and undrawn revolving credit lines with at least six months to maturity, of at least 7.5% of total debt. As at September 30, 2010, this amount was \$238.8 million (December 31, 2009 \$230.3 million).

The aggregate annual long-term debt principal repayments required to be made by the Company subsequent to September 30, 2010, are \$70.1 million (remainder of 2010), \$346.7 million (2011), \$507.1 million (2012), \$349.7 million (2013), \$908.9 million (2014) and \$2.3 billion (thereafter).

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As at September 30, 2010, the Company was in compliance with all covenants related to the credit facilities and long-term debt.

**9. Capital Lease Obligations and Restricted Cash****Capital Lease Obligations**

	September 30, 2010 \$	December 31, 2009 \$
RasGas II LNG Carriers	470,594	470,138
Spanish-Flagged LNG Carrier	118,385	119,068
Suezmax Tankers	187,918	195,064
Total	776,897	784,270
Less current portion	44,750	41,016
Long-term portion	732,147	743,254

*RasGas II LNG Carriers.* As at September 30, 2010, the Company was a party, as lessee, to 30-year capital lease arrangements relating to three LNG carriers (or the *RasGas II LNG Carriers*) that operate under time-charter contracts with Ras Laffan Liquefied Natural Gas Co. Limited (II) (or *RasGas II*), a joint venture between Qatar Petroleum and ExxonMobil RasGas Inc., a subsidiary of ExxonMobil Corporation. The Company has a 70% share in the leases for the *RasGas II LNG Carriers*.

Under the terms of the *RasGas II LNG Carriers* capital lease arrangements, the lessor claims tax depreciation on the capital expenditures it incurred to acquire these vessels. As is typical in these leasing arrangements, tax and change of law risks are assumed by the lessee. Lease payments under the lease arrangements are based on certain tax and financial assumptions at the commencement of the leases. If an assumption proves to be incorrect, the lessor is entitled to increase the lease payments to maintain its agreed after-tax margin.

During 2008, the Company agreed under the terms of its tax lease indemnification guarantee to increase its capital lease payments for the three *RasGas II LNG Carriers* to compensate the lessor for losses suffered as a result of changes in tax rates. The estimated increase in lease payments is approximately \$8.1 million over the term of the lease, with a carrying value of \$7.7 million as at September 30, 2010. This amount is included as part of other long-term liabilities in the Company's consolidated balance sheets. In addition, the Company's carrying amount of the remaining tax indemnification guarantee is \$9 million and is also included as part of other long-term liabilities in the Company's consolidated balance sheets.

The tax indemnification is for the duration of the lease contract with the third party plus the years it would take for the lease payments to be statute barred, and ends in 2041. Although there is no maximum potential amount of future payments, the Company may terminate the lease arrangements at any time. If the lease arrangements terminate, the Company will be required to pay termination sums to the lessor sufficient to repay the lessor's investment in the vessels and to compensate it for the tax-effect of the terminations, including recapture of any tax depreciation.

At their inception, the weighted-average interest rate implicit in these leases was 5.2%. These capital leases are variable-rate capital leases. As at September 30, 2010, the commitments under these capital leases approximated \$1.0 billion, including imputed interest of \$0.6 billion, repayable as follows:

Year	Commitment
------	------------

Remainder of 2010	\$	6,000
2011	\$	24,000
2012	\$	24,000
2013	\$	24,000
2014	\$	24,000
Thereafter	\$	929,128

As the payments in the next five years only cover a portion of the estimated interest expense, the lease obligation will continue to increase. Starting in 2024, the lease payments will increase to cover both interest and principal to commence reduction of the principal portion of the lease obligations.

*Spanish-Flagged LNG Carrier.* As at September 30, 2010, the Company was a party, as lessee, to a capital lease on one Spanish-flagged LNG carrier (the *Spanish Flagged Carrier*), which is structured as a Spanish tax lease. Under the terms of the Spanish tax lease, which includes the Company's contractual right to full operation of the vessel pursuant to a bareboat charter, the Company will purchase the vessel at the end of the lease term in December 2011. The purchase obligation has been fully funded with restricted cash deposits described below. At its inception, the implicit interest rate was 5.8%. As at September 30, 2010, the commitments under this capital lease, including the purchase obligation, approximated 91.7 million Euros (\$125.1 million), including imputed interest of 8.6 million Euros (\$11.7 million), repayable as follows:

<b>Year</b>	<b>Commitment</b>
Remainder of 2010	26,918 Euros (\$36,700)
2011	64,825 Euros (\$88,382)

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*Suezmax Tankers.* As at September 30, 2010, the Company was a party, as lessee, to capital leases on five Suezmax tankers. Under the terms of the lease arrangements, the Company is required to purchase these vessels after the end of their respective lease terms in 2011 for a fixed price. At the inception of these leases, the weighted-average interest rate implicit in these leases was 7.4%. These capital leases are variable-rate capital leases; however, any change in the lease payments resulting from changes in interest rates is offset by a corresponding change in the charter hire payments received by the Company. As at September 30, 2010, the remaining commitments under these capital leases, including the purchase obligations, approximated \$203.7 million, including imputed interest of \$15.8 million, repayable as follows:

<b>Year</b>	<b>Commitment</b>
Remainder of 2010	\$ 5,892
2011	\$ 197,854

The Company's capital leases do not contain financial or restrictive covenants other than those relating to operation and maintenance of the vessels.

*FPSO Units.* As at September 30, 2010, the Company was a party, as lessee, to capital leases on one FPSO unit, the *Petrojarl Foinaven*, and the topside production equipment for another FPSO unit, the *Petrojarl Banff*. However, prior to being acquired by Teekay, Teekay Petrojarl legally defeased its future charter obligations for these assets by making up-front, lump-sum payments to unrelated banks, which have assumed Teekay Petrojarl's liability for making the remaining periodic payments due under the long-term charters (or *Defeased Rental Payments*) and termination payments under the leases.

The Defeased Rental Payments for the *Petrojarl Foinaven* were based on assumed Sterling LIBOR of 8% per annum. If actual interest rates are greater than 8% per annum, the Company receives rental rebates; if actual interest rates are less than 8% per annum, the Company is required to pay rentals in excess of the Defeased Rental Payments. For accounting purposes, this contract feature is an embedded derivative, and has been separated from the host contract and is separately accounted for as a derivative instrument.

As is typical for these types of leasing arrangements, the Company has indemnified the lessors of the *Petrojarl Foinaven* for the tax consequence resulting from changes in tax laws or interpretation of such laws or adverse rulings by authorities and for fluctuations in actual interest rates from those assumed in the leases.

**Restricted Cash**

Under the terms of the capital leases for the RasGas II LNG Carriers and the Spanish-Flagged LNG Carrier described above, the Company is required to have on deposit with financial institutions an amount of cash that, together with interest earned on the deposits, will equal the remaining amounts owing under the leases, including the obligations to purchase the Spanish-Flagged LNG Carrier at the end of the lease period, where applicable. These cash deposits are restricted to being used for capital lease payments and have been fully funded primarily with term loans (see Note 8).

As at September 30, 2010 and December 31, 2009, the amount of restricted cash on deposit for the three RasGas II LNG Carriers was \$477.9 million and \$479.4 million, respectively. As at September 30, 2010 and December 31, 2009, the weighted-average interest rates earned on the deposits were 0.6% and 0.4%, respectively. These rates do not reflect the effect of related interest rate swaps that the Company has used to economically hedge its floating-rate restricted cash deposit relating to the RasGas II LNG Carriers (see Note 16).

As at September 30, 2010 and December 31, 2009, the amount of restricted cash on deposit for the Spanish-Flagged LNG carrier was 87.5 million Euros (\$119.3 million) and 84.3 million Euros (\$120.8 million), respectively. As at September 30, 2010 and December 31, 2009, the weighted-average interest rate earned on these deposits was 5.1%.

The Company also maintains restricted cash deposits relating to certain term loans and other obligations, which totaled \$87.0 million and \$15.1 million as at September 30, 2010 and December 31, 2009, respectively. At September 30, 2010, \$72.3 million of the restricted cash related to a payment for a newbuilding vessel delivered on October 1, 2010.

## **10. Capital Stock**

The authorized capital stock of Teekay at September 30, 2010 and December 31, 2009, was 25.0 million shares of Preferred Stock, with a par value of \$1 per share, and 725.0 million shares of Common Stock, with a par value of \$0.001 per share. During the nine months ended September 30, 2010, the Company issued 0.3 million shares of common stock upon the exercise of stock options, and had no share repurchases. As at September 30, 2010, Teekay had 73,492,203 shares of Common Stock issued (December 31, 2009 73,193,545) and no shares of Preferred Stock issued. As at September 30, 2010, Teekay had 72,993,003 shares of Common Stock outstanding (December 31, 2009 72,694,345).

During 2008, Teekay announced that its Board of Directors had authorized the repurchase of up to \$200 million of shares of its Common Stock in the open market, subject to cancellation upon approval by the Board of Directors. As at September 30, 2010, Teekay had not repurchased any shares of Common Stock pursuant to such authorizations. The total remaining share repurchase authorization at September 30, 2010, was \$200 million.

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On July 2, 2010, the Company amended and restated its Stockholder Rights Agreement (the *Rights Agreement*), which was originally adopted by the Board of Directors in September 2000. In September 2000, the Board of Directors declared a dividend of one common share purchase right (a *Right*) for each outstanding share of the Company's common stock. These Rights continue to remain outstanding and will not be exercisable and will trade with the shares of the Company's common stock until after such time, if any, as a person or group becomes an acquiring person as set forth in the amended Rights Agreement. A person or group will be deemed to be an acquiring person, and the Rights generally will become exercisable, if a person or group acquires 20% or more of the Company's common stock, or if a person or group commences a tender offer that could result in that person or group owning more than 20% of the Company's common stock, subject to certain higher thresholds for existing stockholders that currently own in excess of 15% of the Company's common stock. Once exercisable, each Right held by a person other than the acquiring person would entitle the holder to purchase, at the then-current exercise price, a number of shares of common stock of the Company having a value of twice the exercise price of the Right. In addition, if the Company is acquired in a merger or other business combination transaction after any such event, each holder of a Right would then be entitled to purchase, at the then-current exercise price, shares of the acquiring company's common stock having a value of twice the exercise price of the Right. The amended Rights Agreement will expire on July 1, 2020, unless the expiry date is extended or the Rights are earlier redeemed or exchanged by the Company.

During March 2010, the Company granted 733,167 stock options with an exercise price of \$24.42 per share, 263,620 restricted stock units with a fair value of \$6.4 million, 87,054 performance shares with a fair value of \$2.1 million and 27,028 shares of restricted stock with a fair value of \$0.7 million to certain of the Company's employees and directors. Each stock option has a ten-year term and vests equally over three years from the grant date. Each restricted stock unit and performance share is equal in value to one share of the Company's common stock plus reinvested dividends from the grant date to the vesting date. The restricted stock units vest equally over two or three years from the grant date and the performance shares vest three years from the grant date. Upon vesting, the value of the restricted stock units and performance shares are paid to each grantee in the form of shares. The number of performance share units that vest will range from zero to three times the original number granted, based on certain performance and market conditions.

The weighted-average grant-date fair value of stock options granted during March 2010 was \$8.16 per option. The fair value of each stock option granted was estimated on the date of the grant using the Black-Scholes option pricing model. The following weighted-average assumptions were used in computing the fair value of the stock options granted: expected volatility of 52.7%; expected life of four years; dividend yield of 3.3%; risk-free interest rate of 2.6%; and estimated forfeiture rate of 9.8%. The expected life of the stock options granted was estimated using the historical exercise behavior of employees. The expected volatility was generally based on historical volatility as calculated using historical data during the five years prior to the grant date.

During February 2010, the Company modified settlement terms for its then outstanding restricted stock units, such that all restricted stock units will be paid in the form of shares. This modification decreased accrued liabilities by \$4.0 million, decreased other long-term liabilities by \$2.0 million, and increased additional paid-in capital by \$6.0 million.

## **11. Commitments and Contingencies**

### **a) Vessels Under Construction**

As at September 30, 2010, the Company was committed to the construction of three LPG carriers and three shuttle tankers, at a total cost of approximately \$472.0 million, excluding capitalized interest. The three LPG carriers are scheduled for delivery in 2011. One shuttle tanker delivered in October 2010 and the remaining two shuttle tankers are scheduled for delivery between April 2011 and July 2011. As at September 30, 2010, payments made towards these commitments totaled \$146.6 million (excluding \$21.0 million of capitalized interest and other miscellaneous construction costs), and long-term financing arrangements existed for \$325.4 million of the unpaid cost of these vessels. As at September 30, 2010, the remaining payments required to be made under these newbuilding contracts

were \$110.7 million (remainder of 2010) and \$214.7 million (2011).

**b) Joint Ventures**

The Company has a 33% interest in a joint venture that will charter four newbuilding 160,400-cubic meter LNG carriers for a period of 20 years to the Angola LNG Project, which is being developed by subsidiaries of Chevron Corporation, Sociedade Nacional de Combustiveis de Angola EP, BP Plc, Total S.A. and ENI SpA. Final award of the charter was made in December 2007. The vessels will be chartered at fixed rates, with inflation adjustments, commencing in 2011. The other members of the joint venture are Mitsui & Co., Ltd. and NYK Bulkship (Europe) Ltd., which hold 34% and 33% interests in the joint venture, respectively. In connection with this award, the joint venture has entered into agreements with Samsung Heavy Industries Co. Ltd. to construct the four LNG carriers at a total cost of approximately \$906.0 million (of which the Company's 33% portion is \$299.0 million), excluding capitalized interest. As at September 30, 2010, payments made towards these commitments by the joint venture company totaled \$203.8 million (of which the Company's 33% contribution was \$67.3 million), excluding capitalized interest and other miscellaneous construction costs. As at September 30, 2010, the remaining payments required to be made under these contracts were \$90.6 million (remainder of 2010), \$475.6 million (2011) and \$135.9 million (2012), of which the Company's share is 33% of these amounts. In accordance with existing agreements, the Company is required to offer to its subsidiary Teekay LNG its 33% interest in these vessels and related charter contracts, no later than 180 days before the scheduled delivery dates of the vessels. Deliveries of the vessels are scheduled between August 2011 and January 2012. The Company has also provided certain guarantees in relation to the performance of the joint venture company. The fair value of the guarantees was a liability of \$4.5 million and \$1.7 million, respectively, as at September 30, 2010 and December 31, 2009 and is included as part of other long-term liabilities in the Company's consolidated balance sheets.

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On September 30, 2010, Teekay Tankers entered into a 50/50 joint venture arrangement (the *Joint Venture*) with Wah Kwong Maritime Transport Holdings Limited (or *Wah Kwong*) to have a VLCC newbuilding constructed, managed and chartered to third parties. Teekay Tankers has a 50% economic interest in the Joint Venture, which is jointly controlled by Teekay Tankers and Wah Kwong. The VLCC has an estimated purchase price of approximately \$98 million (of which the Company's 50% portion is \$49 million), excluding capitalized interest and other miscellaneous construction costs. The vessel is expected to deliver during the second quarter of 2013. As at September 30, 2010, the remaining payments required to be made under this newbuilding contract, including the Wah Kwong's 50% share, was \$19.6 million (remainder of 2010), \$nil (2011), \$39.2 million (2012) and \$39.2 million (2013). As of September 30, 2010, the Joint Venture did not have any financing arrangements for these expenditures, although it expects to finance approximately \$70 million with commercial bank financing. Teekay Tankers and the Wah Kwong have each agreed to finance 50% of the costs to acquire the VLCC that are not financed with commercial bank financing. As of September 30, 2010, Teekay Tankers had not made any investments or advances to the Joint Venture, and made its first initial payment of \$9.8 million to the Joint Venture in late October 2010. A third party has agreed to time-charter the vessel for a term of five years at a daily rate and has also agreed to pay the Joint Venture 50% of any additional amounts if the daily rate of any sub-charter earned by the third party exceeds a certain threshold.

For the three and nine months ended September 30, 2010, the Company recorded equity (loss) income of \$(16.0) million and \$(40.5) million (2009 \$(8.9) and \$29.9 million), respectively. These amounts are included in equity (loss) income from joint ventures in the consolidated statements of income (loss). The income or loss was primarily comprised of the Company's share of the Angola LNG Project net income (loss) and the operations of the Company's 40% interest in four carriers that are accounted for under the equity method (or the *RasGas 3 LNG Carriers*). For the three and nine months ended September 30, 2010, \$(16.3) million and \$(47.0) million, respectively, of the equity (loss) gain relates to the Company's share of unrealized (loss) gain on interest rate swaps associated with these projects (2009 \$(10.2) million and \$23.1 million).

**c) Legal Proceedings and Claims**

The Company may, from time to time, be involved in legal proceedings and claims that arise in the ordinary course of business. The Company believes that any adverse outcome of existing claims, individually or in the aggregate, would not have a material effect on its financial position, results of operations or cash flows, when taking into account its insurance coverage and indemnifications from charterers.

**d) Redeemable Non-Controlling Interest**

During the nine months ended September 30, 2010, an unrelated party contributed a shuttle tanker with a value of \$35.0 million to a subsidiary of Teekay Offshore for a 33% equity interest in the subsidiary. The equity issuance resulted in a dilution loss of \$7.4 million. The non-controlling interest owner of Teekay Offshore's 67% owned subsidiary holds a put option which, if exercised, would obligate Teekay Offshore to purchase the non-controlling interest owner's 33% share in the entity for cash in accordance with a defined formula. The redeemable non-controlling interest is subject to remeasurement if the formulaic redemption amount exceeds the carrying value. No remeasurement was required as at September 30, 2010.

**e) Other**

The Company enters into indemnification agreements with certain officers and directors. In addition, the Company enters into other indemnification agreements in the ordinary course of business. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company maintains what it believes is appropriate liability insurance that reduces its exposure and enables the Company to recover future amounts paid up to the maximum amount of the insurance coverage, less any deductible amounts pursuant to the terms of the respective policies, the amounts of which are not considered material.

**12. Fair Value Measurements**



The following methods and assumptions were used to estimate the fair value of each class of financial instruments and other non-financial assets.

**Cash and cash equivalents, restricted cash and marketable securities** The fair value of the Company's cash and cash equivalents, restricted cash, and marketable securities approximates their carrying amounts reported in the accompanying consolidated balance sheets.

**Vessels held for sale** The fair value of the Company's vessels held for sale is based on selling prices of similar vessels and approximates their carrying amounts reported in the accompanying consolidated balance sheets.

**Investment in term loans** The fair value of the Company's investment in term loans is estimated using a discounted cash flow analysis, based on current rates currently available for debt with similar terms and remaining maturities. In addition, an assessment of the credit worthiness of the borrower and the value of the collateral is taken into account when determining the fair value.

**Loans to joint ventures and loans from joint venture partners** The fair value of the Company's loans to joint ventures and loans from joint venture partners approximates their carrying amounts reported in the accompanying consolidated balance sheets.

**Long-term debt** The fair value of the Company's fixed-rate and variable-rate long-term debt is either based on quoted market prices or estimated using discounted cash flow analyses, based on current rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the Company.

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**Derivative instruments** The fair value of the Company's derivative instruments is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, taking into account, as applicable, fixed interest rates on interest rate swaps, current interest rates, foreign exchange rates, and the current credit worthiness of both the Company and the derivative counterparties. For the Foinaven embedded derivative (see Note 9), the calculation of the fair value takes into account the fixed rate in the contract, current interest rates and foreign exchange rates. Given the current volatility in the credit markets, it is reasonably possible that the amounts recorded as derivative assets and liabilities could vary by material amounts in the near term.

The Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The estimated fair value of the Company's financial instruments and other non-financial assets and categorization using the fair value hierarchy for those financial instruments that are measured at fair value on a recurring basis is as follows:

	Fair Value Hierarchy Level <sup>(1)</sup>	September 30, 2010		December 31, 2009	
		Carrying Amount Asset (Liability) \$	Fair Value Asset (Liability) \$	Carrying Amount Asset (Liability) \$	Fair Value Asset (Liability) \$
Cash and cash equivalents, restricted cash, and marketable securities	Level 1	1,393,846	1,393,846	1,056,725	1,056,725
Vessels held for sale				10,250	10,250
Investment in term loans (note 3)		115,775	115,775		
Loans to joint ventures		10,791	10,791	21,998	21,998
Loans from joint venture partners		(44)	(44)	(1,294)	(1,294)
Long-term debt		(4,456,480)	(4,197,494)	(4,419,171)	(4,055,367)
Derivative instruments (note 16) <sup>(2)</sup>					
Interest rate swap agreements <sup>(3)</sup>	Level 2	(795,767)	(795,767)	(378,407)	(378,407)
Interest rate swap agreements <sup>(3)</sup>	Level 2	124,814	124,814	36,744	36,744
Foreign currency contracts	Level 2	10,122	10,122	10,461	10,461
Bunker fuel swap contracts	Level 2	(272)	(272)	612	612
Forward freight agreements	Level 2	2,256	2,256	(504)	(504)
Foinaven embedded derivative	Level 2	(10,922)	(10,922)	(8,769)	(8,769)

(1) The fair value hierarchy level is only applicable to each financial instrument on the

consolidated  
balance sheets  
that are recorded  
at fair value on a  
recurring basis.

(2) The Company  
transacts all of its  
derivative  
instruments  
through  
investment-grade  
rated financial  
institutions at the  
time of the  
transaction and  
requires no  
collateral from  
these institutions.

(3) The fair value of  
the Company's  
interest rate swap  
agreements at  
September 30,  
2010 includes  
\$31.9 million  
(December 31,  
2009  
\$28.5 million) of  
net accrued  
interest which is  
recorded in  
accrued liabilities  
on the  
consolidated  
balance sheet.

The Company has determined that other than vessels held for sale at December 31, 2009, there are no other non-financial assets or non-financial liabilities carried at fair value at September 30, 2010 and December 31, 2009. See Note 13 to these unaudited consolidated financial statements.

### **13. Vessel Sales and Write-downs on Vessels and Equipment**

#### **a) Vessel Sales**

During February 2010, the Company sold a 1992-built Aframax tanker, which was presented on the December 31, 2009 consolidated balance sheet as vessel held for sale. The vessel was part of the Company's conventional tanker segment. The Company realized a loss of \$0.2 million as a result of this vessel sale.

During April 2010, the Company sold a 1995-built Aframax tanker for \$17.3 million, which approximated the vessel net book value. The vessel was part of the Company's conventional tanker segment.

During August 2010, the Company sold a 1995-built Aframax tanker and a 1990-built Product tanker for \$17.2 million and \$4.0 million, respectively. The vessels were part of the Company's conventional tanker segment. The Company realized a loss of \$1.9 million as a result of the sale of the Aframax tanker. The proceeds from the sale of the Product tanker approximated the vessel net book value.



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**b) Vessels and Equipment Write-downs**

The Company's consolidated statements of income (loss) for the three and nine months ended September 30, 2010, includes a \$10.0 million write-down for impairment of certain shuttle tanker equipment, as the equipment carrying values exceeded their estimated fair values. Due to current economic developments it was determined that the shuttle tanker equipment may not generate the future cash flows that were anticipated when originally purchased. The shuttle tanker equipment was purchased for use in future shuttle tanker conversions or new shuttle tankers. The write-down is included within the Company's shuttle tanker and FSO segment.

**14. Other Income**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Volatile organic compound emission plant lease income	1,109	1,570	3,674	5,172
Miscellaneous income	933	1,368	2,068	4,247
Other income	2,042	2,938	5,742	9,419

**15. Accumulated Other Comprehensive Loss**

As at September 30, 2010 and December 31, 2009, the Company's accumulated other comprehensive loss consisted of the following components:

	September 30, 2010	December 31, 2009
	\$	\$
Unrealized gain on qualifying cash flow hedging instruments	1,505	2,923
Pension adjustments, net of tax recoveries	(9,533)	(10,294)
Unrealized gain on marketable securities	4,106	5,837
	(3,922)	(1,534)

**16. Derivative Instruments and Hedging Activities**

The Company uses derivatives to manage certain risks in accordance with its overall risk management policies.

**Foreign Exchange Risk**

The Company economically hedges portions of its forecasted expenditures denominated in foreign currencies with foreign currency forward contracts. Certain foreign currency forward contracts are designated, for accounting purposes, as cash flow hedges of forecasted foreign currency expenditures.

As at September 30, 2010, the Company was committed to the following foreign currency forward contracts:

**Fair Value / Carrying  
Amount**

- (1) Average  
forward rate

represents the  
contracted  
amount of  
foreign currency  
one U.S. Dollar  
will buy.

*Interest Rate Risk*

The Company enters into interest rate swaps which exchange a receipt of floating interest for a payment of fixed interest to reduce the Company's exposure to interest rate variability on its outstanding floating-rate debt. In addition, the Company holds interest rate swaps which exchange a payment of floating rate interest for a receipt of fixed interest in order to reduce the Company's exposure to the variability of interest income on its restricted cash deposits. The Company has not designated its interest rate swaps as cash flow hedges for accounting purposes.

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As at September 30, 2010, the Company was committed to the following interest rate swap agreements related to its LIBOR-based debt, restricted cash deposits and EURIBOR-based debt, whereby certain of the Company's floating-rate debt and restricted cash deposits were swapped with fixed-rate obligations or fixed-rate deposits:

	Interest Rate Index	Principal Amount \$	Fair Value / Carrying Amount of Asset / (Liability) <sup>(1)</sup> \$	Weighted- Average Remaining Term (Years)	Fixed Interest Rate (%) <sup>(2)</sup>
<b>LIBOR-Based Debt:</b>					
U.S. Dollar-denominated interest rate swaps <sup>(3)</sup>	LIBOR	441,339	(101,730)	26.3	4.9
U.S. Dollar-denominated interest rate swaps	LIBOR	3,347,744	(591,181)	9.1	4.6
U.S. Dollar-denominated interest rate swaps <sup>(4)</sup>	LIBOR	200,000	(58,446)	20.0	5.7
<b>LIBOR-Based Restricted Cash Deposit:</b>					
U.S. Dollar-denominated interest rate swaps <sup>(3)</sup>	LIBOR	472,001	124,814	26.3	4.8
<b>EURIBOR-Based Debt:</b>					
Euro-denominated interest rate swaps <sup>(5) (6)</sup>	EURIBOR	383,444	(44,410)	13.7	3.8

(1) The fair value of the Company's interest rate swap agreements includes \$31.9 million of accrued interest which is recorded in accrued liabilities on the consolidated balance sheet.

(2) Excludes the margins the Company pays on its variable-rate debt, which at of September 30, 2010 ranged from 0.30% to 3.25%.

(3) Principal amount reduces

quarterly.

- (4) Inception dates of swaps in 2011 (\$200.0 million).
- (5) Principal amount reduces monthly to 70.1 million Euros (\$95.6 million) by the maturity dates of the swap agreements.
- (6) Principal amount is the U.S. Dollar equivalent of 281.2 million Euros.

Spot Tanker Market Risk

In order to reduce variability in revenues from fluctuations in certain spot tanker market rates, from time to time the Company has entered into forward freight agreements (or *FFAs*). *FFAs* involve contracts to move a theoretical volume of freight at fixed-rates, thus attempting to reduce the Company's exposure to spot tanker market rates. As at September 30, 2010, the *FFAs* had an aggregate notional value of \$13.1 million, which is an aggregate of both long and short positions. These *FFAs* expire between October 2010 and December 2010. The Company has not designated these contracts as cash flow hedges for accounting purposes.

Commodity Price Risk

The Company enters into bunker fuel swap contracts relating to a portion of its bunker fuel expenditures. As at September 30, 2010, the Company was committed to contracts totalling 13,635 metric tonnes with a weighted-average price of \$455.65 per tonne. These bunker fuel swap contracts expire between October 2010 and December 2010. The Company has not designated these contracts as cash flow hedges for accounting purposes.



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Tabular Disclosure

The following table presents the location and fair value amounts of derivative instruments, segregated by type of contract, on the Company's consolidated balance sheets.

	<b>Current Portion of Derivative Assets</b>	<b>Derivative Assets</b>	<b>Accrued Liabilities</b>	<b>Current Portion of Derivative Liabilities</b>	<b>Derivative Liabilities</b>
<b>As at September 30, 2010:</b>					
Derivatives designated as a cash flow hedge:					
Foreign currency contracts	3,341	1,528		(1,238)	(4)
Derivatives not designated as a cash flow hedge:					
Foreign currency contracts	3,903	3,933		(1,276)	(63)
Interest rate swaps	16,720	103,742	(31,904)	(132,655)	(626,850)
Forward freight agreements	2,302			(47)	
Bunker fuel swap contracts				(272)	
Foinaven embedded derivative				(7,387)	(3,535)
	26,266	109,203	(31,904)	(142,875)	(630,452)
<b>As at December 31, 2009:</b>					
Derivatives designated as a cash flow hedge:					
Foreign currency contracts	11,697	250		(2,021)	(71)
Derivatives not designated as a cash flow hedge:					
Foreign currency contracts	1,351	174		(705)	(214)
Interest rate swaps	16,336	17,695	(28,499)	(133,224)	(213,971)
Forward freight agreements				(504)	
Bunker fuel swap contracts	612				
Foinaven embedded derivative				(7,316)	(1,453)
	29,996	18,119	(28,499)	(143,770)	(215,709)

For the periods indicated, the following table presents the effective portion of gains (losses) on foreign currency contracts designated and qualifying as cash flow hedges that was recognized in (1) accumulated other comprehensive income (or AOCI), (2) recorded in accumulated other comprehensive income (loss) during the term of the hedging relationship and reclassified to earnings, and (3) the ineffective portion of gains (losses) on derivative instruments designated and qualifying as cash flow hedges.

<b>Three Months Ended September 30, 2010</b>	<b>Three Months Ended September 30, 2009</b>
<b>Balance Sheet</b>	<b>Balance Sheet</b>

(AOCI) Effective Portion	Statement of Income (Loss)			(AOCI) Effective Portion	Statement of Income (Loss)		
	Effective Portion	Ineffective Portion			Effective Portion	Ineffective Portion	
15,108	(262)	94	Vessel operating expenses	22,980	(2,115)	2,979	Vessel operating expenses
	(1,218)	496	General and administrative expenses		(2,513)	2,615	General and administrative expenses
15,108	(1,480)	590		22,980	(4,628)	5,594	

Nine Months Ended September 30, 2010				Nine Months Ended September 30, 2009			
(AOCI) Effective Portion	Statement of Income (Loss)			(AOCI) Effective Portion	Statement of Income (Loss)		
	Effective Portion	Ineffective Portion			Effective Portion	Ineffective Portion	
(4,839)	(816)	(3,421)	Vessel operating expenses	43,910	(13,413)	9,675	Vessel operating expenses
	(2,561)	(1,240)	General and administrative expenses		(9,901)	6,304	General and administrative expenses
(4,839)	(3,377)	(4,661)		43,910	(23,314)	15,979	

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Realized and unrealized (losses) gains from derivative instruments that are not designated for accounting purposes as cash flow hedges, are recognized in earnings and reported in realized and unrealized (losses) gains on non-designated derivatives in the consolidated statements of income (loss). The effect of the (loss) gain on derivatives not designated as hedging instruments in the statements of income (loss) are as follows:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>		<b>\$</b>
Realized (losses) gains relating to:				
Interest rate swaps	(37,197)	(41,321)	(116,417)	(91,737)
Foreign currency forward contracts	(818)	(981)	(2,163)	(8,926)
Forward freight agreements and bunker fuel swap contracts	3,000	2,655	(1,356)	4,660
	(35,015)	(39,647)	(119,936)	(96,003)
Unrealized (losses) gains relating to:				
Interest rate swaps	(116,045)	(81,114)	(325,883)	164,333
Foreign currency forward contracts	17,837	2,060	5,784	15,227
Forward freight agreements and bunker fuel swap contracts	2,848	(916)	1,875	3,973
Foinaven embedded derivative	(2,866)	(2,047)	(2,153)	(4,464)
	(98,226)	(82,017)	(320,377)	179,069
Total realized and unrealized (losses) gains on non-designated derivative instruments	(133,241)	(121,664)	(440,313)	83,066

As at September 30, 2010, the Company's accumulated other comprehensive loss included \$1.5 million of unrealized gains on foreign currency forward contracts designated as cash flow hedges. As at September 30, 2010, the Company estimated, based on then current foreign exchange rates, that it would reclassify approximately \$0.2 million of net gains on foreign currency forward contracts from accumulated other comprehensive loss to earnings during the next 12 months.

The Company is exposed to credit loss in the event of non-performance by the counterparties to the foreign currency forward contracts, interest rate swap agreements, FFAs and bunker fuel swap contracts; however, the Company does not anticipate non-performance by any of the counterparties. In order to minimize counterparty risk, the Company only enters into derivative transactions with counterparties that are rated A- or better by Standard & Poor's or A3 or better by Moody's at the time of the transaction. In addition, to the extent possible and practical, interest rate swaps are entered into with different counterparties to reduce concentration risk.

**17. (Loss) Earnings Per Share**

<b>Three Months Ended September 30,</b>	<b>Nine Months Ended September 30,</b>
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