TEEKAY CORP
Form POSASR
January 15, 2010

Table of Contents

Registration Statement No. 333-164315
As filed with the Securities and Exchange Commission on January 15, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Post-Effective Amendment No. 1
to
Form F-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TEEKAY CORPORATION
(Exact name of Registrant as specified in its charter)

Republic of The Marshall Islands	**4412**	**98-0224774**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

4th Floor, Belvedere Building
69 Pitts Bay Road,
Hamilton, HM 08, Bermuda
Telephone: (441) 298-2530
Fax: (441) 292-3931
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Watson, Farley & Williams (New York) LLP
Attention: Daniel C. Rodgers
1133 Avenue of the Americas
New York, New York 10036
(212) 922-2200
(Name, address, including zip code, and telephone number, including area code, of agent for service)
Copies to:

Perkins Coie LLP	**Vinson & Elkins LLP**
Attention: David S. Matheson	**Attention: Catherine S. Gallagher**
1120 N.W. Couch Street, Tenth Floor	**1455 Pennsylvania Avenue, NW**
Portland, OR 97209-4128	**Washington, DC 20004**
(503) 727-2008	**(202) 639-6544**

Approximate date of commencement of proposed sale to the public: January 13, 2010

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. þ

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. þ

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per note	Proposed maximum aggregate offering price(1)	Amount of registration fee
Senior Notes due 2020	$450,000,000	100%	$450,000,000	$32,085(2)

(1) Estimated solely for the purpose of calculating the registration fee. The registration fee has been calculated in accordance with Rule 457(r) under the Securities Act of 1933.

(2) Includes $21,390 in registration fees already submitted to the Securities and Exchange Commission. The balance of the registration fee, or $10,695, is being paid on a deferred basis in reliance upon Rules 456(b) and 457(r).

Table of Contents

This preliminary prospectus relates to an effective registration statement but is not complete and may be changed. This preliminary prospectus is not an offer to sell these notes and is not soliciting an offer to buy these notes in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated January 15, 2010

Preliminary prospectus

Teekay Corporation

$450,000,000
% Senior Notes due 2020

Interest payable and

We are offering $450,000,000 aggregate principal amount of % Senior Notes due 2020. The notes will mature on , 2020. Interest on the notes will accrue from , 2010 and be payable on and of each year, commencing on , 2010.

We may redeem some or all of the notes at any time or from time to time at a redemption price that includes a make-whole premium, as described under the caption Description of notes Optional redemption. We may also redeem up to 35% of the notes prior to , 2013 with cash proceeds we receive from certain equity offerings. At your option, we may be required to repurchase the notes in whole or in part upon a change of control triggering event, as described under the caption Description of notes Covenants Repurchase of notes upon a change of control triggering event.

The notes will be our senior unsecured obligations and will rank equally with our other unsecured and unsubordinated debt from time to time outstanding. The notes will not be guaranteed by any of our subsidiaries. The notes will effectively rank behind all of our existing and future secured debt, to the extent of the value of the assets securing such debt. We are a holding company and the notes will effectively rank behind all existing and future debt and other liabilities of our subsidiaries.

Investing in the notes involves risks. You should carefully consider each of the factors described under Risk Factors beginning on page 29 of this prospectus before you invest in the notes.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Public offering price[1]	Underwriting discount	Proceeds, before expenses, to Teekay
Per note	$	%	$
Total	$	$	$

(1) Plus accrued interest, if any, from , 2010.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

We expect that delivery of the notes to purchasers will be made on or about , 2010 in book-entry form through The Depository Trust Company for the account of its participants, including Euroclear Bank, S.A./N.V. and Clearstream Banking, *société anonyme*.

Joint book-running managers

J.P. Morgan	**Citi**	**Deutsche Bank Securities**

Co-managers

BNP PARIBAS	**DnB NOR Markets**	**ING Wholesale**	**Scotia Capital**

The date of this prospectus is January , 2010.

You should rely only on the information contained in this prospectus and the documents incorporated by reference herein and any related free writing prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

Table of contents

Forward-looking statements

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements that are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, and the markets in which we operate. In some cases, you can identify the forward-looking statements by the use of words such as may, will, could, should, would, expect, plan, anticipate, intend, forecast, believe, estimate, predict, propose, potential, of these terms or other comparable terminology.

Forward-looking statements in this prospectus or incorporated by reference herein include, among others, statements about the following matters:

- our future financial condition or results of operations and future revenues and expenses;
- tanker market conditions and fundamentals, including the balance of supply and demand in these markets and spot tanker charter rates and oil production;
- offshore, liquefied natural gas (or *LNG*) and liquefied petroleum gas (or *LPG*) market conditions and fundamentals, including the balance of supply and demand in these markets;
- our future growth prospects;
- our expected benefits from the OMI acquisition;
- the sufficiency of our working capital for short-term liquidity requirements;
- future capital expenditure commitments and the financing requirements for such commitments;
- delivery dates of and financing for newbuildings, and the commencement of service of newbuildings under long-term time-charter contacts;
- potential newbuilding order cancellations;
- construction and delivery delays in the tanker industry generally;
- the future valuation of goodwill;
- the adequacy of restricted cash deposits to fund capital lease obligations;
- our compliance with covenants under our credit facilities;
- our ability to fulfill our debt obligations;
- compliance with financing agreements and the expected effect of restrictive covenants in such agreements;
- declining market values of our vessels and the effect on our liquidity;

operating expenses, availability of crew and crewing costs, number of off-hire days, drydocking requirements and durations and the adequacy and cost of insurance;

our ability to capture some of the value from the volatility of the spot tanker market and from market imbalances by utilizing forward freight agreements;

the ability of the counterparties to our derivative contracts to fulfill their contractual obligations;

our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term contracts;

the cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards applicable to our business;

the impact of future regulatory changes or environmental liabilities;

taxation of our company and of distributions to our stockholders;

the expected life-spans of our vessels;

the expected impact of heightened environmental and quality concerns of insurance underwriters, regulators and charterers;

anticipated funds for liquidity needs and the sufficiency of cash flows;

our hedging activities relating to foreign exchange, interest rate, spot market and bunker fuel risks;

the effectiveness of our risk management policies and procedures and the ability of the counterparties to our derivative contracts to fulfill their contractual obligations;

the potential for additional revenue from our *Petrojarl Varg* FPSO contract based on volume of oil produced;

the growth of global oil demand;

the recent economic downturn and financial crisis in the global market, including disruptions in the global credit and stock markets, and potential negative effects of any reoccurrence of such disruptions on our customers ability to charter our vessels and pay for our services;

our exemption from tax on our U.S. source international transportation income;

results of our discussions with certain customers to adjust the rate under our floating production, storage and offloading contracts;

our ability to competitively pursue new floating production, storage and offloading projects;

our competitive positions in our markets;

our business strategy and other plans and objectives for future operations; and

our ability to pay dividends on our common stock.

These and other forward-looking statements are subject to risks, uncertainties and assumptions, including those risks discussed in Risk Factors below and those risks discussed in other reports we file with the SEC and that are incorporated in this prospectus by reference, including, without limitation, our Annual Report on Form 20-F for the year ended December 31, 2008 and our Report on Form 6-K for the period ended September 30, 2009. The risks, uncertainties and

Table of Contents

assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control.

Forward-looking statements are made based upon management s current plans, expectations, estimates, assumptions and beliefs concerning future events affecting us and, therefore, involve a number of risks and uncertainties, including those risks discussed in Risk Factors, and the documents incorporated by reference herein. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

Table of Contents

Summary

The following summary highlights selected information contained elsewhere in this prospectus and the documents incorporated by reference herein and does not contain all the information that you should consider before deciding whether to invest in the notes. For a more complete understanding of Teekay Corporation and this offering of notes, we encourage you to carefully read this entire prospectus and the other documents incorporated by reference herein. Unless otherwise indicated or the context otherwise requires, references in this prospectus to Teekay, we, us and our and similar terms refer to Teekay Corporation and/or one or more of its subsidiaries, except that those terms, when used in this prospectus in connection with the notes described herein, shall mean specifically Teekay Corporation. References in this prospectus to Teekay Parent refer to the assets, liabilities, results of operations and cash flows of Teekay Corporation and its non-publicly traded subsidiaries, which is explained in further detail on page 21 in Summary financial and operating data. Financial and operating data of Teekay Parent are not calculated or presented in accordance with generally accepted accounting principles in the United States (or GAAP). Unless otherwise indicated, all references in this prospectus to dollars and $ are to, and amounts are presented in, U.S. Dollars, and financial information presented in this prospectus is prepared in accordance with GAAP. References in this prospectus to independent fleet owners or operators mean companies other than private or state controlled entities that operate their own fleets. Unless otherwise indicated, we include as long-term contracts those with an initial term of at least three years.

Overview

We are a leading provider of international crude oil and gas marine transportation services, and transport approximately 10% of the world s seaborne oil, primarily under long-term, fixed-rate contracts. We also offer offshore floating oil production, storage and off-loading services. With an owned and in-chartered fleet of 158 vessels (including 11 newbuildings), offices worldwide and approximately 6,300 seagoing and shore-based employees, we provide comprehensive marine services to the world s leading oil and gas companies, helping them link their upstream energy production to their downstream operations.

We are a market leader in each of the segments in which we operate. We are the third largest independent owner of liquefied natural gas (or *LNG*) carriers, with a fleet of 19 vessels (including four newbuildings) in addition to six liquefied petroleum gas (or *LPG*) carriers (including three LPG newbuildings). With a fleet of 39 shuttle tankers (including four newbuildings), we are the world s largest independent owner and operator of shuttle tankers and control over 50% of the worldwide shuttle tanker fleet. We are also one of the largest owners and operators of floating production, storage and off-loading (or *FPSO*) units in the North Sea, with four owned units currently operating in that region, in addition to a fifth owned FPSO unit operating off the coast of Brazil. During 2009, our FPSO units produced an average of approximately 95,000 barrels of oil per day under long-term contracts. With our fleet of 83 crude oil and petroleum product tankers, we are the largest owner and operator of mid-size conventional oil tankers. For the 12 months ended September 30, 2009, our total fleet generated revenues of approximately $2.4 billion, net revenues of approximately $2.0 billion, net loss of approximately $560.4 million and Adjusted EBITDA of $617.2 million. Please read Summary financial and operating data for reconciliations of our revenues to net revenues and of our net loss to Adjusted EBITDA.

Our customers include major international oil, energy and utility companies such as BP plc, Chevron Corporation, ConocoPhillips, ExxonMobil Corporation, Petroleo Brasileiro S.A. (or *Petrobras*), Ras

Table of Contents

Laffan Liquified Natural Gas Company Ltd. (a joint venture between ExxonMobil Corporation and the Government of Qatar), Repsol YPF S.A., Shell, Statoil ASA, Talisman Energy, Inc. and Total S.A. We believe that customers partner with us for logistically complex projects under long-term, fixed-rate contracts due to our extensive capabilities, diverse service offerings, global operations platform, financial stability and high quality fleet and customer service. As of December 31, 2009, 37 of our contracts with customers exceeded 10 years in duration, excluding options to extend.

Over the past decade, we have transformed from being primarily an owner of ships in the cyclical spot tanker sector to being a diversified supplier of logistics services in the Marine Midstream sector. This transformation has included, among other things:

Our entry into the LNG and LPG shipping sectors and into the offshore oil production, storage and transportation sectors;

The reorganization of certain of our assets through our formation of three publicly-traded subsidiaries, which are focused on growing specific core operating segments and have expanded our investor base and access to the capital markets; and

Expansion of our fixed-rate businesses. For the 12 months ended September 30, 2009, net revenues from fixed-rate contracts with an initial term of at least three years represented 69% of our total net revenues, compared to 41% of total net revenues in 2003. For the 12 months ended September 30, 2009, net revenues from fixed-rate contracts with an initial term of at least one year represented approximately 75% of our total net revenues. As of December 31, 2009, we had under contract a total of approximately $11.5 billion of forward, fixed-rate revenue, with a weighted-average remaining term of approximately 10.3 years (excluding options to extend).

Our three publicly-traded subsidiaries include: Teekay LNG Partners L.P. (NYSE: TGP) (or *Teekay LNG*), which we formed in 2005 and primarily operates in the LNG and LPG shipping sectors; Teekay Offshore Partners L.P. (NYSE: TOO) (or *Teekay Offshore*), which we formed in 2006 and primarily operates in the offshore oil production, storage and transportation sectors; and Teekay Tankers Ltd. (NYSE: TNK) (or *Teekay Tankers*), which we formed in 2007 and engages in the conventional tanker business. Teekay Parent, which essentially includes all our operations other than those of our publicly-traded subsidiaries, manages substantially all of the vessels in the total Teekay fleet and itself owns or in-charters a fleet of 65 vessels (including eight newbuildings), comprised of 52 conventional tankers, four FPSO units and one floating storage and offtake (or *FSO*) unit.

Through our flexible corporate structure, we have access to the debt and equity capital markets to grow each of our core businesses. Through vessel sales by Teekay Parent to its publicly-traded subsidiaries and public equity financing of such acquisitions by those subsidiaries, Teekay Parent reduced its net debt during the 12 months ended September 30, 2009 by approximately $300 million. In November 2009, Teekay Parent further reduced its net debt by repaying $160 million under one of its revolving credit facilities, using funds repaid to it by Teekay Offshore. As our publicly-traded subsidiaries continue to issue equity to finance their growth, structural mechanisms, including Teekay Parent s ownership of the sole general partnership interests in Teekay LNG and Teekay Offshore and its 100% ownership of Teekay Tankers supervoting Class B shares, provide Teekay Parent with a significant level of control over these entities. Certain of Teekay s officers and directors are also officers and directors of the publicly-traded subsidiaries or, as applicable, their general partners. Please read Certain relationships and related party transactions. Distributions Teekay Parent receives from these subsidiaries as well as cash flow generated by assets owned by Teekay Parent have further reduced its debt level. Please see Organizational structure for further information about our corporate structure.

Table of Contents

Although our corporate structure includes our three publicly-traded subsidiaries, our operations are divided into the following segments: the liquefied gas segment; the shuttle tanker and FSO segment; the FPSO segment and the conventional tanker segment (which we further divide into the fixed-rate tanker segment and the spot tanker segment).

Our liquefied gas segment includes our LNG and LPG operations, with all delivered vessels currently owned by Teekay LNG. All of our LNG and LPG carriers operate under long-term, fixed-rate time-charter contracts, with an average remaining term of approximately 17.2 years as of December 31, 2009 (excluding options to extend). This fleet totaled 25 carriers, including seven newbuildings on order, as of December 31, 2009.

Our FPSO segment includes five FPSO units, four of which are owned by Teekay Parent and one by Teekay Offshore. All of these units operate under long-term fixed-rate contracts. As of December 31, 2009, the average remaining term for our FPSO contracts was approximately 4.5 years (excluding options to extend).

Our shuttle tanker and FSO segment includes our shuttle tankers and FSO units, all of which generally operate under long-term, fixed-rate contracts. As of December 31, 2009, this fleet consisted of 39 shuttle tankers (including four newbuildings and eight in-chartered vessels), with contracts with an average remaining term of approximately 4.3 years (excluding options to extend), and six FSO units, with contracts with an average remaining term of approximately 4.9 years (excluding options to extend). All of the shuttle tankers and FSO units are owned or operated by Teekay Offshore, except for four Aframax newbuilding shuttle tankers on order and one FSO unit, which are owned by Teekay Parent. Our shuttle tanker fleet, including newbuildings on order, has a total capacity of approximately 4.7 million deadweight tonnes (or *dwt*) and represents more than 50% of the total world shuttle tanker fleet.

Our conventional tanker segment included 73 crude oil tankers and 10 product tankers, representing the world s largest fleet of mid-size conventional oil tankers. Of this fleet, 52 tankers are owned or operated by Teekay Parent and 31 tankers are owned by Teekay Tankers, Teekay LNG or Teekay Offshore. As of December 31, 2009, we had 42 conventional tankers employed on long-term, fixed-rate time charters, with an average remaining term of approximately 4.8 years (excluding options to extend). The remainder of our conventional tanker fleet operated in the spot tanker market as of December 31, 2009.

In our conventional tanker segment, we have developed a flexible commercial operating platform. Certain of our vessels in the spot tanker segment operate pursuant to commercial pooling arrangements which include our and third party vessels and are managed either solely or jointly by us. We believe the size and scope of our commercial pooling arrangements enhance our ability to secure backhaul voyages, which improves pool vessel utilization and generates higher effective time-charter equivalent (or *TCE*) rates per vessel than might otherwise be obtained in the spot market, while providing certain cost efficiencies and a higher overall service level to customers. As of December 31, 2009, an additional 27 tankers controlled by third parties operated in our commercial pools thereby increasing our overall footprint in the conventional tanker sector from 83 to 110 vessels.

Our size, reputation and operational capabilities provide opportunities for us to in-charter third party vessels to our fleet. This flexibility allows us to expand our spot market fleet size or, by not renewing in-charters, reduce the fleet size in response to market conditions. Since the fourth quarter of 2008, we have taken steps to reduce our exposure to the weakening spot tanker market, including redelivering in-chartered vessels, chartering out vessels on fixed-rate time-charter contracts and selling certain spot traded vessels. As a result, we reduced our quarterly in-charter hire expense by approximately $60 million for the quarter ended September 30, 2009 compared to the quarter ended September 30, 2008. Recent initiatives reduced our aggregate quarterly general and administrative and vessel operating expenses by $24 million, or approximately 11%, for the quarter ended September 30, 2009 compared to the quarter ended September 30, 2008.

Our competitive strengths

Market leadership in all business segments. We are a market leader in each of the segments in which we operate. Teekay LNG is the third largest independent owner of LNG carriers. We are the world s largest independent owner and operator of shuttle tankers and control over 50% of the world shuttle tanker fleet. We are also the largest owner and operator of FPSO units in the North Sea, with four units currently operating in that region, and a fifth FPSO unit operating off the coast of Brazil. In addition, we are the largest owner and operator of mid-sized conventional oil tankers. We believe our position as a market leader in these segments enhances our reputation, which, together with the scale, diversity and quality of our operations, provides us with further opportunities to retain and increase our market position.

Increased operating and financial stability through long-term, fixed-rate contracted revenue. Over the past decade, we have diversified our revenue and cash flow mix beyond the cyclical spot tanker market and significantly increased the amount and proportion of fixed-rate revenue. For the 12 months ended September 30, 2009, approximately 75% of our total net revenue was derived from fixed-rate contracts with an initial term of at least one year. As of December 31, 2009, approximately 83% of our total fleet operating days (on a ship-equivalent basis) for 2010 were subject to fixed-rate contracts with an initial term of at least one year. As of December 31, 2009, we had under contract a total of approximately $11.5 billion of forward, fixed-rate revenue with a weighted-average remaining term of approximately 10.3 years (excluding options to extend).

Strong credit profile, liquidity position and cash flows. Our focus on fixed-rate contracts has enabled us to secure significant recurring revenue and cash flows. As of September 30, 2009, approximately 79% of our consolidated total debt was being serviced by assets operating under long-term, fixed-rate contracts. After giving effect to (a) this offering and our intended use of the net offering proceeds as described in Use of proceeds and (b) the use of $90 million of net proceeds from Teekay LNG s November 2009 public offering of common units to repay indebtedness under one of its revolving credit facilities, of our $5.3 billion in consolidated debt as of September 30, 2009 ($4.6 billion net of restricted cash), approximately $4.2 billion ($3.6 billion net of restricted cash) was attributable to our three publicly-traded subsidiaries, of which approximately 83% (93% net of restricted cash) is non-recourse to Teekay Parent. As of December 31, 2009, and after giving effect to this offering and the intended use of the net offering proceeds, we would have had approximately $2.1 billion of available liquidity, consisting of cash on hand and undrawn revolving credit facilities, with approximately $1.1 billion of this liquidity at the Teekay Parent level. In addition, credit facilities are currently in place to cover 98% of our current newbuilding capital expenditure commitments. After giving effect to this offering and the intended use of the net offering proceeds, as of December 31, 2009, we would have had scheduled balloon debt repayments of $0 million, $265 million, $0 million and $388 million in 2010, 2011, 2012 and 2013, respectively. Although we have liquidity and cash flow to support a significant amount of our debt obligations, we generally plan to refinance our credit facilities in advance of their maturities. During the 12 months ended September 30, 2009, Teekay Parent reduced its net debt by approximately

Table of Contents

$300 million and its newbuilding capital commitments by nearly $350 million, primarily as a result of vessel sales to its publicly-traded subsidiaries (which were financed partially with equity offerings by each subsidiary), other vessel dispositions and cash flow generated from operations. In November 2009, Teekay Parent further reduced its net debt by repaying $160 million under one of its revolving credit facilities using funds repaid to it by Teekay Offshore .

Flexible corporate structure with increased access to capital markets. Three of our subsidiaries, Teekay LNG, Teekay Offshore and Teekay Tankers, are publicly-traded entities with structural features that provide Teekay Parent with a significant level of control over them. Our long-term objective is to continue to grow each of these subsidiaries through accretive acquisitions, primarily through vessel sales to them by Teekay Parent, and further reinforce market leadership within each sector in which these subsidiaries operate. Including the initial public offerings of Teekay LNG, Teekay Offshore and Teekay Tankers in May 2005, December 2006 and December 2007, respectively, and subsequent public offerings, we have raised over $1.3 billion in public equity through these subsidiaries, which they primarily used to fund vessel acquisitions from Teekay Parent. Teekay Parent has used these sales proceeds primarily to prepay debt. In addition, Teekay Parent is entitled to cash distributions on its general and limited partnership interests in Teekay LNG and Teekay Offshore and on its equity interest in Teekay Tankers. Teekay Parent also has certain rights to receive increasing percentages of cash distributions from these entities to the extent per unit or per share distributions increase as a result of accretive acquisitions or otherwise, which may further enhance Teekay Parent s cash flow.

Strong, long-term relationships with high credit quality customers. We have developed strong relationships with our customers, which include major international oil, energy and utility companies such as BP plc, Chevron Corporation, ConocoPhillips, ExxonMobil Corporation, Petrobras, Ras Laffan Liquified Natural Gas Company Ltd. (a joint venture between ExxonMobil Corporation and the Government of Qatar), Repsol YPF S.A., Shell, Statoil ASA, Talisman Energy, Inc. and Total S.A. We have never experienced a material default by a customer under a long-term, fixed-rate contract. We attribute the strength of our customer relationships, and the opportunity to partner with our customers on many long-term, logistically complex projects, to the diversity and depth of our service offerings, our reputation for consistent delivery of high-quality services and our financial stability. As of December 31, 2009, we had 37 customer contracts with terms exceeding 10 years, excluding options to extend.

Scale, diversity and high quality of service offerings. The size of, and broad range of vessel types in, our fleet of 158 vessels permit us to offer to customers a comprehensive range of midstream logistics services, including ship-based transportation, production and storage options. This has contributed to our playing an increasingly prominent role in our customers logistics chains by positioning us as a one-stop-shop for these services and providing economies of scale. We believe we are an industry leader in safety and environmental standards. We benefit from higher quality control over commercial and technical management due to our expertise in and ability to perform all significant functions in-house, such as operational and technical support, tanker maintenance, crewing, shipyard supervision, insurance and financial management services.

Experienced management team. The members of Teekay s senior management team have on average more than 20 years of experience in the shipping industry, including an average of approximately 11 years with Teekay. Our executives have experience managing through multiple economic cycles and expertise across commercial, technical, financial and other functional management areas of our business, which helps promote a focused marketing effort, stringent quality and cost controls, and effective operations and safety monitoring.

Table of Contents

Our business strategy

Maintain segment leading positions through increased customer adoption of our diversified service offerings and fleet growth. We offer to our customers a one-stop-shop for a comprehensive range of marine midstream logistical services. We have over 30 years experience in the oil tanker business and maintain worldwide operations. Since 2004, we have expanded our service offerings to include ship-based oil production and storage and marine transportation of LNG and LPG. Many of our customers use more than one of the types of major services we offer. By pursuing new customer relationships and leveraging existing relationships, we seek to continue to increase customer adoption of our diversified service offerings. We intend to continue to grow our fleet by pursuing growth opportunities through Teekay Parent and our publicly-traded subsidiaries. We also intend to maintain our leadership positions in the segments in which we operate by leveraging our established reputation for maintaining high standards of performance, reliability and safety.

Maintain a balanced chartering strategy to increase cash flow. We will continue to focus on entering into long-term, fixed-rate contracts with customers and expect that these contracts will continue to generate a substantial majority of our revenues and cash flows. We plan to continue to maintain some of our vessels in the spot market in order to take advantage of ongoing market opportunities. Our size, reputation and operational capabilities also provide opportunities for us to in-charter third party vessels, including vessels that may trade on the spot market. This provides us flexibility in expanding or, by not renewing in-charters, reducing our fleet size, in response to market conditions. In addition, through participating in and managing commercial pools of vessels, we seek to increase returns on our spot fleet and provide additional resources to our customers, without the need for additional capital investments.

Continue to increase cash flows and improve our financial position. We intend to continue to improve our cash flows and financial condition while capitalizing on attractive growth opportunities. As part of this strategy, Teekay Parent intends to continue to offer to sell additional vessels from time to time to its publicly-traded subsidiaries. We anticipate that these transactions, if accepted by the subsidiaries, will help Teekay Parent monetize these assets and reduce its debt level while maintaining operating control of the vessels through existing management agreements. Teekay Parent also has certain rights to receive increasing percentages of cash distributions from these entities to the extent per unit or per share distributions increase as result of accretive acquisitions or otherwise. We also intend to continue the strategy we employed throughout 2009 to increase profitability and cash flows through, among other measures, seeking to recontract certain FPSO units and shuttle tankers at more favorable rates and carefully managing our general and administrative and vessel operating expenses.

Expand offshore and gas operations in high growth regions. We continually monitor expansion opportunities in our existing and in new markets. In particular, we seek to expand our FPSO and FSO and shuttle tanker operations in growing offshore markets in which we currently operate, such as Brazil, the North Sea and Australia, and we intend to pursue opportunities in promising offshore markets where we do not regularly operate, such as the Arctic, Eastern Canada, the Gulf of Mexico, Africa, the Middle East and Southeast Asia. In addition, we seek to capitalize on opportunities emerging from the global expansion of the LNG and LPG sectors by selectively targeting long-term, fixed-rate charters with high credit quality customers.

Continue our focus on maintaining high quality, cost-effective marine operations. Our operational focus is to continue to be an industry leader in safety and risk management, to maintain cost-effective operations, to ensure high quality customer service with a large,

Table of Contents

diversified and well-maintained asset base, and to employ well-trained onshore and offshore staff. We believe achievement of these objectives allows us to deliver superior services to our customers. We apply key performance indicators to facilitate regular monitoring of our operational performance. We intend to continue to maintain all significant operating, commercial, technical and administrative functions in-house to ensure stringent operational and quality control. We believe these strategies will enhance our ability to obtain repeat business from our customers and attract new customers, as well as to operate our fleet with greater efficiencies.

Organizational structure

The following chart depicts our simplified organizational structure as of December 31, 2009. Vessel number information includes owned, in-chartered and newbuildings. Please read Fleet list.

(1) The partnership is controlled by its general partner. Teekay Corporation indirectly owns a 100% beneficial ownership in the general partner. However, in certain limited cases, approval of a majority of the unitholders of the partnership is required to approve certain actions.

(2) Teekay Tankers has two classes of shares: Class A common stock and Class B common stock. Teekay Corporation indirectly owns 100% of the Class B shares which have five votes each but aggregate voting power capped at 49%. As a result of Teekay Corporation s ownership of Class A and Class B shares, it currently holds aggregate voting power of 51.6%.

(3) Includes 48 vessels owned by Teekay Offshore Operating L.P.

Table of Contents

Fleet list

As of December 31, 2009, our total fleet consisted of 158 vessels, including in-chartered vessels and newbuildings on order but excluding vessels we commercially manage for third parties, as summarized in the following table:

	Number of vessels			
Teekay Corporation fleet list	**Owned vessels**	**Chartered-in vessels**	**Newbuildings**	**Total**
Teekay Parent fleet[(1)]				
Aframax tankers[(2)]	6	16		22
Suezmax tankers[(3)]	13	6		19
VLCC tankers		1		1
Product tankers	8	2		10
LNG carriers[(4)]			4	4
Shuttle tankers			4	4
FPSO units[(5)]	4			4
FSO units[(5)]	1			1
Total Teekay Parent fleet	32[(10)]	25	8	65
Teekay Offshore fleet				
Shuttle tankers[(6)]	27	8		35
FSO units[(7)]	5			5
FPSO unit	1			1
Aframax tankers[(8)]	11			11
Total Teekay Offshore fleet	44	8		52
Teekay LNG fleet				
LNG carriers[(9)]	15			15
LPG carriers	3		3	6
Suezmax tankers	8			8
Total Teekay LNG fleet	26		3	29

Teekay Tankers fleet				
Aframax tankers	9			9
Suezmax tankers	3			3
Total Teekay Tankers fleet	12			12
Total Teekay consolidated fleet	**114(10)**	**33**	**11**	**158**

(1) Excludes the fleet of Teekay Offshore Operating L.P. (or *OPCO*), which is owned 51% by Teekay Offshore and 49% by Teekay Parent. All of OPCO s 48 vessels are included within the Teekay Offshore fleet.

(2) Excludes nine vessels chartered-in from Teekay Offshore and one vessel chartered-in from Teekay Tankers.

(3) Includes one Suezmax tanker Teekay Parent has agreed to offer to Teekay Tankers by June 18, 2010.

(4) Excludes two LNG carriers chartered-in from Teekay LNG. Includes four LNG newbuildings on order in which Teekay Parent s ownership interest is 33%. Teekay Parent has agreed to offer to Teekay LNG its interest in these four vessels and related charter contracts no later than 180 days before the scheduled delivery dates of the vessels, which are between August 2011 and January 2012.

Table of Contents

(5) Teekay Parent has agreed to offer to Teekay Offshore any FPSO and FSO units that service contracts in excess of three years in duration.

(6) Includes two shuttle tankers owned directly by Teekay Offshore, including one vessel in which its ownership is 50%. Includes 25 shuttle tankers owned by OPCO (including five vessels in which OPCO s ownership is 50%) and eight vessels chartered-in by OPCO.

(7) Includes one FSO unit owned directly by Teekay Offshore and four units owned by OPCO, including one FSO unit in which OPCO s ownership is 89%.

(8) All these vessels are owned by OPCO. Includes two lightering vessels.

(9) Includes five LNG carriers in which Teekay LNG s ownership is 70% and four LNG carriers in which its ownership is 40%.

(10) Based on our most recent vessel valuations and current sale and purchase market conditions, we estimate that the fair market values of our owned fleet and of Teekay Parent s owned fleet, on a charter-free basis, are approximately $7.2 billion and $2.5 billion, respectively.

Industry overview

The following industry overview highlights recent growth trends and data provided by the International Energy Agency (or the *IEA*), the International Maritime Associates (or the *IMA*) and Clarkson Research Services Limited (or *CRSL*) for the sectors in which we operate. This summary should be read together with the discussion under the caption Business Industry Overview included elsewhere in this prospectus.

Liquefied natural gas shipping

The LNG industry continues to grow as natural gas remains one of the world s fastest growing primary energy sources. LNG carriers provide a cost-effective means for transporting natural gas by supercooling it into a liquid form, which reduces its volume to approximately 1/600th of its gaseous state. The IEA estimates that global demand of natural gas will grow from approximately 3,000 billion cubic meters (or *Bcm*) in 2007 to nearly 4,300 Bcm in 2030, representing a compounded annual growth rate (or *CAGR)* of 1.5%. The IEA anticipates that a resumption of economic growth in 2010, the favorable environmental and practical attributes of natural gas over other fossil fuels, and constraints on how quickly low-carbon energy technologies can be commercially developed, are expected to provide growth in demand for natural gas worldwide.

Between 2000 and 2007, the annual amount of LNG shipped internationally increased by a CAGR of 7.3%, from approximately 104 million metric tonnes (or *MMT)* per annum to 170.8 MMT per annum as a result of improvements in liquefaction and regasification technologies, decreases in LNG shipping costs and increases in demand from consuming regions located far from natural gas reserves. In its latest long-term energy outlook published in November 2009, the IEA forecasted that the global natural gas inter-regional trade would grow from 677 Bcm in 2007 to 1,070 Bcm in 2030 (a CAGR of approximately 2%), and that the percentage of this trade represented by LNG would grow from approximately 34% in 2007 to approximately 40% in 2030. Accordingly, global LNG inter-regional trade is expected to grow from 225 Bcm in 2007 to 425 Bcm in 2030 (a CAGR of approximately 3%).

The charts below illustrate the historical and projected volume of global inter-regional natural gas trade and demand for the periods and regions presented.

Table of Contents

World inter-regional natural gas trade

Global natural gas demand

Source: IEA World Energy Outlook, November 2009

LNG carriers are usually chartered to carry LNG pursuant to time-charter contracts, where a vessel is hired for a fixed period of time, typically between 20 and 25 years, and the charter rate is payable to the owner on a monthly basis at a fixed rate. LNG projects require significant capital expenditures and typically involve an integrated chain of dedicated facilities and cooperative activities. Accordingly, the overall success of an LNG project depends to a large extent on long-range planning and coordination of project activities, including marine transportation. As of January 1, 2010, the global LNG fleet consisted of 338 existing carriers and 43 newbuildings on order.

In recent years, niche opportunities for floating regasification and receiving terminals have developed in Brazil, Italy and the Middle East. There has also recently been increased demand for development of floating liquefaction projects and we expect this trend to continue.

Table of Contents

Offshore oil industry

Oil continues to be the world s primary energy source as it has been for a number of decades, with consumption of oil accounting for approximately 35% of global energy consumption. In November 2009, the IEA forecasted that world demand for liquid fuels and other petroleum would grow from approximately 85.0 million barrels per day (or *mb/*d) in 2008 to 105.2 mb/d in 2030, representing a CAGR of 1%.

The table below illustrates historical and projected future oil prices for the periods presented in nominal amounts and real amounts (i.e. nominal amounts adjusted for inflation).

Long-term oil price scenarios

Source: IEA World Energy Outlook, November 2009

As reflected in the chart above, the IEA projects oil prices to remain on an upward trend in its reference case, which is based on the assumption of a global economic recovery. The main factors driving upward trend in oil prices are the rising marginal cost of supply and demand growth in countries that are not members of the Organisation for Economic Co-operation and Development (or *OECD*). This trend is also a fundamental driver for offshore oil production.

Offshore oil production, in which oil is obtained from reservoirs beneath the ocean floor, is accounting for an increasing share of total global oil production. In particular, deepwater oil production is one of the fastest growing areas of the global oil industry and is replacing shallow water as the main focus of offshore oil field development. Deepwater oil production, characterized by wells located in water depths greater than 1,000 feet, has developed as conventional land-based or shallow-water reserves become depleted and exploration and production technologies have advanced to make oil extraction from deep water oil discoveries feasible. Shuttle tankers, FSO units and FPSO units are an important part of the supporting infrastructure for deepwater offshore development, as conventional offshore solutions, such as jackups and semi-submersibles, are generally better suited for shallow water oil production. Although the duration of FPSO contracts varies, it typically is between five and 15 years plus extension options. For smaller fields, FPSO units have generally been provided by independent FPSO contractors under life-of-field production contracts, where the contract s duration is for the useful life of the oil field. FPSO unit contracts generally provide for a fixed hire rate that is

Table of Contents

related to the cost of the unit, a fluctuating component based on either the amount of oil produced and processed by the unit, or both.

Brazil is a leading frontier in the offshore market where approximately 85% of oil production currently comes from offshore fields. Brazil s Petrobras has announced plans to double its oil production by 2020 and has started a large investment plan of approximately $174.4 billion out to 2013.

Based on IMA data, the demand for FPSO units and FSO units is projected to increase over the next few years. The main growth regions for new projects are expected to include Brazil, Africa, Australia and Southeast Asia. In addition to the large projects in these areas, there is a mixture of small and medium-sized projects which provide niche opportunities as well (e.g. harsh weather regions, heavy oil production).

The following table shows the number of offshore projects planned or under study as of November 2009.

170 projects involving floating production or storage systems are planned or under study (as of November 2009)

Source: IMA, November 2009

Table of Contents

The following table reflects forecast FPSO and FSO unit orders through 2014, and related estimated aggregate capital expenditures for those units, based on varying prices for oil per barrel.

Forecast of FPSO and FSO unit orders through 2014
(including redeployments)

Source: IMA, March 2009

Conventional oil tankers

Historically the conventional oil tanker industry has been cyclical in nature, experiencing volatility in profitability due to changes in the supply of and demand for tanker capacity, oil and oil products.

Table of Contents

The following charts illustrate spot charter rates, expressed as the quarterly average of daily TCE rates and time-charter (or *TC*) rates (for three-year, time-charter contracts) for double hull Suezmax and Aframax conventional oil tankers, as applicable, from 2007 to 2009. Information for January 2010 is based on average daily rates through January 8, 2010.

Suezmax Spot Charter TCE Rates vs. Three-Year TC Rates

Source: CRSL, January 2010

Aframax Spot Charter TCE Rates vs. Three Year TC Rates

Source: CRSL, January 2010

Table of Contents

2009 tanker market summary. According to CRSL, average Suezmax crude tanker spot market rates were $28,361 per day in 2009, which was lower than the average spot rate for the five-year period from 2004 through 2008 of $60,265 per day. Average Aframax crude tanker spot market rates were $15,780 per day in 2009, which was lower than the average spot rate for the five-year period from 2004 through 2008 of $42,044 per day. The global economic downturn, which resulted in the steepest oil demand contraction since the early 1980 s, coupled with the growth in the global tanker fleet, were the primary causes of the decline in rates in 2009. Since the end of the third quarter of 2009, spot rates have increased as a result of improving economic fundamentals, seasonal factors and the use of tankers for floating storage, which tightened active fleet supply.

2010 tanker market fundamentals.

The table below shows the growth in the global gross domestic product (or *GDP*) versus growth in demand for oil for the periods presented.

Global GDP vs. oil demand growth

Sources: IMF, October 2009
IEA, December 2009

Demand. In October 2009, the IMF estimated that global GDP will grow by 3.1% from 2009 to 2010, after contracting by 1.1% from 2008 to 2009. The global economic recovery is expected to be led to a large extent by energy-intensive Asian economies such as China and India. Vehicle sales in China in 2009 were 46% higher than sales in 2008. The IEA is currently forecasting global oil demand growth of 1.5 mb/d, or 1.7%, in 2010, approximately half of which is expected to come from emerging Asia and OECD North America, which are regions dependent on seaborne oil imports. Non-OPEC supply is estimated to grow by 0.3 mb/d in 2010, with a majority of this growth expected to come from the Former Soviet Union (or *FSU*) and Latin America, which is likely to increase medium-sized tanker demand. If non-OPEC oil supply growth is lower than estimated, that likely would further increase demand for longer-haul Middle East OPEC crude.

Supply. According to CRSL, during 2009, the global tanker fleet grew by 29.6 million deadweight tonnage (*or mdwt*), or 7%, as vessel deliveries totaled 48.2 mdwt and removals were 18.5 mdwt. The pace of tanker scrapping increased in the second half of 2009 in anticipation of 2010, which is the International Maritime Organization s mandated phase-out target for single-hull tankers. According to CRSL, as of January 1, 2010, the world tanker orderbook was 132.3 mdwt and there were 38.6 mdwt of existing single-hull tankers in the world fleet. Factors which could dampen tanker fleet supply growth in 2010 include:

higher than expected delivery delays, which is particularly relevant for the Suezmax sector where deliveries in 2009 totaled 7.1 mdwt compared to 10.9 mdwt expected at the beginning of the year;

a well-enforced single-hull tanker phase-out; and

potential tanker newbuilding order cancellations, particularly as tanker deliveries scheduled for 2010 and 2011 are the most expensive units currently on order.

Refinancing transaction

On January 12, 2010, we commenced a tender offer and consent solicitation (or the *Tender Offer*) for our outstanding 8.875% Senior Notes due 2011 (or the *8.875% Senior Notes*), of which $176.6 million in aggregate principal amount was outstanding as of December 31, 2009. Pursuant to the Tender Offer, we are (1) offering to purchase for cash any and all of the 8.875% Senior Notes validly tendered on or prior to the expiration date of the Tender Offer for a total consideration of up to $1,078 per $1,000 principal amount of 8.875% Senior Notes plus accrued and unpaid interest and (2) soliciting consents to certain proposed amendments to the indenture governing the 8.875% Senior Notes. The total consideration includes a tender offer premium of $60 and a consent payment of $18, in each case per $1,000 principal amount of 8.875% Senior Notes. The consent payment will only be paid for tenders made prior to 5:00 p.m., New York City time, on January 26, 2010 (as such date may be extended, the *Consent Payment Deadline*). The Tender Offer is scheduled to expire at 11:59 p.m., New York City time, on February 9, 2010 and is subject to the satisfaction of certain conditions, including our issuing indebtedness having an aggregate principal amount of at least $300 million in one or more debt financings on terms reasonably satisfactory to us and our receipt of valid tenders and consents from holders of not less than a majority in aggregate principal amount of the 8.875% Senior Notes. If the conditions to the Tender Offer have been satisfied on or prior to the Consent Payment Deadline, we expect to accept for purchase all 8.875% Senior Notes validly tendered and in respect of which consents have been validly delivered on or prior to the Consent Payment Deadline and purchase such 8.875% Senior Notes promptly thereafter.

This offering is not conditioned upon our completion of the Tender Offer. If any condition of the Tender Offer is not satisfied, we are not obligated to accept for purchase, or to pay for, any of the 8.875% Senior Notes tendered and may delay acceptance for payment of any tendered notes, in each case subject to applicable laws. We may also terminate, extend or amend the Tender Offer and may postpone the acceptance for purchase of, and payment for, the 8.875% Senior Notes tendered. This prospectus is not an offer to purchase the 8.875% Senior Notes. The Tender Offer is made only by and pursuant to the terms of an Offer to Purchase and Consent Solicitation Statement and the related Letter of Transmittal, each dated January 12, 2010, as the same may be amended or supplemented.

Table of Contents

Corporate information

The Teekay organization was founded in 1973. Teekay is incorporated under the laws of the Republic of The Marshall Islands and we maintain our principal executive headquarters at 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda. Our telephone number at such address is (441) 298-2530. Our principal operating office is located at Suite 2000, Bentall 5, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2K2. Our telephone number at such address is (604) 683-3529. We maintain a website at http://www.teekay.com. The information on our website is not part of this prospectus, and you should rely only on the information contained in this prospectus and the documents we incorporate by reference herein when making a decision as to whether to invest in the notes.

The offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of notes section of this prospectus contains a more detailed description of the terms and conditions of the notes.

Issuer	Teekay Corporation
Notes offered	$450 million principal amount of % Senior Notes due 2020.
Maturity	, 2020.
Issue price	%.
Interest payment dates	and of each year, commencing , 2010.
Ranking	The notes will rank equally in right of payment with all of our existing and future senior unsecured debt and senior to our existing and future subordinated debt. The notes will effectively rank behind all of our existing and future secured debt, to the extent of the value of the assets securing such debt. We are a holding company and the notes will effectively rank behind all existing and future debt and other liabilities of our subsidiaries. As of September 30, 2009 and after giving effect to (a) this offering and the proposed application of the net offering proceeds to (i) purchase all of the outstanding 8.875% Senior Notes in the Tender Offer and (ii) repay all amounts outstanding under a term loan and a portion of the borrowings outstanding under one of our revolving credit facilities as described in Use of proceeds, and (b) the use of $90 million of net proceeds from Teekay LNG s November 2009 public offering of common units to repay indebtedness under one of its revolving credit facilities, we would have had approximately $5.3 billion of debt on a consolidated basis, of which approximately $4.8 billion would have been debt of our subsidiaries, all of which is secured by assets of our subsidiaries and approximately $2.0 billion of which is guaranteed on an unsecured basis by Teekay Corporation (including obligations under capital leases secured by $470 million of restricted cash deposits). Our consolidated debt as of September 30, 2009 included obligations of our subsidiaries under capital leases secured by $627 million of restricted cash deposits. Of our consolidated debt, as of September 30, 2009, approximately $4.2 billion ($3.6 billion net of restricted cash) was attributable to our three publicly-traded subsidiaries, of which approximately 83% (93% net of restricted cash) is non-recourse to Teekay Parent. In addition to our consolidated debt, as of September 30, 2009, our total proportionate interest in debt of joint ventures we do not control was $398 million, of which Teekay Corporation has

Table of Contents

guaranteed $58.7 million and which otherwise is non-recourse to us.

As of September 30, 2009, and after giving effect to this offering and the proposed application of the net offering proceeds as described in Use of proceeds, Teekay Parent would have had approximately $1.3 billion of debt, of which $450 million would have been direct obligations of Teekay Corporation and $813 million would have been debt secured by assets of subsidiaries within Teekay Parent, all of which is guaranteed by Teekay. Please read Description of notes General.

If less than all of our 8.875% Senior Notes are purchased pursuant to the Tender Offer, Teekay Parent s senior unsecured debt will be higher.

For a more detailed description of our debt and that of Teekay Parent, please read Description of other indebtedness.

Guarantees The notes will not be guaranteed by any of our subsidiaries.

Additional amounts All payments with respect to the notes will be made without withholding or deduction for taxes imposed by the Republic of The Marshall Islands or any jurisdiction from or through which payment on the notes is made unless required by law or the interpretation or administration thereof, in which case, subject to certain exceptions, we will pay such additional amounts as may be necessary so that the net amount received by the holders after such withholding or deduction will not be less than the amount that would have been received in the absence of such withholding or deduction. Please read Description of notes Additional amounts.

Optional redemption We may redeem all or a portion of the notes at any time before their maturity date at a redemption price equal to the greater of (a) 100% of the principal amount of the notes to be redeemed and (b) the sum of the present value of the remaining scheduled payments of principal and interest discounted to the redemption date at the treasury yield plus 50 basis points. Please read Description of notes Optional redemption.

In addition, prior to , 2013, we may redeem up to 35% of the notes with the net proceeds of certain equity offerings at a redemption price equal to % of their principal amount plus accrued interest to the date of redemption. Please read Description of notes Redemption with proceeds from equity offerings.

Tax redemption If we become obligated to pay additional amounts under the notes as a result of changes affecting certain withholding taxes, we may redeem all, but not less than all, of the notes at 100% of their principal amount plus accrued interest to the date of redemption.

Table of Contents

	Please read Description of notes Redemption for changes in withholding taxes.
Change of control offer	Upon a Change of Control Triggering Event, which requires both a Change of Control and a Rating Decline (as defined herein), we will be obligated to make an offer to purchase all outstanding notes at a redemption price of 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase. Please read Description of notes Covenants Repurchase of notes upon a Change of Control Triggering Event.
Certain indenture provisions	The indenture governing the notes will contain covenants limiting our ability to: create liens; or merge, or consolidate or transfer, sell or lease all or substantially all of our assets. These covenants are subject to a number of important limitations and exceptions which are described under the heading Description of notes Covenants.
Use of proceeds	We intend to use the net proceeds from the issuance of the notes in this offering to fund the Tender Offer for all of our outstanding 8.875% Senior Notes and to repay a portion of the borrowings outstanding under one of our revolving credit facilities. Please read Use of proceeds.
Absence of public market for the notes	The notes will be new securities for which there is no market. There can be no assurance that an active trading market for the notes will develop, or, if it develops, will continue to exist. Although the underwriters have informed us that they currently intend to make a market in the notes, they are not obligated to do so, and any such market making may be discontinued at any time without notice. Accordingly, there can be no assurance as to the development or liquidity of any market for the notes.
Original issue discount	The notes may be issued with original issue discount for U.S. federal income tax purposes, referred to as *OID*. If the notes are issued with OID, U.S. holders will be required to include OID in gross income for U.S. federal tax purposes in advance of the receipt of cash attributable to that income, regardless of the holders method of accounting for U.S. federal income tax purposes. Please read Certain United States federal income tax considerations Tax consequences to U.S. holders Stated interest and OID on the notes.

Table of Contents

Summary financial and operating data

The following table presents, in each case for the periods and as at the dates indicated, (a) our summary consolidated financial and operating data and (b) certain summary financial and operating data of Teekay Parent.

The summary historical financial and operating data has been prepared on the following basis:

the historical consolidated financial and operating data as at and for the years ended December 31, 2006, 2007 and 2008 are derived from our audited consolidated financial statements and the notes thereto, which are included elsewhere in this prospectus;

the consolidated historical financial and operating data as at and for the nine months ended September 30, 2008 and 2009 are derived from our unaudited interim consolidated financial statements and the notes thereto, which, other than the unaudited interim consolidated balance sheet as at September 30, 2008, are included elsewhere in this prospectus.

Effective January 1, 2009 we adopted:

an amendment to Financial Accounting Standards Board (or *FASB*) Accounting Standards Codification (or *ASC*) 810, *Consolidation,* which requires that non-controlling interests in subsidiaries held by parties other than us be identified, labeled and presented in the consolidated balance sheet within equity, but separate from the stockholders equity. This amendment requires that the amount of consolidated net income (loss) attributable to the stockholders and to the non-controlling interest be clearly identified on the consolidated statements of income (loss). This amendment also requires that distributions from our publicly-traded subsidiaries to non-controlling interests are reflected as a financing cash outflow in our statements of cash flows; and

a new presentation format (the *Derivatives Reclassification*) for gains (losses) from our derivative instruments that are not designated for accounting purposes as cash flow hedges at inception. These gains (losses) are now reported in realized and unrealized gains (losses) on non-designated derivative instruments within our statements of income (loss) rather than being included in revenue, voyage expenses, vessel operating expenses, general and administrative expenses, interest expense, interest income and foreign exchange gain (loss).

FASB ASC 810 is required to be applied retroactively and we adopted the Derivatives Reclassification with retroactive effect. However, throughout this prospectus the adoption of this standard and presentation change are only reflected in:

our unaudited consolidated balance sheet as of September 30, 2009 and related unaudited balance sheet data as of September 30, 2008;

our unaudited consolidated statements of income (loss), comprehensive income (loss) and cash flows for the nine months ended September 30, 2009 and 2008;

our unaudited consolidated financial and operating data as of and for the nine months ended September 30, 2009 and 2008; and

the unaudited historical and as adjusted historical financial and operating data of us on a consolidated basis and of Teekay Parent, in each case for the 12 months ended September 30, 2009.

Other balance sheets, consolidated statements of income (loss), stockholders equity, cash flows and related financial and operating data as of and for each of the years in the three-year period ended December 31, 2008, or as of or for any other period referenced in this prospectus, have not been adjusted to reflect our adoption of the amendment to ASC 810 and the Derivatives Reclassification. The retroactive application of the adoption of the amendments to ASC 810 would have decreased our consolidated net loss by approximately $9.6 million for the year ended December 31, 2008 and would have increased our consolidated net income by approximately, $8.9 million and $6.8 million for the years ended December 31, 2007 and 2006, respectively. There would be no changes to net income resulting from the Derivative Reclassification.

the unaudited consolidated historical financial and operating data for the 12 months ended September 30, 2009 have been prepared by adding the data from our year-ended December 31, 2008 financial statements adjusted to reflect the adoption of the amendments to ASC 810 and the Derivatives Reclassification (the Adjusted December 31, 2008 consolidated financial statements) to the data in our unaudited interim consolidated financial statements for the nine months ended September 30, 2009, and subtracting our consolidated results of operations, cash flows and other data for the nine months ended September 30, 2008;

our as adjusted consolidated financial and operating data for the 12 months ended September 30, 2009 has been prepared by adjusting our historical consolidated financial and operating data for such period as prepared in the manner described in the immediately preceding bullet point to give effect to the following (the *Adjustments*): (i) $91.9 million of net proceeds received from Teekay LNG s public offering of 3.95 million common units in November 2009 and the application of $90.0 million of the net proceeds thereof to pay down a portion of one of its revolving credit facilities, (ii) Teekay Offshore s borrowing in November 2009 of $160.0 million under a new revolving credit facility and the use of such funds to pay down a portion of Teekay s revolving credit facilities, (iii) the repurchase of $17.4 million of our outstanding 8.875% Senior Notes for an aggregate price of $18.0 million in November 2009 and (iv) this offering and the intended use of the net offering proceeds as described in Use of proceeds, as if such events had occurred on October 1, 2008, and assuming that all remaining outstanding 8.875% Senior Notes are purchased in the Tender Offer and an interest rate of 9.0% on the notes issued in this offering; and

the as adjusted historical financial and operating data of Teekay Parent as at and for the 12 months ended September 30, 2009 have been prepared by subtracting from our historical consolidated financial and operating data for such period, as prepared in a manner described above, the combined historical results of operations, cash flows and other data of our publicly-traded subsidiaries Teekay Offshore, Teekay LNG and Teekay Tankers as at such date and for such period, and adjusting the results by the Adjustments. The historical results of operations and other data of our publicly-traded subsidiaries as at and for the 12 months ended September 30, 2009 have been prepared, for the purposes of preparing the Teekay Parent data described above, by (a) adding the results of operations, cash flows and other data for each such subsidiary as reflected in the Adjusted December 31, 2008 consolidated financial statements to the results of operations, cash flows and other data for each such subsidiary as reflected in its unaudited consolidated financial statements for the nine months ended September 30, 2009, and (b) subtracting the results of operations and other data for each subsidiary as reflected in its adjusted unaudited consolidated financial statements for the nine months ended September 30, 2008. These amounts are further adjusted to subtract the results of operations and cash flows of vessels sold from Teekay Parent to our publicly-traded subsidiaries for periods prior to the date the vessel was sold. The sale of vessels from Teekay Parent to our publicly-traded subsidiaries, both entities under common control, are accounted for by our publicly-traded subsidiaries as if the sale occurred from the date that the acquired vessels were first in control of Teekay Parent and had begun operations. Consequently, as a result of our further adjustment, vessels sold from Teekay Parent to our publicly-listed subsidiaries are reflected in Teekay Parent for the periods prior to the sale of the vessel and are reflected in our publicly-traded subsidiaries for periods subsequent to the sale of the vessel. The as adjusted financial and operating data of Teekay Parent reflects transactions with its publicly-traded subsidiaries.

Table of Contents

Interim results may not be indicative of full year results, and historical and as adjusted results may not be indicative of future results. Certain historical amounts have been reclassified to conform to the current presentation.

Because we control the general partner of each of Teekay Offshore and Teekay LNG, and because we hold a majority of the voting power of Teekay Tankers, the financial results of these entities are included in Teekay s consolidated financial results. However, Teekay Offshore, Teekay LNG and Teekay Tankers function with capital structures that are independent of each other and us, with each having publicly traded equity.

The table below includes four financial measures net revenues, EBITDA, Adjusted EBITDA and cash interest expense which we use in our business and are not calculated or presented in accordance with generally accepted accounting principles in the United States (or *GAAP*). We explain these measures and reconcile them to their most directly comparable financial measures calculated and presented in accordance with GAAP in notes 9, 10 and 13, respectively, for the three years ended December 31, 2006, 2007 and 2008 and the nine month periods ended September 30, 2008 and 2009 in the table below. In addition, the table includes historical and financial operating data of Teekay Parent, which are not calculated or presented in accordance with GAAP and are also reconciled to their most directly comparable financial measures presented in accordance into GAAP.

The following table should be read together with, and is qualified in its entirety by reference to, the historical consolidated financial statements and accompanying notes included or incorporated by reference in this prospectus. This table should also be read together with Management s discussion and analysis of financial condition and results of operations included or incorporated by reference in this prospectus.

		Year ended December 31,		Nine months ended September 30,		Twelve months ended September 30,
(in thousands, except ratios)	2006	2007	2008	2008 (unaudited)	2009 (unaudited)	2009 (unaudited)
Income statement data:						
Revenues[1]	$ 2,013,737	$ 2,395,507	$ 3,193,655	$ 2,432,123	$ 1,649,392	$ 2,446,712
Operating expenses:						
Voyage expenses[1][2]	522,957	527,308	758,388	572,685	225,253	410,956
Vessel operating expenses[1][3]	248,039	447,146	654,319	469,517	437,299	607,730
Time-charter hire expense	402,168	466,481	612,123	445,444	348,243	514,888
Depreciation and amortization	223,965	329,113	418,802	312,900	321,856	427,758
General and administrative expenses[1]	181,500	231,865	244,522	184,735	156,073	211,908
Gain on sale of vessels and equipment net of write-downs	(1,341)	(16,531)	(60,015)	(39,713)	(10,286)	(30,588)
Goodwill impairment charge[4]			334,165			334,165
Restructuring charges[5]	8,929		15,629	11,180	12,017	16,466
Total operating expenses	1,586,217	1,985,382	2,977,933	1,956,748	1,490,455	2,493,283
Income (loss) from vessel operations	427,520	410,125	215,722	475,375	158,937	(46,571)

Other items:						
Interest expenses[1]	(100,089)	(422,433)	(994,966)	(215,139)	(111,505)	(188,962)
Interest incomes[1]	31,714	110,201	273,647	73,408	15,894	39,597
Realized and unrealized (loss) gain on non-designated derivative instruments[1]				(125,542)	83,066	(364,307)
Other income (loss), net	(40,751)	(28,639)	(10,473)	(10,119)	(1,700)	(9,118)
Total other items	(109,126)	(340,871)	(731,792)	(277,392)	(14,245)	(522,790)
Net income before non-controlling interests and income taxes	318,394	69,254	(516,070)	197,983	144,692	(569,361)
Non-controlling interests[6]	(6,759)	(8,903)	(9,561)			
Income tax recovery (expense)	(8,811)	3,192	56,176	35,022	(12,174)	8,980
Net income (loss)[6]	$ 302,824	$ 63,543	$ (469,455)	233,005	132,518	(560,381)
Less: Net (income) loss attributable to non-controlling interests[6]				(51,587)	(33,902)	8,124
Net income (loss) attributable to stockholders of Teekay Corp.[6]				$ 181,418	$ 98,616	$ (552,257)

Table of Contents

(in thousands, except ratios)	Year ended December 31, 2006	2007	2008	Nine months ended September 30, 2008 (unaudited)	2009 (unaudited)	Twelve months ended September 30, 2009 (unaudited)
Balance sheet data: (at end of period)						
Cash and cash equivalents	$ 343,914	$ 442,673	$ 814,165	$ 875,613	$ 495,402	$ 495,402
Restricted cash[7]	679,992	686,196	650,556	734,704	652,938	652,938
Total vessels and equipment[8]	5,603,316	6,846,875	7,267,094	7,371,364	6,890,768	6,890,768
Total assets	8,110,329	10,418,541	10,215,001	11,700,259	9,662,233	9,662,233
Total long-term debt	3,252,677	5,263,584	4,952,792	6,111,837	4,518,729	4,518,729
Total obligations under capital leases	853,385	857,280	817,341	852,441	824,365	824,365
Non-controlling interest[6]	461,887	544,339	583,938	668,563	757,167	757,167
Total equity (excluding non-controlling interest)[6]	2,519,147	2,655,954	2,068,467			
Total equity (including non-controlling interest)[6]				3,454,341	2,955,584	2,955,584
Cash flow data:						
Net cash provided by (used in):						
Operating activities[6]	$ 520,785	$ 255,018	$ 431,847	$ 317,315	$ 298,300	$ 504,626
Financing activities[6]	299,256	2,114,199	767,878	945,798	(400,743)	(670,457)
Investing activities	(713,111)	(2,270,458)	(828,233)	(830,173)	(216,320)	(214,380)
Other financial data:						
Net revenues[1][9]	$ 1,490,780	$ 1,868,199	$ 2,435,267	$ 1,859,438	$ 1,424,139	$ 2,035,756
EBITDA[10]	603,975	701,696	614,490	652,614	562,159	7,762
Adjusted EBITDA[10]	630,408	660,485	882,868	686,334	420,687	617,221
Ratio of earnings to fixed charges[11][12]	3.1x	1.1x		1.7x	1.7x	N/A
Capital expenditures:						
Expenditures for vessels and equipment	$ (442,470)	$ (910,304)	$ (716,765)	$ (546,334)	$ (431,607)	$ (602,038)
Expenditures for drydocking	(31,120)	(85,403)	(101,511)	(60,905)	(58,815)	(99,421)
As adjusted financial data Consolidated:						
EBITDA[10]						$ 7,762
Adjusted EBITDA[10]						617,221
Cash interest expense[13]						278,404
Cash and cash equivalents						479,334
						4,608,690

Total debt (less restricted cash)[14]	
Ratio of total debt (less restricted cash) to Adjusted EBITDA[10][12][14]	7.5x
Ratio of total debt less total cash to Adjusted EBITDA[10][12][14]	6.7x
Ratio of Adjusted EBITDA to cash interest expense[10][13]	2.2x
As adjusted financial data Teekay Parent:	
EBITDA[10]	$ (327,975)
Adjusted EBITDA[10]	250,846
Cash distributions from public subsidiaries[15]	130,106
Cash distributions from OPCO[16]	54,427
Cash interest expense[13]	111,195
Cash and cash equivalents	227,839
Total debt (less restricted cash)[14][17]	1,100,256
Ratio of total debt (less restricted cash) to Adjusted EBITDA[10][14][17]	4.4x
Ratio of total debt less total cash to Adjusted EBITDA[10][14][17]	3.5x
Ratio of Adjusted EBITDA to cash interest expense[10][13]	2.3x

(1) If adjusted for the adoption of the Derivatives Reclassification, realized and unrealized gain (loss) on non-designated derivative instruments on the consolidated statement of income (loss) for the years ended December 31, 2008, 2007 and 2006 would be included as a separate line item on the statements of income (loss) rather than in revenue, voyage expenses, vessel operating expenses, general and administrative expenses, interest expense, interest income and foreign exchange gain (loss), respectively.

(2) Voyage expenses are all expenses unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions.

(3) Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses.

(4) Goodwill impairment charge was from a write-down of goodwill from the Teekay Petrojarl acquisition. Based on an impairment analysis, management concluded that the carrying value of goodwill in the FPSO segment exceeded its fair value by$334.2 million as of December 31, 2008. As a result, an impairment loss of $334.2 million has been recognized in our consolidated statement of income (loss) for the year ended December 31, 2008.

(5) Restructuring charges generally include costs relating to vessel reflaggings, crew changes, office closures, global staffing changes and business unit reorganization.

(6) If adjusted for the adoption of the FASB ASC 810 amendment, (a) non-controlling interest expense on our consolidated statements of income (loss) for the years ended December 31, 2008, 2007 and 2006 would be included as a component of net income and would be considered a reconciling item from net income to net income attributable to stockholders of Teekay Corp., (b) distributions from our publicly-traded subsidiaries to non-controlling interests would be reflected as a financing cash outflow in our statements of cash flows and (c) non-controlling interest on our balance sheets for the comparable periods would be included as a component of stockholders equity.

(7) Substantially all restricted cash deposits relate to Teekay LNG. Under certain capital lease arrangements, Teekay LNG maintains restricted cash deposits that, together with interest earned on the deposits, will equal the remaining scheduled payments it owes under the capital leases. The interest Teekay LNG receives from those deposits is used solely to pay interest associated with the capital leases, and the amount of interest it receives approximates the amount of interest it pays on the capital leases.

(8) Total vessels and equipment consists of (a) owned vessels, at cost less accumulated depreciation, (b) vessels under capital leases, at cost less accumulated amortization and (c) advances on newbuildings.

(9) Consistent with general practice in the shipping industry, we use net revenues (or revenues less voyage expenses) as a measure of equating revenues generated from voyage charters to revenues generated from time charters, which assists us in making operating decisions about the deployment of our vessels and their performance. Under time-charter contracts, the charterer typically pays the voyage expenses, whereas under voyage charter contracts the shipowner typically pays the voyage expenses. Some voyage expenses are fixed, and the remainder can be estimated. If we, as the shipowner, pay the voyage expenses, we typically pass the approximate amount of these expenses on to our customers by charging higher rates under the contract or billing the expenses to them. As a result, although voyage revenues from different types of contracts may vary, the net revenues after subtracting voyage expenses, or net revenues, are comparable across the different types of contracts. We principally use net revenues, a non-GAAP financial measure, because it provides more meaningful information than revenues, the most directly comparable GAAP financial measure. Net revenues are also widely used by investors and analysts in the shipping industry for comparing financial performance between companies in the shipping industry to industry averages. The following table reconciles net revenues with revenues.

	Year ended December 31,			**Nine months ended September 30,**		**Twelve months ended September 30,**
	2006	**2007**	**2008**	**2008**	**2009**	**2009**
(in thousands)				**(unaudited)**	**(unaudited)**	**(unaudited)**

Revenues	$ 2,013,737	$ 2,395,507	$ 3,193,655	$ 2,432,123	$ 1,649,392	$ 2,446,712
Voyage expenses	522,957	527,308	758,388	572,685	225,253	410,956
Net revenues	$ 1,490,780	$ 1,868,199	$ 2,435,267	$ 1,859,438	$ 1,424,139	$ 2,035,756

(10) EBITDA represents earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA before restructuring charges, unrealized foreign exchange gain (loss), gain on sale of vessels and equipment net of writedowns, goodwill impairment charge and amortization of in-process revenue contracts, realized losses (gains) on interest rate swaps, share of realized and unrealized losses (gains) on interest rate swaps in non-consolidated joint ventures, unrealized loss (gain) on derivative instruments, and non-controlling interest. EBITDA and Adjusted EBITDA are used as supplemental financial measures by management and by external users of our financial statements, such as investors, as discussed below.

Financial and operating performance. EBITDA and Adjusted EBITDA assist our management and security holders by increasing the comparability of our fundamental performance from period to period and against the fundamental performance of other companies in our industry that provide EBITDA or Adjusted EBITDA-based information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest expense, taxes, depreciation or amortization (or other items in determining Adjusted EBITDA), which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. We believe that including EBITDA and Adjusted EBITDA as a financial and operating measure benefits security holders in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength and health in assessing whether to continue to hold our equity, or debt securities, as applicable.

Liquidity. EBITDA and Adjusted EBITDA allow us to assess the ability of assets to generate cash sufficient to service debt, pay dividends and undertake capital expenditures. By eliminating the cash flow effect resulting from our existing capitalization and other items such as drydocking expenditures, working capital changes and foreign currency exchange gains and losses (which may very significantly from period to period), EBITDA and Adjusted EBITDA provide a consistent measure of our ability to generate cash over the long term. Management uses this information as a significant factor in determining (a) our proper capitalization (including assessing how much debt to incur and whether changes to the capitalization should be made) and (b) whether to undertake material capital expenditures and how to finance them, all in light of our dividend policy. Use of EBITDA and Adjusted EBITDA as liquidity measures also permits security holders to assess the fundamental ability of our business to generate cash sufficient to meet cash needs, including dividends on shares of our common stock and repayments under debt instruments.

Neither EBITDA nor Adjusted EBITDA should be considered as an alternative to net income, income from vessel operations, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA and Adjusted EBITDA exclude some, but not all, items that affect net income and operating income, and

Table of Contents

these measures may vary among other companies. Therefore, EBITDA and Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies.

The following table reconciles our historical consolidated EBITDA and Adjusted EBITDA to net income, and our historical consolidated Adjusted EBITDA to net operating cash flow.

	Historical consolidated					
	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
(in thousands)	2006	2007	2008	2008	2009	2009
Income statement data: Reconciliation of EBITDA and Adjusted EBITDA to Net income						
Net income (loss)	$ 302,824	$ 63,543	$ (469,455)	$ 233,005	$ 132,518	$ (560,381)
Income taxes	8,811	(3,192)	(56,176)	(35,022)	12,174	(8,980)
Depreciation and amortization	223,965	329,113	418,802	312,900	321,856	427,758
Interest expense, net of interest income	68,375	312,232	721,319	141,731	95,611	149,365
EBITDA	$ 603,975	$ 701,696	$ 614,490	$ 652,614	$ 562,159	$ 7,762
Restructuring charges	$ 8,929	$	$ 15,629	$ 11,180	$ 12,017	$ 16,466
Foreign exchange (gain) loss	50,416	39,912	(32,348)	(8,323)	39,900	15,992
Gain on sale of vessels and equipment net of writedowns	(1,341)	(16,531)	(60,015)	(39,713)	(10,286)	(30,588)
Goodwill impairment charge			334,165			334,165
Amortization of in-process revenue contracts	(22,404)	(70,979)	(74,425)	(55,733)	(56,719)	(75,411)
Unrealized loss (gains) on derivative instruments	(11,912)	(20,850)	38,724	95,366	(195,048)	239,869
Realized losses (gains) on interest rate swaps				28,361	91,737	101,662
Realized and unrealized losses (gains) on interest rate swaps in non-consolidated joint ventures			32,959	2,582	(23,073)	7,304
Realized gains (losses) on FX forwards	(4,014)	18,334	4,128			

Non-controlling interest	6,759	8,903	9,561			
Adjusted EBITDA	$ 630,408	$ 660,485	$ 882,868	$ 686,334	$ 420,687	$ 617,221
Reconciliation of Adjusted EBITDA to Net operating cash flow						
Net operating cash flow	$ 520,785	$ 255,018	$ 431,847	$ 317,315	$ 298,300	$ 504,626
Expenditures for drydocking	31,120	85,403	101,511	60,905	58,815	99,421
Interest expense, net of interest income	68,375	312,232	721,319	141,731	95,611	149,365
Change in non-cash working capital items related to operating activities	(50,360)	43,871	28,816	103,055	(132,802)	(207,041)
Gain on sale of marketable securities	1,422	9,577	4,576	4,576		
Writedown of marketable securities			(20,157)	(13,885)		(6,272)
Writedown of intangible assets			(9,748)		(1,076)	(10,824)
Loss on bond repurchase	(375)	(947)	(1,310)	(1,310)		
Equity income (loss) from joint ventures (net of dividends received)	(486)	(11,419)	(30,352)	(7,278)	26,914	3,840
Other net	(5,956)	28,586	17,532	48,083	2,851	(27,583)
Employee stock compensation	(9,297)	(9,676)	(14,117)	(8,981)	(8,607)	(13,743)
Restructuring charges	8,929		15,629	11,180	12,017	16,466
Unrealized (losses) gains on interest rate swaps and forward contracts	45,334	(119,905)	(491,559)			
Realized (losses) gains on interest rate swaps				28,361	91,737	101,662
Realized and unrealized losses (gains) on interest rate swaps in non-consolidated joint ventures			32,959	2,582	(23,073)	7,304
Realized gains (losses) on FX forwards	(4,014)	18,334	4,128			
Distributions from subsidiaries to non-controlling interests	24,931	49,411	91,794			
Adjusted EBITDA	$ 630,408	$ 660,485	$ 882,868	$ 686,334	$ 420,687	$ 617,221

Table of Contents

The following table reconciles for (a) Teekay on a consolidated basis and (b) Teekay Parent, both individually and with respect to each other, (i) Teekay s consolidated and Teekay Parent s EBITDA and Adjusted EBITDA to net income, each on an historical and as adjusted basis, and (b) Teekay s consolidated and Teekay Parent s Adjusted EBITDA to net operating cash flow, each on an historical and as adjusted basis. Teekay Parent s numbers, which are not calculated or presented in accordance with GAAP, are reconciled to Teekay s consolidated numbers for the twelve months ended September 30, 2009 which are the financial measures most directly comparable to GAAP measures.

The combined historical results of operations and other data of our publicly-traded subsidiaries (Teekay Offshore, Teekay LNG and Teekay Tankers) as at and for the 12 months ended September 30, 2009 has been prepared in the manner described above in this Summary financial and operating data.

	As adjusted Twelve months ended September 30, 2009 (unaudited)			
	Teekay consolidated	**Public subsidiaries**	**Adjustments**	**Teekay Parent**
(in thousands)				
Income statement data:				
Reconciliation of EBITDA and Adjusted EBITDA to Net loss				
Net Income (loss)	$ (580,786)	$ (6,521)		$ (574,265)
Interest expense, net of interest income	169,770	105,768		64,002
Income taxes	(8,980)	(7,721)		(1,259)
Depreciation and amortization	427,758	244,211		183,547
EBITDA	$ 7,762	$ 335,737		$ (327,975)
Cash distributions from public subsidiaries(15)	$	$	$ (130,106)	$ 130,106
Cash distributions from OPCO(16)			(54,427)	54,427
Restructuring charge	16,466	7,106		9,360
Foreign exchange (gain) loss	15,992	17,191		(1,199)
Gain on sale of vessels and equipment net of writedowns	(30,588)			(30,588)
Goodwill impairment charge	334,165			334,165
Amortization of in-process revenue contracts	(75,411)	(421)		(74,990)
Unrealized losses on derivative instruments	239,869	133,793		106,076
Realized losses (gains) on interest rate swaps	101,662	62,882		38,780
Realized losses (gains) on interest rate swaps in joint ventures	7,304	(5,380)		12,684
Adjusted EBITDA	$ 617,221	$ 550,908	$ (184,533)	$ 250,846

Reconciliation of Adjusted EBITDA to Net operating cash flow				
Net operating cash flow	$ 484,221	$ 411,367		$ 72,854
Expenditures for drydocking	99,421	47,542		51,879
Interest expense, net of interest income	169,770	105,768		64,002
Change in non-cash working capital items related to operating activities	(207,041)	(86,649)		(120,392)
Gain on sale of marketable securities				
Writedown of marketable securities	(6,272)			(6,272)
Writedown of intangible assets	(10,824)			(10,824)
Loss on bond repurchase				
Equity income (net of dividends received)	3,840	11,507		(7,667)
Other net	(27,583)	(2,865)		(24,718)
Employee stock compensation	(13,743)	(370)		(13,373)
Restructuring charges	16,466	7,106		9,360
Realized losses (gains) on interest rate swaps	101,662	62,882		38,780
Realized losses (gains) on interest rate swaps in joint ventures	7,304	(5,380)		12,684
Cash distributions from public subsidiaries[15]			(130,106)	130,106
Cash distributions from OPCO[16]			(54,427)	54,427
Adjusted EBITDA	$ 617,221	$ 550,908	$ (184,533)	$ 250,846

(11) This data is unaudited for all periods presented. For purposes of computing our ratio of earnings to fixed charges on a consolidated basis, earnings is the result of adding (a) pre-tax income from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees, (b) fixed charges, (c) amortization of capitalized interest, (d) distributed income of equity investees and subtracting interest capitalized. Fixed charges represent (i) interest expensed and capitalized, (ii) amortized premiums, discounts and capitalized expenses related to indebtedness, and (iii) interest within time charter hire expense. For the year ended December 31, 2008 the ratio of earnings to fixed charges was less than 1.0x. The amount of the deficiency for this period was $508.1 million.

(12) In addition to our consolidated debt, as of September 30, 2009, our total proportionate interest in debt of joint ventures we do not control was $398 million, of which Teekay Corporation has guaranteed $58.7 million and which otherwise is non-recourse to us.

Table of Contents

(13) Cash interest expense represents total interest expense less interest income and amortization of capitalized loan costs plus capitalized interest and realized losses on interest rate swaps. Management believes that cash interest expense, as a supplemental financial measure, is useful for analyzing the cash flow needs and debt service requirements of Teekay.

The following table reconciles cash interest expense, a non-GAAP financial measure, to interest expense, the most directly comparable GAAP financial measure, for Teekay on both a historical consolidated and as adjusted basis:

	Teekay consolidated Twelve months ended September 30, 2009 (unaudited)		
(in thousands)	Historical	Adjustments	As adjusted
Interest expense	$ 188,962	$ 19,257	$ 208,219
Interest income	(39,597)		(39,597)
Capitalized interest	15,502		15,502
Realized losses on interest rate swaps	101,662		101,662
Amortization of capitalized loan costs	(7,382)		(7,382)
Cash interest expense	$ 259,147	$ 19,257	$ 278,404

The following table reconciles cash interest expense to interest expense of Teekay on a consolidated basis and of Teekay Parent, both individually and with respect to each other, each on an as adjusted basis.

	Twelve months ended September 30, 2009 (unaudited)		
(in thousands)	Teekay consolidated, as adjusted	Public subsidiaries, as adjusted	Teekay Parent, as adjusted
Interest expense	$ 208,219	$ 137,426	$ 70,793
Interest income	(39,597)	(31,658)	(7,939)
Capitalized interest	15,502	2,096	13,406
Realized losses on interest rate swaps	101,662	62,882	38,780
Amortization of capitalized loan costs	(7,382)	(3,537)	(3,845)

Cash interest expense	$ 278,404	$ 167,209	$ 111,195

(14) The ratio of total debt (less restricted cash) to Adjusted EBITDA represents total debt less restricted cash as of September 30, 2009 divided by Adjusted EBITDA for the 12 months ended September 30, 2009. The ratio of total debt less total cash to Adjusted EBITDA represents total debt less total cash and restricted cash as of September 30, 2009 divided by Adjusted EBITDA for the 12 months ended September 30, 2009.

(15) The aggregate amount of cash distributions to Teekay Parent from Teekay Offshore, Teekay LNG and Teekay Tankers for 2006, 2007, 2008 and the nine months ended September 30, 2008 and 2009 was $43.5 million, $62.4 million, $119.1 million, $81.6 million and $92.6 million, respectively.

(16) Includes cash distributions to Teekay Parent based on its 49% ownership interest in OPCO, which is Teekay Offshore s primary operating subsidiary and which had a fleet of 48 vessels as of December 31, 2009. This interest is in addition to Teekay Parent s indirect ownership interest in OPCO through its ownership interest in Teekay Offshore. Teekay Parent received $54.4 million of distributions from OPCO during the 12 months ended September 30, 2009.

(17) Teekay Parent guarantees $737 million ($268 million net of restricted cash) of indebtedness of Teekay s publicly-traded subsidiaries.

Table of Contents

Risk factors

Investing in the notes involves risks. Before investing in the notes, you should carefully consider all of the information included or incorporated by reference into this prospectus. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations or affect the notes. If any of the risks described below or other risks incorporated by reference into this prospectus were to occur, our business, financial condition or operating results could be materially adversely affected.

Risks related to our ownership interests in Teekay Offshore, Teekay LNG and Teekay Tankers

We are not the only equity holders of Teekay Offshore, Teekay LNG and Teekay Tankers, and the respective partnership agreements of Teekay Offshore and Teekay LNG require them, and Teekay Tankers policy is, to distribute all available cash to their respective equity holders, including public unitholders and stockholders.

Teekay Offshore and Teekay LNG are publicly-traded limited partnerships and Teekay Tankers is a publicly-traded company. As of December 31, 2009, we indirectly owned:

a 40.5% partnership interest in Teekay Offshore (including a 2% general partner interest) and all incentive distribution rights of Teekay Offshore;

a 49.2% partnership interest in Teekay LNG (including a 2% general partner interest) and all incentive distribution rights of Teekay LNG; and

a 42.2% interest in Teekay Tankers (including 1.0 million shares of Class A Common Stock and 12.5 million shares of Class B Common Stock).

The remainder of the outstanding limited partner interests or capital stock in each of Teekay Offshore, Teekay LNG and Teekay Tankers are owned by public unitholders and stockholders. Although Teekay Offshore s and Teekay LNG s respective partnership agreements require them, and Teekay Tankers policy is, to distribute, on a quarterly basis, 100% of their available cash to their respective unitholders of record and their respective general partners or stockholders of record, as applicable, we are not the only limited partners of Teekay Offshore and Teekay LNG or the only stockholders of Teekay Tankers and, therefore, we receive only our proportionate share of cash distributions from each of Teekay Offshore, Teekay LNG and Teekay Tankers based on our partner interests or stockholdings in each of them. The remainder of the quarterly cash distributions is distributed, pro rata, to the public unitholders or stockholders.

For each of Teekay Offshore, Teekay LNG and Teekay Tankers, available cash is generally all cash on hand at the end of each quarter, after payment of fees and expenses and the establishment of cash reserves by their respective general partners or, in the case of Teekay Tankers, its board of directors. Although we own the general partner of each of Teekay Offshore and Teekay LNG and currently possess voting control of Teekay Tankers, Teekay Offshore s and Teekay LNG s respective general partners and Teekay Tankers board of directors determine the amount and timing of cash distributions by Teekay Offshore, Teekay LNG and Teekay Tankers, respectively, and have broad discretion to establish and make additions to the respective entity s reserves in amounts the general partner or board of directors determines to be necessary or appropriate:

- to provide for the proper conduct of partnership business and the businesses of its operating subsidiaries (including reserves for future capital expenditures and for anticipated future credit needs);
- for Teekay Offshore and Teekay LNG, to provide funds for distributions to the respective unitholders and the respective general partner for any one or more of the next four calendar quarters; or
- to comply with applicable law or any loan or other agreements.

Accordingly, cash distributions we receive on our ownership interests in Teekay Offshore and Teekay LNG may be reduced at any time, or we may not receive any cash distributions from these entities, which would in turn reduce our cash available to service our debt, including the notes.

The amount of cash that Teekay Offshore, Teekay LNG and Teekay Tankers will be able to distribute to its unitholders and stockholders, including Teekay, principally depends upon the amount of cash these entities can generate from their respective businesses.

The amount of cash that Teekay Offshore, Teekay LNG or Teekay Tankers will be able to distribute to its partners or stockholders, including Teekay, each quarter principally depends upon the amount of cash it can generate from its respective business. The amount of cash that Teekay Offshore, Teekay LNG and Teekay Tankers will generate may fluctuate from quarter to quarter based on, among other things, factors described under Risks relating to our business. A significant decline in the results of operations of Teekay Offshore, Teekay LNG or Teekay Tankers could reduce the amount of its distributions to its partners or stockholders, including Teekay.

In addition, the actual amount of cash that Teekay Offshore, Teekay LNG or Teekay Tankers will have available for distribution will depend on other factors, some of which are beyond its control, including:

- the level of capital expenditures it makes;
- the cost of any acquisitions;
- its debt service requirements;
- fluctuations in its working capital needs;
- restrictions on distributions contained in its debt agreements;
- prevailing economic conditions; and
- the amount of cash reserves established by its general partner or board of directors in its sole discretion for the proper conduct of its business.

Because of these factors, none of Teekay Offshore, Teekay LNG or Teekay Tankers may have sufficient available cash each quarter to continue paying distributions to their respective partners or stockholders, including us, at their current or historical levels or at all. The amount of cash that Teekay Offshore, Teekay LNG and Teekay Tankers have available for distribution

depends primarily upon their respective cash flow, including cash flow from financial reserves and working capital borrowings, and is not solely a function of profitability, which will be affected by non-cash items. As a result, Teekay Offshore, Teekay LNG or Teekay Tankers may make cash distributions during periods when it records losses and may not make cash distributions during periods when it records profits.

A reduction in Teekay Offshore s or Teekay LNG s distributions will disproportionately affect the amount of cash distributions to which Teekay is currently entitled as the holder of the incentive distribution rights of each partnership.

Teekay s ownership of the incentive distribution rights of Teekay Offshore and Teekay LNG entitles it to receive increasing percentages, up to 50%, of incremental quarterly cash distributions by Teekay Offshore and Teekay LNG. Recent quarterly distributions by each of Teekay Offshore and Teekay LNG have exceeded these thresholds and entitled Teekay to greater percentages of their respective cash distributions, including up to 25% of certain incremental distributions. A decrease in the amount of distributions per unit by Teekay Offshore or Teekay LNG below the incentive distribution rights thresholds would reduce Teekay s percentage of the incremental cash distributions. A decrease in the amount of distributions per unit by Teekay Offshore or Teekay LNG may be caused by a variety of circumstances, including if Teekay Offshore or Teekay LNG generates less cash available for distributions or if the board of directors of their respective general partners determines to create larger reserves in computing cash available for distribution. Even if cash available for distribution remained stable, Teekay Offshore or Teekay LNG may determine to modify the incentive distribution rights to reduce the percentage of incremental cash distributions such incentive distribution rights are entitled to receive.

Teekay will not receive cash distributions on its subordinated units of Teekay Offshore and Teekay LNG if distributions by those entities are less than their respective minimum quarterly distributions.

Teekay holds 9.8 million subordinated units of Teekay Offshore and 7.4 million subordinated units of Teekay LNG. Under the partnership agreements of Teekay Offshore and Teekay LNG, during the applicable subordination period for the subordinated units, the common units of Teekay Offshore or Teekay LNG will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.35 per quarter for Teekay Offshore (or approximately $3.4 million per quarter based on the current number of outstanding subordinated units) and $0.4125 per unit for Teekay LNG (or approximately $3.0 million per quarter based on the current number of outstanding subordinated units), plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on their subordinated units. Distribution arrearages do not accrue on the subordinated units. Accordingly, Teekay will not receive distributions on its subordinated units of Teekay Offshore and Teekay LNG during the subordination periods if the distributions are less than the respective minimum quarterly distributions. For the year ended December 31, 2008 and the nine months ended September 30, 2009, Teekay received $16.7 million and $13.2 million of distributions on its subordinated units from Teekay Offshore and $26.5 million and $14.7 million of distributions on its subordinated units from Teekay LNG.

Table of Contents

Each of Teekay Offshore, Teekay LNG and Teekay Tankers have issued significant amounts of additional common units or common shares to finance vessel acquisitions from Teekay, which have reduced Teekay s percentage ownership interest in these entities. In addition, Teekay Offshore, Teekay LNG and Teekay Tankers may issue additional limited partner interests or other equity securities, which may increase the risk that Teekay Offshore, Teekay LNG or Teekay Tankers will not have sufficient available cash to maintain or increase cash distribution levels to its unitholders or stockholders, including Teekay.

Teekay Offshore, Teekay LNG and Teekay Tankers each has discretion to issue additional limited partner interests or other equity securities on the terms and conditions established by its general partner or board of directors, as applicable. Since their respective initial public offerings, each of Teekay Offshore, Teekay LNG and Teekay Tankers has purchased vessels from Teekay and issued additional common units or common shares to the public to finance these acquisitions. Teekay is required to offer to Teekay Offshore, Teekay LNG and Teekay Tankers certain vessels for purchase, and intends to offer additional vessels for purchase from time to time. The issuance by Teekay Offshore, Teekay LNG or Teekay Tankers of additional common units, common shares or other equity securities to third parties to finance these or other vessel acquisitions, or otherwise:

- may increase the risk that Teekay Offshore or Teekay LNG will be unable to maintain or increase its quarterly cash distribution per unit, which in turn may reduce the amount of incentive distributions Teekay receives as the holder of incentive distribution rights of such entities; and

- will reduce Teekay s ownership interest in Teekay Offshore, Teekay LNG or Teekay Tankers, as applicable, which may reduce the amount of the quarterly cash distributions it receives.

Teekay may sell some or all of its equity interests in Teekay Offshore, Teekay LNG and Teekay Tankers.

Subject to compliance with the terms of the indenture governing the notes that restrict the sale of all or substantially all of Teekay s assets, Teekay may sell some or all of its equity interests in Teekay Offshore, Teekay LNG and Teekay Tankers without the consent of holders of the notes. The indenture will neither limit the consideration Teekay receives nor will it require Teekay to use the proceeds to repay indebtedness or make reinvestments. If Teekay sold its partner and equity interests in Teekay Offshore, Teekay LNG or Teekay Tankers, Teekay would no longer receive distributions in respect of the sold interests, and Teekay s cash available to service its debt, including the notes, may be adversely affected.

Conflicts of interest may arise because the respective boards of directors of the general partners of Teekay Offshore and Teekay LNG have a fiduciary duty to manage the general partners in a manner that is beneficial to their owners, and at the same time, in a manner that is beneficial to the respective unitholders of Teekay Offshore and Teekay LNG.

Teekay owns the respective sole general partners of Teekay Offshore and Teekay LNG. Each of the board of directors of these general partners owes a fiduciary duty to the respective unitholders of Teekay Offshore and Teekay LNG, and not just to Teekay as owner of the general partners. As a result of these potential conflicts, the boards of directors of the general partners of Teekay Offshore and Teekay LNG may favor the interests of the public unitholders of Teekay Offshore or Teekay LNG over the interests of Teekay as the owner of the general partners.

Table of Contents

None of Teekay Offshore, Teekay LNG or Teekay Tankers are subject to the provisions of the indenture governing the notes.

None of Teekay Offshore, Teekay LNG or Teekay Tankers is a guarantor of the notes or party to the indenture governing the notes. Each of these entities may, among other things, sell all or substantially all of its assets or, with respect to Teekay Offshore and Teekay LNG, modify the terms of their respective partnership agreements and incentive distribution rights owned by Teekay, in each case without the consent of holders of the notes.

Risks relating to our business

The cyclical nature of the tanker industry may lead to volatile changes in charter rates, which may adversely affect our earnings.

Historically, the tanker industry has been cyclical, experiencing volatility in profitability due to changes in the supply of, and demand for, tanker capacity and changes in the supply of and demand for oil and oil products. If the tanker market is depressed, our earnings may decrease, particularly with respect to our spot tanker segment (which includes vessels operating under charters with an initial term of less than three years), which accounted for approximately 34%, 43% and 26% of our net revenues during 2007, 2008 and the nine months ended September 30, 2009, respectively. Vessels in our spot tanker segment operating under charters with an initial term of less than one year accounted for approximately 25% of our net revenues during the 12 months ended September 30, 2009. The cyclical nature of the tanker industry may cause significant increases or decreases in the revenue we earn from our vessels and may also cause significant increases or decreases in the value of our vessels. The factors affecting the supply of and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

Factors that influence demand for tanker capacity include:

- demand for oil and oil products;
- supply of oil and oil products;
- regional availability of refining capacity;
- global and regional economic conditions;
- the distance oil and oil products are to be moved by sea; and
- changes in seaborne and other transportation patterns.

Factors that influence the supply of tanker capacity include:

- the number of newbuilding deliveries;
- the scrapping rate of older vessels;
- conversion of tankers to other uses;

the number of vessels that are out of service; and

environmental concerns and regulations.

Changes in demand for transportation of oil over longer distances and in the supply of tankers to carry that oil may materially affect our revenues, profitability and cash flows.

Changes in the oil and natural gas markets could result in decreased demand for our vessels and services.

Demand for our vessels and services in transporting oil, petroleum products and LNG depend upon world and regional oil and natural gas markets. Any decrease in shipments of oil, petroleum products or LNG in those markets could have a material adverse effect on our business, financial condition and results of operations. Historically, those markets have been volatile as a result of the many conditions and events that affect the price, production and transport of oil, petroleum products and LNG, and competition from alternative energy sources. A slowdown of the U.S. and world economies may result in reduced consumption of oil, petroleum products and natural gas and decreased demand for our vessels and services, which would reduce vessel earnings.

Changes in the spot tanker market may result in significant fluctuations in the utilization of our vessels and our profitability.

During 2007, 2008 and the nine months ended September 30, 2009, we derived approximately 34%, 43% and 26%, respectively, of our net revenues from the vessels in our spot tanker segment (which includes vessels operating under charters with an initial term of less than three years). Vessels in our spot tanker segment operating under charters with an initial term of less than one year accounted for approximately 25% of our net revenues during the 12 months ended September 30, 2009. Our spot tanker segment consists of conventional crude oil tankers and product carriers operating on the spot tanker market or subject to time charters, or contracts of affreightment priced on a spot-market basis or fixed-rate contracts with a term less than three years. Part of our conventional Aframax and Suezmax tanker fleets and our large and medium product tanker fleets are among the vessels included in our spot tanker segment. Our shuttle tankers may also trade in the spot tanker market when not otherwise committed to perform under time-charters or contracts of affreightment. Due to activity in the spot-charter market, declining spot rates in a given period generally will result in corresponding declines in operating results for that period.

The spot-charter market is highly volatile and fluctuates based upon tanker and oil supply and demand. The successful operation of our vessels in the spot-charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. During 2009, there have been periods when spot rates have declined below the operating cost of vessels. Before rebounding somewhat in the fourth quarter of 2009, spot tanker rates declined to multi-year lows in the third quarter of 2009, primarily due to the ongoing effects of reduced global oil demand coupled with tanker fleet growth. Future spot rates may not be sufficient to enable our vessels trading in the spot tanker market to operate profitably or to provide sufficient cash flow to service our debt obligations.

Table of Contents

Reduction in oil produced from offshore oil fields could harm our shuttle tanker and FPSO businesses.

As at December 31, 2009, we had 35 vessels operating in our shuttle tanker fleet and five FPSO units operating in our FPSO fleet. A majority of our shuttle tankers and all of our FPSO units earn revenue that depends upon the volume of oil we transport or the volume of oil produced from offshore oil fields. Oil production levels are affected by several factors, all of which are beyond our control, including:

geologic factors, including general declines in production that occur naturally over time;

the rate of technical developments in extracting oil and related infrastructure and implementation costs; and

operator decisions based on revenue compared to costs from continued operations.

Factors that may affect an operator s decision to initiate or continue production include: changes in oil prices; capital budget limitations; the availability of necessary drilling and other governmental permits; the availability of qualified personnel and equipment; the quality of drilling prospects in the area; and regulatory changes. In addition, the volume of oil we transport may be adversely affected by extended repairs to oil field installations or suspensions of field operations as a result of oil spills, operational difficulties, strikes, employee lockouts or other labor unrest. The rate of oil production at fields we service may decline from existing or future levels, and may be terminated, all of which could harm our business and operating results. In addition, if such a reduction or termination occurs, the spot tanker market rates, if any, in the conventional oil tanker trades at which we may be able to redeploy the affected shuttle tankers may be lower than the rates previously earned by the vessels under contracts of affreightment, which would also harm our business and operating results.

The redeployment risk of FPSO units is high given their lack of alternative uses and significant costs.

FPSO units are specialized vessels that have very limited alternative uses and high fixed costs. In addition, FPSO units typically require substantial capital investments prior to being redeployed to a new field and production service agreement.

Unless extended, certain of our FPSO production service agreements will expire during the next 10 years. Our clients may also terminate certain of our FPSO production service agreements prior to their expiration under specified circumstances. Any idle time prior to the commencement of a new contract or our inability to redeploy the vessels at acceptable rates may have an adverse effect on our business and operating results.

The duration of many of our shuttle tanker and FSO contracts is the life of the relevant oil field or is subject to extension by the field operator or vessel charterer. If the oil field no longer produces oil or is abandoned or the contract term is not extended, we will no longer generate revenue under the related contract and will need to seek to redeploy affected vessels.

Two of our shuttle tanker contracts have a life-of-field duration, which means that the contract continues until oil production at the field ceases. If production terminates for any reason, we no longer will generate revenue under the related contract. Other shuttle tanker and FSO contracts under which our vessels operate are subject to extensions beyond their initial

Table of Contents

term. The likelihood of these contracts being extended may be negatively affected by reductions in oil field reserves, low oil prices generally or other factors. If we are unable to promptly redeploy any affected vessels at rates at least equal to those under the contracts, if at all, our operating results will be harmed. Any potential redeployment may not be under long-term contracts, which may affect the stability of our business and operating results.

Charter rates for conventional oil and product tankers may fluctuate substantially over time and may be lower when we are attempting to recharter conventional oil or product tankers, which could adversely affect our operating results. Any changes in charter rates for LNG or LPG carriers, shuttle tankers or FSO or FPSO units could also adversely affect redeployment opportunities for those vessels.

Our ability to recharter our conventional oil and product tankers following expiration of existing time-charter contracts and the rates payable upon any renewal or replacement charters will depend upon, among other things, the state of the conventional tanker market. Conventional oil and product tanker trades are highly competitive and have experienced significant fluctuations in charter rates based on, among other things, oil, refined petroleum product and vessel demand. For example, an oversupply of conventional oil tankers can significantly reduce their charter rates. There also exists some volatility in charter rates for LNG and LPG carriers, shuttle tankers and FSO and FPSO units, which could also adversely affect redeployment opportunities for those vessels. As of December 31, 2009, we have 23 time-charter contracts covering our conventional tankers two time-charters covering our FPSO units, 10 time-charters covering our shuttle tankers and one time-charter covering an LNG carrier that expire during the next three years.

Over time, the value of our vessels may decline, which could adversely affect our operating results.

Vessel values for oil and product tankers, LNG and LPG carriers and FPSO and FSO units can fluctuate substantially over time due to a number of different factors. Vessel values may decline substantially from existing levels. If operation of a vessel is not profitable, or if we cannot re-deploy a chartered vessel at attractive rates upon charter termination, rather than continue to incur costs to maintain and finance the vessel, we may seek to dispose of it. Our inability to dispose of the vessel at a reasonable value could result in a loss on its sale and adversely affect our results of operations and financial condition. Further, if we determine at any time that a vessel s future useful life and earnings require us to impair its value on our financial statements, we may need to recognize a significant charge against our earnings.

Our growth depends on continued growth in demand for LNG and LPG and LNG and LPG shipping as well as offshore oil transportation, production, processing and storage services.

A significant portion of our growth strategy focuses on continued expansion in the LNG and LPG shipping sectors and on expansion in the shuttle tanker, FSO and FPSO sectors.

Expansion of the LNG and LPG shipping sectors depends on continued growth in world and regional demand for LNG and LPG and LNG and LPG shipping and the supply of LNG and LPG. Demand for LNG and LPG and LNG and LPG shipping could be negatively affected by a number of factors, such as increases in the costs of natural gas derived from LNG relative to the cost of natural gas generally, increases in the production of natural gas in areas linked by pipelines to consuming areas, increases in the price of LNG and LPG relative to other energy sources, the availability of new energy sources, and negative global or regional economic or political conditions. Reduced demand for LNG or LPG and LNG or LPG shipping would have a material adverse effect on future growth of our liquefied gas segment, and could harm that segment s results. Growth of the LNG and LPG markets may be limited by infrastructure constraints and community and environmental group resistance to new LNG and LPG infrastructure over concerns about the environment, safety and terrorism. If the LNG or LPG supply chain is disrupted or does not continue to grow, or if a significant LNG or LPG explosion, spill or similar incident occurs, it could have a material adverse effect on growth and could harm our business, results of operations and financial condition.

Expansion of the shuttle tanker, FSO and FPSO sectors depends on continued growth in world and regional demand for these offshore services, which could be negatively affected by a number of factors, such as:

- decreases in the actual or projected price of oil, which could lead to a reduction in or termination of production of oil at certain fields we service or a reduction in exploration for or development of new offshore oil fields;

- increases in the production of oil in areas linked by pipelines to consuming areas, the extension of existing, or the development of new, pipeline systems in markets we may serve, or the conversion of existing non-oil pipelines to oil pipelines in those markets;

- decreases in the consumption of oil due to increases in its price relative to other energy sources, other factors making consumption of oil less attractive or energy conservation measures;

- availability of new, alternative energy sources; and

- negative global or regional economic or political conditions, particularly in oil consuming regions, which could reduce energy consumption or its growth.

Reduced demand for offshore marine transportation, production, processing or storage services would have a material adverse effect on our future growth and could harm our business, results of operations and financial condition.

The intense competition in our markets may lead to reduced profitability or expansion opportunities.

Our vessels operate in highly competitive markets. Competition arises primarily from other vessel owners, including major oil companies and independent companies. We also compete with owners of other size vessels. Our market share is insufficient to enforce any degree of pricing discipline in the markets in which we operate and our competitive position may erode in the future. Any new markets that we enter could include participants that have greater financial strength and capital resources than we have. We may not be successful in entering new markets.

One of our objectives is to enter into additional long-term, fixed-rate time charters for our LNG and LPG carriers, shuttle tankers, FSO and FPSO units. The process of obtaining new long-term time charters is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. We expect substantial competition for providing services for potential LNG, LPG, shuttle tanker, FSO and FPSO projects from a number of experienced companies, including state-sponsored entities and major energy companies. Some of these competitors have greater experience in these markets and greater financial

Table of Contents

resources than do we. We anticipate that an increasing number of marine transportation companies, including many with strong reputations and extensive resources and experience will enter the LNG and LPG transportation, shuttle tanker, FSO and FPSO sectors. This increased competition may cause greater price competition for time charters. As a result of these factors, we may be unable to expand our relationships with existing customers or to obtain new customers on a profitable basis, if at all, which would have a material adverse effect on our business, results of operations and financial condition.

The loss of any key customer or its inability to pay for our services could result in a significant loss of revenue in a given period.

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of customers. One customer accounted for 14%, or $443.5 million, of our consolidated revenues during 2008 (20% or $472.3 million 2007 and 15% or $307.9 million 2006), and 14%, or $238.1 million, of our consolidated revenues during the nine months ended September 30, 2009. The loss of any significant customer or a substantial decline in the amount of services requested by a significant customer, or the inability of a significant customer to pay for our services, could have a material adverse effect on our business, financial condition and results of operations.

A recurrence of recent adverse economic conditions, including disruptions in the global credit markets, could adversely affect our results of operations.

The recent economic downturn and financial crisis in the global markets produced illiquidity in the capital markets, market volatility, heightened exposure to interest rate and credit risks and reduced access to capital markets in 2008 and the first half of 2009. We may face restricted access to the capital markets or secured debt lenders, such as our revolving credit facilities in the future. The decreased access to such resources could have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to substantial environmental and other regulations, which may significantly increase our expenses.

Our operations are affected by extensive and changing international, national and local environmental protection laws, regulations, treaties and conventions in force in international waters, the jurisdictional waters of the countries in which our vessels operate, as well as the countries of our vessels registration, including those governing oil spills, discharges to air and water, and the handling and disposal of hazardous substances and wastes. Many of these requirements are designed to reduce the risk of oil spills and other pollution. In addition, we believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will lead to additional regulatory requirements, including enhanced risk assessment and security requirements and greater inspection and safety requirements on vessels. We expect to incur substantial expenses in complying with these and future laws and regulations, including expenses for vessel modifications and changes in operating procedures.

These requirements can affect the resale value or useful lives of our vessels, require a reduction in cargo capacity, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in, certain ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations, in the event that there is a release of petroleum or other hazardous substances from our vessels or otherwise in connection with our operations. We could also become subject to personal injury or property damage claims relating to the release of or exposure to hazardous materials associated with our operations. In addition, failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations, including, in certain instances, seizure or detention of our vessels. For further information about regulations affecting our business and related requirements on us, please read Business Regulation.

We may be unable to make or realize expected benefits from acquisitions, and implementing our strategy of growth through acquisitions may harm our financial condition and performance.

A principal component of our strategy is to continue to grow by expanding our business both in the geographic areas and markets where we have historically focused as well as into new geographic areas, market segments and services. We may not be successful in expanding our operations and any expansion may not be profitable. Our strategy of growth through acquisitions involves business risks commonly encountered in acquisitions of companies, including:

- interruption of, or loss of momentum in, the activities of one or more of an acquired company s businesses and our businesses;
- additional demands on members of our senior management while integrating acquired businesses, which would decrease the time they have to manage our existing business, service existing customers and attract new customers;
- difficulties in integrating the operations, personnel and business culture of acquired companies;
- difficulties of coordinating and managing geographically separate organizations;
- adverse effects on relationships with our existing suppliers and customers, and those of the companies acquired;
- difficulties entering geographic markets or new market segments in which we have no or limited experience; and
- loss of key officers and employees of acquired companies.

Acquisitions may not be profitable to us at the time of their completion and may not generate revenues sufficient to justify our investment. In addition, our acquisition growth strategy exposes us to risks that may harm our results of operations and financial condition, including risks that we may: fail to realize anticipated benefits, such as cost-savings, revenue and cash flow enhancements and earnings accretion; decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions; incur additional indebtedness, which may result in significantly increased interest expense or financial leverage, or issue additional equity securities to finance acquisitions, which may result in significant shareholder dilution; incur or assume unanticipated liabilities, losses or costs associated with the business acquired; or incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

Table of Contents

The strain that growth places upon our systems and management resources may harm our business.

Our growth has placed and will continue to place significant demands on our management, operational and financial resources. As we expand our operations, we must effectively manage and monitor operations, control costs and maintain quality and control in geographically dispersed markets. In addition, our three publicly-traded subsidiaries have increased our complexity and placed additional demands on our management. Our future growth and financial performance will also depend on our ability to recruit, train, manage and motivate our employees to support our expanded operations and continue to improve our customer support, financial controls and information systems.

These efforts may not be successful and may not occur in a timely or efficient manner. Failure to effectively manage our growth and the system and procedural transitions required by expansion in a cost-effective manner could have a material adverse affect on our business.

Our insurance may not be sufficient to cover losses that may occur to our property or as a result of our operations.

The operation of oil and product tankers, LNG and LPG carriers, FSO and FPSO units is inherently risky. Although we carry hull and machinery (marine and war risk) and protection and indemnity insurance, all risks may not be adequately insured against, and any particular claim may not be paid. In addition, we do not generally carry insurance on our vessels covering the loss of revenues resulting from vessel off-hire time based on its cost compared to our off-hire experience. Any significant off-hire time of our vessels could harm our business, operating results and financial condition. Any claims relating to our operations covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. Certain of our insurance coverage is maintained through mutual protection and indemnity associations and as a member of such associations we may be required to make additional payments over and above budgeted premiums if member claims exceed association reserves.

We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A catastrophic oil spill or marine disaster could result in losses that exceed our insurance coverage, which could harm our business, financial condition and operating results. Any uninsured or underinsured loss could harm our business and financial condition. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our ships failing to maintain certification with applicable maritime self-regulatory organizations.

Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain. In addition, the insurance that may be available may be significantly more expensive than our existing coverage.

Table of Contents

Marine transportation is inherently risky, and an incident involving significant loss of or environmental contamination by any of our vessels could harm our reputation and business.

Our vessels and their cargoes are at risk of being damaged or lost because of events such as:

- marine disaster;
- bad weather;
- mechanical failures;
- grounding, fire, explosions and collisions;
- piracy;
- human error; and
- war and terrorism.

An accident involving any of our vessels could result in any of the following:

- death or injury to persons, loss of property or environmental damage or pollution;
- delays in the delivery of cargo;
- loss of revenues from or termination of charter contracts;
- governmental fines, penalties or restrictions on conducting business;
- higher insurance rates; and
- damage to our reputation and customer relationships generally.

Any of these results could have a material adverse effect on our business, financial condition and operating results.

Our operating results are subject to seasonal fluctuations.

We operate our conventional tankers in markets that have historically exhibited seasonal variations in demand and, therefore, in charter rates. This seasonality may result in quarter-to-quarter volatility in our results of operations. Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling, which historically has increased oil price volatility and oil trading activities in the winter months. As a result, our revenues have historically been weaker during the fiscal quarters ended June 30 and September 30, and stronger in our fiscal quarters ended March 31 and December 31.

Due to harsh winter weather conditions, oil field operators in the North Sea typically schedule oil platform and other infrastructure repairs and maintenance during the summer months. Because the North Sea is our primary existing offshore oil market, this seasonal repair and maintenance activity contributes to quarter-to-quarter volatility in our results of operations, as oil production typically is lower in the fiscal quarters ended June 30 and September 30 in this region compared with production in the fiscal quarters ended March 31 and December 31. Because a significant portion of our North Sea shuttle tankers operate under contracts of affreightment, under which revenue is based on the volume of oil transported, the results of

Table of Contents

our shuttle tanker operations in the North Sea under these contracts generally reflect this seasonal production pattern. When we redeploy affected shuttle tankers as conventional oil tankers while platform maintenance and repairs are conducted, the overall financial results for our North Sea shuttle tanker operations may be negatively affected if the rates in the conventional oil tanker markets are lower than the contract of affreightment rates. In addition, we seek to coordinate some of the general drydocking schedule of our fleet with this seasonality, which may result in lower revenues and increased drydocking expenses during the summer months.

We expend substantial sums during construction of newbuildings and the conversion of tankers to FPSOs or FSOs without earning revenue and without assurance that they will be completed.

We are typically required to expend substantial sums as progress payments during construction of a newbuilding, but we do not derive any revenue from the vessel until after its delivery. In addition, under some of our time charters if our delivery of a vessel to a customer is delayed, we may be required to pay liquidated damages in amounts equal to or, under some charters, almost double the hire rate during the delay. For prolonged delays, the customer may terminate the time charter and, in addition to the resulting loss of revenues, we may be responsible for additional substantial liquidated charges.

Substantially all of our newbuilding financing commitments have been pre-arranged. However, if we were unable to obtain financing required to complete payments on any of our newbuilding orders, we could effectively forfeit all or a portion of the progress payments previously made. As of December 31, 2009, we had 11 newbuildings on order with deliveries scheduled between 2010 and 2012. As of December 31, 2009, progress payments made towards these newbuildings, excluding payments made by our joint venture partners, totaled $283.3 million.

In addition, conversion of tankers to FPSOs and FSOs expose us to a numbers of risks, including lack of shipyard capacity and the difficulty of completing the conversion in a timely and cost effective manner. During conversion of a vessel, we do not earn revenue from it. In addition, conversion projects may not be successful.

We make substantial capital expenditures to expand the size of our fleet. Depending on whether we finance our expenditures through cash from operations or by issuing debt or equity securities, our financial leverage could increase or our stockholders could be diluted.

We regularly evaluate and pursue opportunities to provide the marine transportation requirements for various projects, and we have currently submitted bids to provide transportation solutions for LNG and LPG projects. We may submit additional bids from time to time. The award process relating to LNG and LPG transportation opportunities typically involves various stages and takes several months to complete. If we bid on and are awarded contracts relating to any LNG and LPG project, we will need to incur significant capital expenditures to build the related LNG and LPG carriers.

To fund the remaining portion of existing or future capital expenditures, we will be required to use cash from operations or incur borrowings or raise capital through the sale of debt or additional equity securities. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing

Table of Contents

or offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for necessary future capital expenditures could have a material adverse effect on our business, results of operations and financial condition. Even if we are successful in obtaining necessary funds, incurring additional debt may significantly increase our interest expense and financial leverage, which could limit our financial flexibility and ability to pursue other business opportunities. Issuing additional equity securities may result in significant stockholder dilution and would increase the aggregate amount of cash required to pay quarterly dividends.

Exposure to currency exchange rate and interest rate fluctuations results in fluctuations in our cash flows and operating results.

Substantially all of our revenues are earned in U.S. Dollars, although we are paid in Euros, Australian Dollars, Norwegian Kroner and British Pounds under some of our charters. A portion of our operating costs are incurred in currencies other than U.S. Dollars. This partial mismatch in operating revenues and expenses leads to fluctuations in net income due to changes in the value of the U.S. dollar relative to other currencies, in particular the Norwegian Kroner, the Australian Dollar, the Canadian Dollar, the Singapore Dollar, the Japanese Yen, the British Pound and the Euro. We also make payments under two Euro-denominated term loans. If the amount of these and other Euro-denominated obligations exceeds our Euro-denominated revenues, we must convert other currencies, primarily the U.S. Dollar, into Euros. An increase in the strength of the Euro relative to the U.S. Dollar would require us to convert more U.S. Dollars to Euros to satisfy those obligations.

Because we report our operating results in U.S. Dollars, changes in the value of the U.S. Dollar relative to other currencies also result in fluctuations of our reported revenues and earnings. Under U.S. accounting guidelines, all foreign currency-denominated monetary assets and liabilities, such as cash and cash equivalents, accounts receivable, restricted cash, accounts payable, long-term debt and capital lease obligations, are revalued and reported based on the prevailing exchange rate at the end of the period. This revaluation historically has caused us to report significant non-monetary foreign currency exchange gains or losses each period. For 2007 and 2008 and the nine months ended September 30, 2009, we had foreign exchange (losses) gains of $(39.9) million, $32.3 million and $(39.9) million, respectively. The primary source of these gains and losses is our Euro-denominated term loans.

Many seafaring employees are covered by collective bargaining agreements and the failure to renew those agreements or any future labor agreements may disrupt operations and adversely affect our cash flows.

A significant portion of our seafarers are employed under collective bargaining agreements. We may become subject to additional labor agreements in the future. We may suffer to labor disruptions if relationships deteriorate with the seafarers or the unions that represent them. Our collective bargaining agreements may not prevent labor disruptions, particularly when the agreements are being renegotiated. Salaries are typically renegotiated annually or bi-annually for seafarers and annually for onshore operational staff and may increase our cost of operation. Any labor disruptions could harm our operations and could have a material adverse effect on our business, results of operations and financial condition.

Table of Contents

We may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business.

Our success depends in large part on our ability to attract and retain highly skilled and qualified personnel. In crewing our vessels, we require technically skilled employees with specialized training who can perform physically demanding work. Competition to attract and retain qualified crew members is intense. If crew costs increase and we are not able to increase our rates to customers to compensate for any crew cost increases, our financial condition and results of operations may be adversely affected. Any inability we experience in the future to hire, train and retain a sufficient number of qualified employees could impair our ability to manage, maintain and grow our business.

Terrorist attacks, piracy, increased hostilities or war could lead to further economic instability, increased costs and disruption of our business.

Terrorist attacks, the current conflicts in Iraq and Afghanistan, and other current and future conflicts may adversely affect our business, operating results, financial condition, and ability to raise capital or future growth. Continuing hostilities in the Middle East may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the United States or elsewhere, which may contribute further to economic instability and disruption of oil, LNG and LPG production and distribution, which could result in reduced demand for our services. In addition, oil, LNG and LPG facilities, shipyards, vessels, pipelines and oil and gas fields could be targets of future terrorist attacks and our vessels could be targets of pirates or hijackers. Any such attacks could lead to, among other things, bodily injury or loss of life, vessel or other property damage, increased vessel operational costs, including insurance costs, and the inability to transport oil, LNG and LPG to or from certain locations. Terrorist attacks, war, piracy, hijacking or other events beyond our control that adversely affect the distribution, production or transportation of oil, LNG or LPG to be shipped by us could entitle our customers to terminate charter contracts, which could harm our cash flow and our business.

Acts of piracy on ocean-going vessels have recently increased in frequency, which could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and in the Gulf of Aden off the coast of Somalia. Throughout 2009, the frequency of piracy incidents has increased significantly, particularly in the Gulf of Aden of the coast of Somalia. If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as war risk zones, as the Gulf of Aden temporarily was in May 2008, or Joint War Committee war and strikes listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

Table of Contents

Our substantial operations outside the United States expose us to political, governmental and economic instability, which could harm our operations.

Because our operations are primarily conducted outside of the United States, they may be affected by economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered. Any disruption caused by these factors could harm our business. In particular, changing laws and policies affecting trade, investment and changes in tax regulations could have a materially adverse effect on our business, cash flow and financial results. As well, we derive a substantial portion of our revenues from shipping oil, LNG and LPG from politically unstable regions. Past political conflicts in these regions, particularly in the Arabian Gulf, have included attacks on ships, mining of waterways and other efforts to disrupt shipping in the area. Future hostilities or other political instability in the Arabian Gulf or other regions where we operate or may operate could have a material adverse effect on the growth of our business, results of operations and financial condition. In addition, tariffs, trade embargoes and other economic sanctions by the United States or other countries against countries in the Middle East, Southeast Asia or elsewhere as a result of terrorist attacks, hostilities or otherwise may limit trading activities with those countries, which could also harm our business. Finally, a government could requisition one or more of our vessels, which is most likely during war or national emergency. Any such requisition would cause a loss of the vessel and could harm our business, cash flow and financial results.

Maritime claimants could arrest our vessels, which could interrupt our cash flow.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of funds to have the arrest or attachment lifted. In addition, in some jurisdictions, such as South Africa, under the sister ship theory of liability, a claimant may arrest both the vessel that is subject to the claimant s maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert sister ship liability against one vessel in our fleet for claims relating to another of our ships.

Declining market values of our vessels could adversely affect our liquidity and result in breaches of our financing agreements.

Market values of vessels fluctuate depending upon general economic and market conditions affecting relevant markets and industries and competition from other shipping companies and other modes of transportation. In addition, as vessels become older, they generally decline in value. Declining vessel values of our tankers could adversely affect our liquidity by limiting our ability to raise cash by refinancing vessels. Declining vessel values could also result in a breach of loan covenants and events of default under certain of our credit facilities that require us to maintain certain loan-to-value ratios. If we are unable to pledge additional collateral in the event of a decline in vessel values, the lenders under these facilities could accelerate our debt and foreclose on our vessels pledged as collateral for the loans. As of September 30, 2009, the total outstanding debt under credit facilities with this type of covenant tied to conventional tanker values was $218 million.

Table of Contents

Tax risks

Changes in the ownership of our stock may cause us and certain of our subsidiaries to be unable to claim an exemption from United States tax on our United States source income.

Changes in the ownership of our stock may cause us to be unable to claim an exemption from U.S. federal income tax under Section 883 of the United States Internal Revenue Code (or the *Code*). If we were not exempt from tax under Section 883 of the Code, we or our subsidiaries that are currently claiming exemptions will be subject to U.S. federal income tax on shipping income attributable to our subsidiaries transportation of cargoes to or from the U.S. to the extent it is treated as derived from U.S. sources. See Business Taxation of the Company United States Taxation. Our subsidiary Teekay Offshore currently is unable to claim this exemption and, as a result, we estimate that it will be subject to less than $500,000 of U.S. federal income tax annually. To the extent we or our other subsidiaries are subject to U.S. federal income tax on shipping income from U.S. sources, our net income and cash flow will be reduced by the amount of such tax. We cannot give any assurance that future changes and shifts in ownership of our stock will not preclude us or our other subsidiaries from being able to satisfy an exemption under Section 883.

Risks relating to this offering

We have substantial debt levels and may incur additional debt.

We have substantial debt and debt service requirements. Assuming we completed this offering on September 30, 2009, after giving effect to the issuance of the notes and the application of the estimated net proceeds of the offering to repurchase in the Tender Offer our outstanding 8.875% Senior Notes and to prepay certain of our outstanding revolving debt, our consolidated debt and capital lease obligations would have totaled $5.3 billion and we would have had the capacity to borrow an additional $1.5 billion under our credit facilities. If less than all of our outstanding 8.875% Senior Notes are tendered and repurchased, the senior unsecured debt of Teekay Parent will be greater. Our consolidated debt and capital lease obligations could increase substantially. The terms of the indenture under which the notes will be issued and, subject to certain limitations, our credit facilities do not prohibit us from incurring additional debt. Accordingly, should our current debt levels increase, the risks related to the notes and our debt generally that we now face could also increase. Our level of debt could have important consequences to us, including:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- we will need a substantial portion of our cash flow to make principal and interest payments on our debt, reducing the funds that would otherwise be available for operations, future business opportunities and dividends to stockholders;
- our debt level may make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our industry or the economy generally; and
- our debt level may limit our flexibility in obtaining additional financing, pursuing other business opportunities and responding to changing business and economic conditions.

Table of Contents

Our ability to service our debt will depend on certain financial, business and other factors, many of which are beyond our control.

Our ability to service our debt, including the notes, will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control. In addition, we rely on distributions and other intercompany cash flows from our subsidiaries to repay our obligations. Financing arrangements between some of our subsidiaries and their respective lenders contain restrictions on distributions from such subsidiaries.

If we are unable to generate sufficient cash flow to service our debt service requirements, we may be forced to take actions such as:

- restructuring or refinancing our debt, including the notes;
- seeking additional debt or equity capital;
- seeking bankruptcy protection;
- reducing distributions;
- reducing or delaying our business activities, acquisitions, investments or capital expenditures; or
- selling assets.

Such measures might not be successful and might not enable us to service our debt. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms. In addition, our credit agreements and the indenture governing the notes may restrict our ability to implement some of these measures.

Financing agreements containing operating and financial restrictions may limit our operating and financial flexibility.

Operating and financial restrictions and covenants in our revolving credit facilities, term loans and in any of our future financing agreements could adversely affect our ability to finance future operations or capital needs or to pursue and expand our business activities. For example, these financing arrangements restrict our ability to:

- pay dividends;
- incur or guarantee indebtedness;
- change our ownership or structure, including through mergers, consolidations, liquidations and dissolutions;
- grant liens on our assets;
- sell, transfer, assign or convey our assets;
- make certain investments; and
- enter into a new line of business.

In addition, the indenture relating to the notes restricts our ability to:

- grant liens on our assets;

transfer, sell, lease or otherwise dispose of all or substantially all of our assets; and

consolidate with, or merge with or into any person.

Please read Description of other indebtedness.

Our ability to comply with covenants and restrictions contained in debt instruments may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, we may fail to comply with these covenants. If we breach any of the restrictions, covenants, ratios or tests in the financing agreements or the indenture relating to the notes, our debt obligations may become immediately due and payable, and the lenders commitment under our credit facilities, if any, to make further loans may terminate. A default under financing agreements could also result in foreclosure on any of our vessels and other assets securing related loans.

Our subsidiaries conduct all of our operations and own all of our operating assets, and your right to receive payments on the notes is effectively subordinated to the rights of the lenders of our subsidiaries.

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. Our only material asset is our ownership of the capital stock of or other ownership interests in our subsidiaries. As a result, our ability to make required payments on the notes depends on the operations of our subsidiaries and our subsidiaries ability to distribute funds to us. To the extent our subsidiaries are unable to distribute, or are restricted from distributing, funds to us, we may be unable to fulfill our obligations under the notes. Our subsidiaries will have no obligation to pay amounts due on the notes, and none of our subsidiaries will guarantee the notes.

The rights of holders of the notes will be structurally subordinated to the rights of our subsidiaries lenders. A default by a subsidiary under its debt obligations would result in a block on distributions from the affected subsidiary to us. The notes will be effectively junior to all liabilities of our subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, creditors of our subsidiaries will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us. As of September 30, 2009, our subsidiaries had $4.8 billion of outstanding debt and capital lease obligations. In addition, the indenture under which the notes will be issued will permit us and our subsidiaries to incur additional debt without any limitation.

The notes will be unsecured obligations and will be effectively subordinated to our secured debt and secured debt of our subsidiaries.

The notes are unsecured and therefore will be effectively subordinated to any secured debt we or our subsidiaries maintain or may incur to the extent of the value of the assets securing the debt. In the event of a bankruptcy or similar proceeding involving us or a subsidiary, the assets that serve as collateral will be available to satisfy the obligations under any secured debt before any payments are made on the notes. Assuming we completed this offering on September 30, 2009, after giving effect to the issuance of the notes and the application of the estimated net proceeds of the offering, we and our subsidiaries would have had an aggregate of approximately $4.8 billion of secured debt outstanding. Please read Description of other indebtedness. We and our subsidiaries will continue to have the ability to incur additional secured debt, subject to limitations in our credit facilities.

Table of Contents

We may be unable to raise the funds necessary to finance the change of control offer required by the indenture governing the notes.

Upon the occurrence of a change of control triggering event as described in Description of notes Covenants Repurchase of notes upon a change of control triggering event, we will be required to offer to purchase the notes at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest to the date of the purchase. In the event of a change of control triggering event, the total debt represented by the notes could become due and payable. We may not have sufficient financial resources available at the time of any change of control to repurchase the notes. Our failure to repurchase the notes upon a change of control triggering event would cause a default under the indenture relating to the notes. In addition, certain of our credit facilities provide that certain change of control events will constitute a default and, in the event of such a default, the holders of such debt may elect to declare all funds borrowed to be due and payable, together with accrued and unpaid interest. Any future debt facilities may contain similar restrictions and provisions.

An active trading market may not develop for the notes.

The notes will constitute a new issue of securities for which there is no active public trading market. We do not intend to apply for listing of the notes on a securities exchange. Although the underwriters have advised us that they intend to make a market in the notes, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue market-making activities at any time. The liquidity of the trading market in the notes and the market prices quoted for the notes may be adversely affected by changes in the overall market for this type of securities and by changes in our financial performance or prospects or in the performance or prospects for companies in our industries generally. As a consequence, an active trading market may not develop for the notes, you may not be able to sell the notes or, even if you can sell the notes, you may not be able to sell them at a price that would be acceptable to you.

The international nature of our operations may make the outcome of any bankruptcy proceedings difficult to predict.

We are incorporated under the laws of the Republic of The Marshall Islands and our subsidiaries are incorporated under the laws of The Marshall Islands, Norway, Spain, The Bahamas and certain other countries besides the United States, and we conduct operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving us or any of our subsidiaries, bankruptcy laws other than those of the United States could apply. We have limited operations in the United States. If we become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court s jurisdiction if any other bankruptcy court would determine it had jurisdiction.

Table of Contents

It may not be possible for investors in the notes to enforce U.S. judgments against us.

We are incorporated in the Republic of The Marshall Islands and most of our subsidiaries are organized in countries other than the United States. Substantially all of our assets and those of our subsidiaries are located outside the United States. As a result, it may be difficult or impossible for investors in the notes to enforce judgments upon us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we or our subsidiaries are incorporated or where our or the assets of our subsidiaries are located (1) would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries based upon the civil liability provisions of applicable U.S. federal and state securities laws, or (2) would entertain original actions brought against us or our subsidiaries based upon these laws.

If the notes are issued with original issue discount (or *OID*) and you are a U.S. holder, you generally will be required to include the OID in income before you receive cash attributable to OID on the notes. Additionally, in the event we enter into bankruptcy, you may not have a claim for all or a portion of any unamortized amount of any OID on the notes.

The notes may be issued with OID for U.S. federal income tax purposes. If the notes are issued with OID and if you are a U.S. holder, you generally will be required to accrue OID on a current basis as ordinary income before you receive cash attributable to that income regardless of your method of accounting for U.S. federal income tax purposes. For further discussion of the computation and reporting of OID, please read Certain United Stated federal income tax considerations Tax consequences to U.S. holders Stated interest and OID on the notes.

Additionally, a bankruptcy court may not allow a claim for all or a portion of any unamortized amount of any OID on the notes.

Table of Contents

Use of proceeds

We expect to receive net proceeds from the issuance of the notes in this offering of approximately $437 million, after deducting underwriting discounts and estimated offering expenses payable by us. We intend to use approximately (a) $190 million of the net offering proceeds to repurchase in the Tender Offer all of our outstanding 8.875% Senior Notes due July 2011, subject to the tender of such notes in the Tender Offer, and (b) $150 million to repay all amounts outstanding under a term loan. We intend to use the remaining net proceeds to repay a portion of our outstanding debt under one of our revolving credit facilities.

The term loan we intend to repay has a fluctuating interest rate based on the London Interbank Offered Rate (or *LIBOR*) plus 80 basis points and matures on August 10, 2010. The revolving credit facility we intend to partially repay has a fluctuating interest rate currently based on LIBOR plus 55 basis points and matures on November 28, 2017. We anticipate being able to redraw the amount we repay on the facility in the future for general corporate purposes. Borrowings under the revolving credit facility were incurred primarily for working capital purposes.

We commenced the Tender Offer for the 8.875% Senior Notes on January 12, 2010. If less than all of the outstanding 8.875% Senior Notes are purchased in the Tender Offer, we intend to use the additional net proceeds from this offering not used to repurchase the 8.875% Senior Notes to repay additional debt or for general corporate purposes.

Affiliates of certain of the underwriters are currently lenders under the revolving credit facility we intend to partially repay and, accordingly, will receive a portion of the net proceeds from the sale of the notes in this offering. Please read Underwriting.

Table of Contents

Ratio of earnings to fixed charges

The following table sets forth the historical ratio of our consolidated earnings to our consolidated fixed charges for the periods indicated.

	Year ended December 31,					Nine months ended September 30,
	2004	2005	2006	2007	2008	2009
Ratio of earnings to fixed charges[1][2]	4.1x	3.8x	3.1x	1.1x	[3]	1.7x

(1) This data is unaudited for all periods presented. For purposes of computing our ratio of earnings to fixed charges on a consolidated basis, earnings is the result of adding (a) pre-tax income from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees, (b) fixed charges, (c) amortization of capitalized interest, and (d) distributed income of equity investees, and subtracting interest capitalized. Fixed charges represent (i) interest expensed and capitalized, (ii) amortized premiums, discounts and capitalized expenses related to indebtedness, and (iii) interest within time-charter hire expense.

(2) As of September 30, 2009, we guaranteed $58.7 million of debt of joint ventures we do not control.

(3) For the year ended December 31, 2008, the ratio of earnings to fixed charges was less than 1.0x. The amount of the deficiency was $508.1 million.

Table of Contents

Capitalization

The following table sets forth our capitalization on a consolidated basis as of September 30, 2009:

on an actual basis;

on an as adjusted basis to give effect to (a) $91.9 million of net proceeds received from Teekay LNG s public offering of 3.95 million common units in November 2009 and the application of $90.0 million of the net proceeds thereof to pay down a portion of one of its revolving credit facilities; (b) Teekay Offshore s borrowing in November 2009 of $160.0 million under a new revolving credit facility and the use of such funds to pay down a portion of Teekay s revolving credit facilities; (c) the repurchase of $17.4 million of our outstanding 8.875% Senior Notes for an aggregate repurchase price of $18.0 million in November 2009; and

on an as further adjusted basis to give effect to this offering and the application of the estimated net proceeds, assuming that the notes are not issued with any original issue discount and that all of our outstanding 8.875% Senior Notes are purchased in the Tender Offer, as described under Use of proceeds. If less than all of our outstanding 8.875% Senior Notes are purchased in the Tender Offer, the senior unsecured debt of Teekay Parent will be higher.

You should read this table in conjunction with the sections entitled Use of proceeds, Management s discussion and analysis of financial condition and results of operations and Description of other indebtedness and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

	As of September 30, 2009		
(in thousands)	Actual	As adjusted	As further adjusted
Cash and cash equivalents	$ 495,402	$ 479,334	$ 479,334(1)
Restricted cash(2)	652,938	652,938	652,938(1)
Total cash and restricted cash	$ 1,148,340	$ 1,132,272	$ 1,132,272
Debt:			
8.875% Senior Notes due July 2011	$ 194,466	$ 177,063	$ (3)
% Senior Notes due January 2020			450,000
Other debt(4)	4,324,263	4,234,263	3,987,263
Obligations under capital leases(2)(5)	824,365	824,365	824,365
Total debt	$ 5,343,094	$ 5,235,691	$ 5,261,628(1)
Equity:			
Common stock and additional paid-in capital	651,884	651,884	651,884
Retained earnings	1,563,713	1,578,461	1,564,837
Non-controlling interest	757,167	833,755	833,755
Accumulated other comprehensive loss	(17,180)	(17,180)	(17,180)

Total equity	$ 2,955,584	$ 3,046,920	$ 3,033,296
Total capitalization	$ 8,298,678	$ 8,282,611	$ 8,294,924

(1) The amounts attributable to Teekay Parent for cash and cash equivalents, restricted cash and total debt, respectively, would be $227.8 million, $2.4 million and $1.1 billion.

Table of Contents

The following table reconciles Teekay s consolidated and Teekay Parent s historical cash and cash equivalents, restricted cash and total debt, respectively. Teekay Parent s numbers are reconciled to Teekay consolidated numbers, which are the most directly comparable financial measures calculated and presented in accordance with GAAP.

The as further adjusted data in the following table as of September 30, 2009 for each of Teekay on a consolidated basis, Teekay s publicly-traded subsidiaries (Teekay Offshore, Teekay LNG and Teekay Tankers) and Teekay Parent has been prepared on the bases described in Summary Summary financial and operating data.

	As of September 30, 2009 (unaudited)		
(in thousands)	**Teekay consolidated**	**Public subsidiaries**	**Teekay Parent**
Cash and cash equivalents	$ 479,334	$ 251,495	$ 227,839
Restricted cash	652,938	650,517	2,421
Total debt	5,261,628	4,158,951	1,102,677

(2) Substantially all restricted cash deposits relate to Teekay LNG. Under certain capital lease arrangements, Teekay LNG maintains restricted cash deposits that, together with interest earned on the deposits, will equal the remaining scheduled payments it owes under the capital leases. The interest Teekay LNG receives from those deposits is used solely to pay interest associated with the capital leases, and the amount of interest it receives approximates the amount of interest it pays on the capital leases.

(3) We intend to use a portion of the net proceeds of this offering to repurchase, in the Tender Offer we are commencing concurrently with this offering, all of our outstanding 8.875% Senior Notes. If less than all of our 8.875% Senior Notes are purchased in the Tender Offer, we intend to use the additional net proceeds from this offering not used to repurchase the 8.875% Senior Notes to repay additional debt or for general corporate purposes.

(4) The portions of other debt (a) secured by assets of certain of our subsidiaries and (b) guaranteed by us or certain of our subsidiaries are $4.2 billion, $4.1 billion and $4.0 billion, respectively, on an actual, as adjusted and as further adjusted basis.

(5) A total of $627 million of these capital lease obligations is both (a) secured by assets (cash collateral) of certain of our subsidiaries and (b) guaranteed by us or certain of our subsidiaries on an actual, as adjusted and as further adjusted basis.

Table of Contents

Selected historical consolidated financial and operating data

The following table presents, in each case for the periods and as at the dates indicated, our selected historical consolidated financial and operating data.

The selected historical financial and operating data has been prepared on the following basis:

- the historical financial and operating data as at and for the years ended December 31, 2004 and 2005 are derived from our audited consolidated financial statements and the notes thereto and their subsequent restatement which is contained in our Form 20-F/A for the year ended December 31, 2007 filed with the SEC on April 7, 2009, which are not included or incorporated by reference in this prospectus;

- the historical financial and operating data as at and for the years ended December 31, 2006, 2007 and 2008 are derived from our audited consolidated financial statements and the notes thereto, which are included elsewhere in this prospectus; and

- the historical financial and operating data as at and for the nine months ended September 30, 2008 and 2009 are derived from our unaudited interim consolidated financial statements and the notes thereto, which, other than the unaudited interim consolidated balance sheet as at September 30, 2008, are included elsewhere in this prospectus.

Effective January 1, 2009 we adopted:

- an amendment to FASB ASC 810, *Consolidation,* which requires that non-controlling interests in subsidiaries held by parties other than us be identified, labeled and presented in the consolidated balance sheet within equity, but separate from the stockholders equity. This amendment requires that the amount of consolidated net income (loss) attributable to the stockholders and to the non-controlling interest be clearly identified on the consolidated statements of income (loss). This amendment also requires that distributions from our publicly-traded subsidiaries to non-controlling interests are reflected as a financing cash outflow in our statements of cash flows; and

- a new presentation format (the *Derivatives Reclassification*) for gains (losses) from our derivative instruments that are not designated for accounting purposes as cash flow hedges at inception. These gains (losses) are now reported in realized and unrealized gains (losses) on non-designated derivative instruments within our statements of income (loss) rather than being included in revenue, voyage expenses, vessel operating expenses, general and administrative expenses, interest expense, interest income and foreign exchange gain (loss).

The amendment to FASB ASC 810 is required to be applied retroactively and we adopted the Derivatives Reclassification with retroactive effect. However, throughout this prospectus the adoption of this standard and presentation change are only reflected in:

- our unaudited consolidated balance sheet as of September 30, 2009 and related unaudited balance sheet data as of September 30, 2008;

- our unaudited consolidated statements of income (loss), comprehensive income (loss) and cash flows for the nine months ended September 30, 2009 and 2008;

- our unaudited consolidated financial and operating data as of and for the nine months ended September 30, 2009 and 2008; and the unaudited historical and as adjusted historical financial and operating data of us on a consolidated basis and of Teekay Parent, in each case for the 12 months ended September 30, 2009.

Table of Contents

Other balance sheets, consolidated statements of income (loss), stockholders equity, cash flows and related financial and operating data as of and for each of the years in the five-year period ended December 31, 2008, or as of or for any other period referenced in this prospectus, have not been adjusted to reflect our adoption of the amendment to ASC 810 and the Derivatives Reclassification. The retroactive application of the adoption of the amendments to ASC 810 would have decreased our consolidation net loss by approximately $9.6 million for the year ended December 31, 2008 and would have increased our consolidated net income by approximately $8.9 million, $6.8 million, $13.5 million and $2.3 million for the years ended December 31, 2007, 2006, 2005 and 2004, respectively. There would be no changes to net income resulting from the Derivative Reclassification.

Interim results may not be indicative of full year results, and historical results may not be indicative of future results. Certain historical amounts have been reclassified to conform to the current presentation.

Because we control the general partner of each of Teekay Offshore and Teekay LNG, and because we hold a majority of the voting power of Teekay Tankers, the financial results of these entities are included in our consolidated financial results. However, Teekay Offshore, Teekay LNG and Teekay Tankers function with capital structures that are independent of each other and us, with each having publicly traded equity.

The table below includes three financial measures, net revenues, EBITDA and Adjusted EBITDA, which we use in our business and are not calculated or presented in accordance with GAAP. We explain these measures and reconcile them to their most directly comparable financial measures calculated and presented in accordance with GAAP in notes 9 and 10, respectively, to the table below.

The following table should be read together with, and is qualified in its entirety by reference to, the historical consolidated financial statements and accompanying notes included or incorporated by reference in this prospectus. This table should be read together with Management s discussion and analysis of financial condition and results of operations included or incorporated by reference in this prospectus.

						Nine months end	
				Year ended December 31,		**September**	
	2004	**2005**	**2006**	**2007**	**2008**	**2008**	**20**
housands, except ratios)						**(unaudited)**	**(unaudite**
ome statement data:							
enues[1]	$ 2,217,139	$ 1,957,732	$ 2,013,737	$ 2,395,507	$ 3,193,655	$ 2,432,123	$ 1,649,3
rating expenses:							
age expenses[1][2]	432,677	419,071	522,957	527,308	758,388	572,685	225,2
sel operating expenses[1][3]	218,947	213,911	248,039	447,146	654,319	469,517	437,2
e-charter hire expense	458,731	468,190	402,168	466,481	612,123	445,444	348,2
reciation and amortization	237,498	205,529	223,965	329,113	418,802	312,900	321,8
eral and administrative enses[1]	132,934	156,402	181,500	231,865	244,522	184,735	156,0
n on sale of vessels and pment net of write-downs	(79,254)	(139,184)	(1,341)	(16,531)	(60,015)	(39,713)	(10,2
dwill impairment charge[4]					334,165		
ructuring charges[5]	1,002	2,882	8,929		15,629	11,180	12,0

l operating expenses	1,402,535	1,326,801	1,586,217	1,985,382	2,977,933	1,956,748	1,490,4
me (loss) from vessel ations	814,604	630,931	427,520	410,125	215,722	475,375	158,9

56

				Year ended December 31,		Nine months e Septemb	
usands, except ratios)	2004	2005	2006	2007	2008	2008 (unaudited)	(unauc
ems:							
expense(1)	(180,778)	(142,048)	(100,089)	(422,433)	(994,966)	(215,139)	(11
income(1)	18,528	33,943	31,714	110,201	273,647	73,408	1
d and unrealized (loss) non-designated e instruments(1)	$	$	$	$	$	$ (125,542)	$ 8
ncome (loss), net	75,109	54,478	(40,751)	(28,639)	(10,473)	(10,119)	(
her items	(87,141)	(53,627)	(109,126)	(340,871)	(731,792)	(277,392)	(1
ome before ntrolling interests and taxes	727,463	577,304	318,394	69,254	(516,070)	197,983	14
ntrolling interests(6)	(2,268)	(13,475)	(6,759)	(8,903)	(9,561)		
tax recovery (expense)	(33,464)	2,787	(8,811)	3,192	56,176	35,022	(1
ome (loss)(6)	691,731	566,616	302,824	63,543	(469,455)	233,005	13
et (income) loss able to non-controlling s(6)						(51,587)	(3
ome (loss) attributable holders of Teekay						$ 181,418	$ 9
e sheet data: of period)							
nd cash equivalents	$ 427,037	$ 236,984	$ 343,914	$ 442,673	$ 814,165	$ 875,613	$ 49
ed cash(7)	448,812	311,084	679,992	686,196	650,556	734,704	65
essels and equipment(8)	3,531,287	3,721,674	5,603,316	6,846,875	7,267,094	7,371,364	6,89
ssets	5,503,740	5,287,030	8,110,329	10,418,541	10,215,001	11,700,259	9,66
ong-term debt	2,108,004	1,878,743	3,252,677	5,263,584	4,952,792	6,111,837	4,51
bligations under capital	636,541	554,235	853,385	857,280	817,341	852,441	82
ntrolling interest(6)	14,724	287,432	461,887	544,339	583,938	668,563	75
quity (excluding ntrolling interest)(6)	2,237,358	2,238,818	2,519,147	2,655,954	2,068,467	3,454,341	2,95

quity (including ntrolling interest)(6)							
ow data:							
h provided by (used in):							
ng activities(6)	$ 814,704	$ 594,949	$ 520,785	$ 255,018	$ 431,847	$ 317,315	$ 29
ng activities(6)	(370,403)	(618,309)	299,256	2,114,199	767,878	945,798	(40
g activities	(309,548)	(166,693)	(713,111)	(2,270,458)	(828,233)	(830,173)	(21
financial data:							
enues(1)(9)	$ 1,784,462	$ 1,538,661	$ 1,490,780	$ 1,868,199	$ 2,435,267	$ 1,859,438	$ 1,42
A(10)	1,124,943	877,463	603,975	701,696	614,490	652,614	56
d EBITDA(10)	1,096,891	707,882	630,408	660,485	882,868	686,334	42
f earnings to fixed (11)	4.1x	3.8x	3.1x	1.1x		1.7x	
expenditures:							
itures for vessels and ent	$ (548,587)	$ (555,142)	$ (442,470)	$ (910,304)	$ (716,765)	$ (546,334)	$ (43
itures for drydocking	(32,889)	(20,668)	(31,120)	(85,403)	(101,511)	(60,905)	(5

(1) If adjusted for the adoption of the Derivatives Reclassification, realized and unrealized gain (loss) on non-designated derivative instruments on the consolidated statement of income for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 would be

57

included as a separate line item on the statements of income (loss) rather than being included in revenue, voyage expenses, vessel operating expenses, general and administrative expenses, interest expense, interest income and foreign exchange gain (loss), respectively.

(2) Voyage expenses are all expenses unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions.

(3) Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses.

(4) Goodwill impairment charge was from a write-down of goodwill from the Teekay Petrojarl acquisition. Based on an impairment analysis, management concluded that the carrying value of goodwill in the FPSO segment exceeded its fair value by $334.2 million as of December 31, 2008. As a result, an impairment loss of $334.2 million has been recognized in our consolidated statement of income loss for the year ended December 31, 2008.

(5) Restructuring charges generally include costs relating to vessel reflaggings, crew changes, office closures, global staffing, changes and business unit reorganization.

(6) If adjusted for the adoption of the FASB ASC 810 amendment, (a) non-controlling interest expense on our consolidated statements of income (loss) for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 would be included as a component of net income and would be considered a reconciling item from net income to net income attributable to stockholders of Teekay Corp., (b) distributions from our publicly-traded subsidiaries to non-controlling interests would be reflected as a financing cash outflow in our statements of cash flows and (c) non-controlling interest on our balance sheets for the comparable periods would be included as a component of stockholders equity.

(7) Substantially all restricted cash deposits relate to Teekay LNG. Under certain capital lease arrangements, Teekay LNG maintains restricted cash deposits that, together with interest earned on the deposits, will equal the remaining scheduled payments it owes under the capital leases. The interest Teekay LNG receives from those deposits is used solely to pay interest associated with the capital leases, and the amount of interest it receives approximates the amount of interest it pays on the capital leases.

(8) Total vessels and equipment consists of (a) owned vessels, at cost less accumulated depreciation, (b) vessels under capital leases, at cost less accumulated amortization and (c) advances on newbuildings.

(9) Consistent with general practice in the shipping industry, we use net revenues (or revenues less voyage expenses) as a measure of equating revenues generated from voyage charters to revenues generated from time charters, which assists us in making operating decisions about the deployment of our vessels and their performance. Under time-charter contracts, the charterer typically pays the voyage expenses, whereas under voyage charter contracts the shipowner typically pays the voyage expenses. Some voyage expenses are fixed, and the remainder can be estimated. If we, as the shipowner, pay the voyage expenses, we typically pass the approximate amount of these expenses on to our customers by charging higher rates under the contract or billing the expenses to them. As a result, although revenues from different types of contracts may vary, the net revenues after subtracting voyage expenses, or net revenues, are comparable across the different types of contracts. We principally use net revenues, a non-GAAP financial measure, because it provides more meaningful information than voyage revenues, the most directly comparable GAAP financial measure. Net revenues are also widely used by investors and analysts in the shipping industry for comparing financial performance between companies in the shipping industry to industry averages. The following table reconciles net revenues with revenues.

(in thousands)	2004	2005	2006	Year ended December 31, 2007	2008	Nine months ended September 30, 2008 (unaudited)	2009 (unaudited)
Revenues	$ 2,217,139	$ 1,957,732	$ 2,013,737	$ 2,395,507	$ 3,193,655	$ 2,432,123	$ 1,649,392
Voyage expenses	432,677	419,071	522,957	527,308	758,388	572,685	225,253
Net revenues	$ 1,784,462	$ 1,538,661	$ 1,490,780	$ 1,868,199	$ 2,435,267	$ 1,859,438	$ 1,424,139

(10) EBITDA represents earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA before restructuring charges, unrealized foreign exchange gain (loss), gain on sale of vessels and equipment net of writedowns, goodwill impairment charge and amortization of in-process revenue contracts, realized losses (gains) on interest rate swaps, share of realized and unrealized losses (gains) on interest rate swaps in non-consolidated joint ventures, unrealized loss (gain) on derivative instruments and non-controlling interest. EBITDA and Adjusted EBITDA are used as supplemental financial measures by management and by external users of our financial statements, such as investors, as discussed below.

Financial and operating performance. EBITDA and Adjusted EBITDA assist our management and security holders by increasing the comparability of our fundamental performance from period to period and against the fundamental performance of other companies in our industry that provide EBITDA or Adjusted EBITDA-based information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest expense, taxes, depreciation or amortization (or other items in determining Adjusted EBITDA), which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. We believe that including EBITDA and Adjusted EBITDA as a financial and operating measure benefits security holders in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength and health in assessing whether to continue to hold our equity, or debt securities, as applicable.

Liquidity. EBITDA and Adjusted EBITDA allow us to assess the ability of assets to generate cash sufficient to service debt, pay dividends and undertake capital expenditures. By eliminating the cash flow effect resulting from our existing capitalization and other items such as drydocking expenditures, working capital changes and foreign currency exchange gains and losses (which may very significantly from period to period), EBITDA and Adjusted EBITDA provide a consistent measure of our ability to generate cash over the long term. Management uses this information as a significant factor in determining (a) our proper capitalization (including assessing how much debt to incur and whether changes to the capitalization should be made) and (b) whether to undertake material capital expenditures and how to finance them, all in light of our dividend policy. Use of EBITDA and Adjusted EBITDA as liquidity measures also permits security holders to assess the fundamental ability of our business to generate cash sufficient to meet cash needs, including dividends on shares of our common stock and repayments under debt instruments.

Table of Contents

Neither EBITDA nor Adjusted EBITDA should be considered as an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA and Adjusted EBITDA exclude some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA and Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies.

	Year ended December 31,					Nine months ended September 30,	
	2004	**2005**	**2006**	**2007**	**2008**	**2008**	**2009**
Income statement data: Reconciliation of EBITDA and Adjusted EBITDA to Net income							
Net income (loss)	$ 691,731	$ 566,616	$ 302,824	$ 63,543	$ (469,455)	$ 233,005	$ 132,518
Income tax expense (recovery)	33,464	(2,787)	8,811	(3,192)	(56,176)	(35,022)	12,174
Depreciation and amortization	237,498	205,529	223,965	329,113	418,802	312,900	321,856
Interest expense, net	162,250	108,105	68,375	312,232	721,319	141,731	95,611
EBITDA	1,124,943	877,463	603,975	701,696	614,490	652,614	562,159
Restructuring charge	1,002	2,882	8,929		15,629	11,180	12,017
Foreign exchange (gain) loss	43,508	(61,635)	50,416	39,912	(32,348)	(8,323)	39,900
Gain on sale of vessels and equipment net of writedowns	(79,254)	(139,184)	(1,341)	(16,531)	(60,015)	(39,713)	(10,286)
Goodwill impairment charge					334,165		
Amortization of in-process revenue contracts			(22,404)	(70,979)	(74,425)	(55,733)	(56,719)
Unrealized losses (gains) on derivative instruments	4,424	14,881	(11,912)	(20,850)	38,724	95,366	(195,048)
Realized losses (gains) on interest rate swaps						28,361	91,737
Realized and unrealized losses (gains) on interest rate swaps in non-consolidated joint ventures					32,959	2,582	(23,073)

Realized gains (losses) on FX forwards			(4,014)	18,334	4,128		
Non-controlling interest	2,268	13,475	6,759	8,903	9,561		
Adjusted EBITDA	$ 1,096,891	$ 707,882	$ 630,408	$ 660,485	$ 882,868	$ 686,334	$ 420,687
Reconciliation of Adjusted EBITDA to Net operating cash flow							
Net operating cash flow	$ 814,704	$ 594,949	$ 520,785	$ 255,018	$ 431,847	$ 317,315	$ 298,300
Expenditures for drydocking	32,889	20,668	31,120	85,403	101,511	60,905	58,815
Interest expense, net	162,250	108,105	68,375	312,232	721,319	141,731	95,611
Change in non-cash working capital items related to operating activities	26,550	8,644	(50,360)	43,871	28,816	103,055	(132,802)
Gain on sale of marketable securities	93,175		1,422	9,577	4,576	4,576	
Writedown of marketable securities					(20,157)	(13,885)	
Writedown of intangible assets					(9,748)		(1,076)
Loss on bond repurchase	(769)	(13,255)	(375)	(947)	(1,310)	(1,310)	
Equity income (net of dividends received)	1,154	2,670	(486)	(11,419)	(30,352)	(7,278)	26,914
Other net	27,221	(12,552)	(5,956)	28,586	17,532	48,083	2,851
Employee stock compensation			(9,297)	(9,676)	(14,117)	(8,981)	(8,607)
Restructuring charge	1,002	2,882	8,929		15,629	11,180	12,017
Unrealized (losses) gains on interest rate swaps and forward contracts	(61,285)	(18,322)	45,334	(119,905)	(491,559)		
Realized losses (gains) on interest rate swaps						28,361	91,737
Realized and unrealized losses (gains) on interest rate swaps in non-consolidated joint ventures					32,959	2,582	(23,073)
Realized gains (losses) on FX forwards			(4,014)	18,334	4,128		
Distributions from subsidiaries to non-controlling interests		14,093	24,931	49,411	91,794		
Adjusted EBITDA	$ 1,096,891	$ 707,882	$ 630,408	$ 660,485	$ 882,868	$ 686,334	$ 420,687

(11) This data is unaudited for all periods presented. For purposes of computing our ratio of earnings to fixed charges on a consolidated basis, earnings is the result of adding (a) pre-tax income from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees, (b) fixed charges, (c) amortization of (d) distributed income of equity investees and subtracting interest capitalized. Fixed charges represent (i) interest expensed and capitalized, (ii) amortized premiums, discounts and capitalized expenses related to indebtedness, and (iii) interest within time charter hire expense. In addition to our consolidated debt, as of September 30, 2009, our total proportionate interest in debt of joint ventures we do not control was $398 million, of which Teekay Corporation has guaranteed $58.7 million and which otherwise is non-recourse to us. For the year ended December 31, 2008 the ratio of earnings to fixed charges was less than 1.0x. The amount of the deficiency for this period was $508.1 million.

Table of Contents

Management s discussion and analysis of financial condition and results of operations

Overview

We are a leading provider of both international crude oil and gas marine transportation services, and also offer offshore oil production, storage and offloading services, primarily under long-term, fixed-rate contracts. As of December 31, 2009, our owned and in-chartered fleet of 158 vessels (including in-chartered vessels and newbuildings) consisted of 25 LNG and LPG carriers, 39 shuttle tankers, 5 FPSO units, 6 FSO units, 73 crude oil tankers and 10 product tankers. Our customers include major international oil, energy and utility companies.

Over the past decade, we have transformed from being primarily an owner of ships in the cyclical spot tanker sector to being a diversified supplier of logistics services in the Marine Midstream sector. This transformation has included, among other things:

- Our entry into the LNG and LPG shipping sectors and into the offshore oil production, storage and transportation sectors;
- The reorganization of certain of our assets through our formation of three publicly-traded subsidiaries, which are focused on growing specific core operating segments and have expanded our investor base and access to the capital markets; and
- Expansion of our fixed-rate businesses, with net revenues from fixed-rate contracts with an initial term of at least three years representing 69% of our total net revenues for the 12 months ended September 30, 2009, compared to 41% of our total net revenues in 2003. Net revenues from fixed-rate contracts with an initial term of at least one year represented approximately 75% of our total net revenues for the 12 months ended September 30, 2009.

Our three publicly-traded subsidiaries include: Teekay LNG, which we formed in 2005 and primarily operates in the LNG and LPG shipping sectors; Teekay Offshore, which we formed in 2006 and primarily operates in the offshore oil production, storage and transportation sectors; and Teekay Tankers, which we formed in 2007 and engages in the conventional tanker business. We refer in this prospectus to our remaining operations as Teekay Parent, which manages substantially all of the vessels in the total Teekay fleet and which itself owns or in-charters a fleet of 65 vessels (including eight newbuildings), comprised of 52 conventional tankers, four FPSO units and one FSO unit. Through vessel sales by Teekay Parent to its publicly-traded subsidiaries and public equity financing of such acquisitions by those subsidiaries, Teekay Parent has significantly reduced its debt level by using sale proceeds to repay debt.

Teekay Parent possesses a significant level of control of its publicly-traded subsidiaries through certain structural mechanisms, including Teekay Parent s ownership of the sole general partnership interests in Teekay LNG and Teekay Offshore and its 100% ownership of Teekay Tankers supervoting Class B shares. We currently own 49.2% and 40.5% of the partnership interests in Teekay LNG and Teekay Offshore, respectively, including in each case our 2% general partner interest. We currently own shares of Teekay Tankers Class A and Class B common stock that represent an ownership interest of 42.2% and voting power of 51.6% of Teekay Tankers outstanding common stock. As a result of our ownership interests in each of Teekay LNG, Teekay Offshore and Teekay Tankers, their results are consolidated with ours.

Table of Contents

We are entitled to cash distributions on our general and limited partner interests in Teekay Offshore and Teekay LNG and on our equity interest in Teekay Tankers. It is the intent of each of Teekay Offshore, Teekay LNG and Teekay Tankers to pay quarterly cash distributions of available cash, subject to certain exceptions, to holders of its common and subordinated units or common shares, as applicable. As part of our ownership of Teekay Offshore s and Teekay LNG s general partners, we own rights, referred to as incentive distribution rights, to receive an increasing percentage of Teekay Offshore s and Teekay LNG s quarterly distributions of available cash after certain levels of cash distributions have been achieved. Our subsidiary that manages Teekay Tankers is also entitled to additional performance fees if distributions by Teekay Tankers to its stockholders exceed certain amounts. Due to our ownership interests in these companies, we received cash distributions from Teekay Offshore, Teekay LNG and Teekay Tankers of $21.7 million, $47.8 million and $24.6 million, respectively, with respect to the nine months ended September 30, 2009, and distributions of $22.9 million, $58.6 million and $37.6 million, respectively, with respect to 2008 These distributions do not include distributions on our 49% ownership interest in OPCO. Due to spot market fluctuations, distributions from Teekay Tankers are expected to be substantially lower in the fourth quarter of 2009 than in recent quarters. The timing and amount of dividends, if any, of Teekay Tankers will depend, among other things, on its results of operations, financial condition, cash requirements, restrictions in financing agreements and other factors deemed relevant by its board of directors. Please read Certain relationships and related party transactions Relationships with public company subsidiaries.

Presentation and disclosure

Effective January 1, 2009 we adopted:

an amendment to FASB ASC 810, *Consolidation,* which requires that non-controlling interests in subsidiaries held by parties other than us be identified, labeled and presented in the consolidated balance sheet within equity, but separate from the stockholders equity. This amendment requires that the amount of consolidated net income (loss) attributable to the stockholders and to the non-controlling interest be clearly identified on the consolidated statements of income (loss). This amendment also requires that distributions from our publicly-traded subsidiaries to non-controlling interests are reflected as a financing cash outflow in our statements of cash flows; and

a new presentation format (the *Derivatives Reclassification*) for gains (losses) from our derivative instruments that are not designated for accounting purposes as cash flow hedges at inception. These gains (losses) are now reported in realized and unrealized gains (losses) on non-designated derivative instruments within our statements of income (loss) rather than being in revenue, voyage expenses, vessel operating expenses, general and administrative expenses, interest expense, interest income and foreign exchange gain (loss).

The amendment to FASB ASC 810 is required to be applied retroactively and we adopted the Derivatives Reclassification with retroactive effect. However, throughout this prospectus the adoption of this standard and presentation change are only reflected in:

our unaudited consolidated balance sheet as of September 30, 2009 and related unaudited balance sheet data as of September 30, 2008;

our unaudited consolidated statements of income (loss), comprehensive income (loss) and cash flows for the nine months ended September 30, 2009 and 2008;

our unaudited consolidated financial and operating data as of and for the nine months ended September 30, 2009 and 2008; and

the unaudited historical and as adjusted historical financial and operating data of us on a consolidated basis and of Teekay Parent, in each case for the 12 months ended September 30, 2009.

Other balance sheets, consolidated statements of income (loss), stockholders equity, cash flows and related financial and operating data as of and for each of the years in the three- and five-year periods ended December 31, 2008, or as of or for any other period referenced in this prospectus, have not been adjusted to reflect our adoption of the amendment to ASC 810 and the Derivatives Reclassification. The retroactive application of the adoption of the amendments to ASC 810 would have decreased our consolidated net loss by approximately $9.6 million for the year ended December 31, 2008 and would have increased our consolidated net income by approximately $8.9 million, $6.8 million, $13.5 million and $2.3 million for the years ended December 31, 2007, 2006, 2005 and 2004, respectively. There would be no changes to net income resulting from the Derivative Reclassification.

Significant developments in 2008 and 2009

Acquisition of remaining shares of Teekay Petrojarl. In June and July 2008, we acquired the remaining 35.3% interest in Teekay Petrojarl for a total purchase price of approximately NOK 1.5 billion ($304.9 million), which was paid in cash. As a result of these transactions, we now own 100% of Teekay Petrojarl.

Strategic transaction with ConocoPhillips. In January 2008, we entered into a multi-vessel transaction with ConocoPhillips, in which we acquired ConocoPhillips rights in six double-hull Aframax tankers. Of the six Aframax tankers acquired, two are owned and four are bareboat chartered-in from third parties for periods ranging from five to ten years. The total cost of the transaction was $83.8 million. Two of the Aframax tankers have been chartered back to ConocoPhillips for a period of five years. Commencing in the second quarter of 2008, we have also chartered to ConocoPhillips a very large crude carrier (or *VLCC*) for three years and two of our Medium Range product tankers for five years.

Sale of LNG carriers to Teekay LNG. In accordance with existing agreements, in April 2008, we sold two 1993-built LNG carriers (the *Kenai LNG Carriers*) to Teekay LNG for $230.0 million and chartered them back for ten years with three five-year option periods. We acquired these vessels in December 2007 from a joint venture between Marathon Oil Corporation and ConocoPhillips for a total cost of $230.0 million. The specialized ice-strengthened vessels were purpose-built to carry LNG from Alaska s Kenai LNG plant to Japan. We believe that these specialized vessels will provide us with the prospect of a new service offering following the completion of the Kenai project such as delivering partial cargoes at multiple ports or as a potential project vessel such as serving as a floating offshore re-gasification or production facility, subject to conversion.

We have time chartered to the Marathon Oil Corporation/Conoco Phillips joint venture one of the Kenai LNG carriers, the *Polar Spirit,* until April 2011 with the charterer s option to extend the contract yearly for up to two additional years. The other Kenai LNG Carrier, the *Arctic Spirit*, came off charter from the Marathon Oil Corporation/ConocoPhillips joint venture on March 31, 2009. We had entered into a joint development and option agreement with Merrill Lynch Commodities, Inc. (*MLCI*), giving MLCI the option to purchase the vessel for conversion to an LNG floating production, storage and offload unit (*FLNG*), which option MLCI chose not to exercise and which has now expired. The *Arctic Spirit* is scheduled for drydocking in January 2010.

Sale of RasGas 3 LNG carriers to Teekay LNG. Prior to the end of the third quarter 2008, four LNG newbuildings (the *RasGas 3 LNG Carriers*) were delivered that now service expansion of an LNG project in Qatar. Based on a prior agreement, on May 6, 2008, the delivery date of the first vessel, we sold to Teekay LNG our 100% interest in Teekay Nakilat (III) Holdings Corporation (or *Teekay Nakilat (III)*), which owns a 40% interest in the joint venture that owns the RasGas 3 LNG Carriers (or the *RasGas 3 Joint Venture*), in exchange for a non-interest bearing and unsecured promissory note from Teekay LNG in the amount of $110.2 million.

Sale of Suezmax tankers to Teekay Tankers. During April 2008, we sold two Suezmax tankers to Teekay Tankers for a total cost of $186.9 million, and in June 2009 we sold another Suezmax tanker to Teekay Tankers for a total cost of $57.0 million. We have agreed to offer to Teekay Tankers, prior to June 18, 2010, a fourth Suezmax tanker at fair market value.

Sale of Aframax lightering tankers to Teekay Offshore. On June 18, 2008, OPCO acquired from us two 2008-built Aframax lightering tankers and their related long-term, fixed-rate bareboat charters for a total cost of $106.0 million, including the assumption of third-party debt of $90.0 million and the non-cash settlement of related party working capital of $1.2 million. The 10-year, fixed-rate bareboat charters (with options exercisable by the charterer to extend up to an additional five years) are with Skaugen PetroTrans, a joint venture in which we own a 50% interest. These two lightering tankers are specially designed to be used in ship-to-ship oil transfer operations. This purchase was financed with the assumption of debt, together with cash balances.

Tangguh LNG. During August 2009, Teekay LNG completed the purchase 99% of our 70% interest in two 155,000-cubic meter LNG newbuildings (or the *Tangguh LNG Carriers*) for approximately $70.0 million. The Tangguh LNG Carriers, which commenced operations in November 2008 and January 2009, provide transportation services to The Tangguh Production Sharing Contractors, a consortium led by a subsidiary of BP plc, to service the Tangguh LNG project in Indonesia. The vessels have been chartered at fixed rates, with inflation adjustments, for a period of 20 years. An Indonesian joint venture partner owns the remaining 30% interest in these vessels.

Sale of FPSO to Teekay Offshore. On September 10, 2009, Teekay Offshore acquired the *Petrojarl Varg* FPSO unit from Teekay for a purchase price of $320 million. Teekay provided vendor financing in the amount of $220 million with the remainder financed by Teekay Offshore from its existing debt facilities. A new $260 million revolving credit facility, secured by the *Petrojarl Varg* FPSO, was arranged and completed in November 2009. A portion of the new facility was drawn to repay $160 million of the $220 million vendor financing provided by Teekay at the time of the *Petrojarl Varg* acquisition.

The *Petrojarl Varg* FPSO recently commenced a new four-year, fixed-rate contract extension with Talisman Energy on the Varg oil field in the North Sea, where the FPSO has been operating for over ten years. Talisman Energy also has options to extend the new contract for up to an additional nine years. The contract is comprised of a daily base time-charter rate plus an incentive component based on the operational performance of the FPSO, a tariff component based on the volume of oil produced and an annual adjustment for cost escalations. There is potential for additional upside from the tariff component if, as expected, nearby oil fields become operational and are tied into the *Petrojarl Varg*.

Long-term charter to Caltex Australia Petroleum Pty Ltd. In September 2009, we purchased a 2007-built 40,000 dwt product tanker for approximately $35 million. The vessel, renamed the *Alexander Spirit*, commenced a 10-year, fixed-rate time charter to Caltex Australia Petroleum Pty Ltd. on September 3, 2009.

Angola LNG Project. We have a 33% interest in a consortium that will charter four 160,400-cubic meter LNG newbuildings 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 contract was made in December 2007. The vessels will be chartered at fixed rates, with inflation adjustments, commencing in 2011. Mitsui & Co., Ltd. and NYK Bulkship (Europe) Ltd., have 34% and 33% interests in the consortium, respectively. In accordance with existing agreements, we are required to offer to Teekay LNG our 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.

Second hand vessel sales. During 2008 and 2009 we sold (or sold and leased back) 12 vessels to third parties for total proceeds of over $540 million.

Cost reductions

Recent initiatives have reduced our aggregate quarterly general and administrative and vessel operating expenses, which declined by $24 million, or approximately 11%, for the quarter ended September 30, 2009 compared to the quarter ended September 30, 2008.

Public offerings and private placements of public company subsidiaries

Including their respective initial public offerings, Teekay s public company subsidiaries Teekay LNG, Teekay Offshore and Teekay Tankers have raised an aggregate of $1.5 billion in gross proceeds through public offerings and private placements of their equity securities, including proportionate capital contributions by the general partners of Teekay LNG and Teekay Offshore to preserve their 2% general partner interests. Excluding these capital contributions and private placements to Teekay, we have raised over $1.3 billion in public equity from these subsidiaries.

Teekay LNG

Teekay LNG s offerings have included the following:

May 2005 issuance of 6.9 million common units in its initial public offering for net proceeds of $135.7 million, which Teekay LNG used to partially fund the acquisition of its initial fleet from Teekay;

November 2005 offering of 4.6 million common units for net proceeds of $122.6 million (including the general partner s proportionate capital contribution), which Teekay LNG used to partially finance the acquisition from Teekay of three Suezmax tankers;

May 2007 offering of 2.3 million common units for net proceeds of $86.0 million (including the general partner s proportionate capital contribution), which Teekay LNG used to repay amounts outstanding under one of its revolving credit facilities;

April 2008 offering of 5.4 million common units to the public and 1.7 million common units to Teekay in a concurrent private placement at the same price per unit, for aggregate net proceeds of $202.5 million (including the general partner s proportionate capital

contribution), which Teekay LNG used to repay amounts outstanding under two of its revolving credit facilities which had been used to fund vessel acquisitions;

March 2009 offering of 4.0 million units for net proceeds of $68.5 million (including the general partner s proportionate capital contribution), which Teekay LNG used to repay amounts outstanding under two of its revolving credit facilities; and

November 2009 offering of 3.95 million common units for net proceeds of $93.9 million (including the general partner s proportionate capital contribution), which Teekay LNG used to repay amounts outstanding under one of its revolving credit facilities.

Teekay Offshore

Teekay Offshore s offerings have included the following:

December 2006 issuance of 8.1 million common units in its initial public offering for net proceeds of $155.3 million, which Teekay Offshore used to partially fund the acquisition of its initial assets from Teekay;

June 2008 offering of 7.4 million common units to the public and 3.3 million common units to Teekay in a concurrent private placement at the same price per unit, for aggregate net proceeds of $210.8 million (including the general partner s proportionate capital contribution), which Teekay Offshore used to fund the acquisition of an additional 25% interest in OPCO from Teekay and to repay a portion of advances to Teekay Offshore from OPCO; and

August 2009 offering of 7.475 million common units for net proceeds of $104.3 million (including the general partner s proportionate capital contribution), which Teekay LNG used to repay amounts outstanding under one of its revolving credit facilities.

Teekay Tankers

Teekay Tanker s offerings have included the following:

December 2007 issuance of 11.5 million shares of Class A common stock in its initial public offering, for net proceeds of $208.0 million, which Teekay Tankers used to partially fund the acquisition of its initial fleet from Teekay; and

June 2009 offering of 7.0 million shares of Class A common stock for net proceeds of $65.6 million, which Teekay Tankers used to acquire from Teekay a Suezmax tanker and to repay a portion of its outstanding debt under its revolving credit facility.

Our contracts of affreightment and charters

We generate revenues by charging customers for the transportation, production and storage of their crude oil using our vessels. Historically, these transportation and storage services generally have been provided under the following basic types of contractual relationships:

Contracts of affreightment, whereby we carry an agreed quantity of cargo for a customer over a specified trade route within a given period of time;

Time charters, whereby vessels we operate and are responsible for crewing are chartered to customers for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates or current market rates;

Table of Contents

Bareboat charters, whereby customers charter vessels for a fixed period of time at rates that are generally fixed, but the customers operate the vessels with their own crews; and

Voyage charters, which are charters for shorter intervals that are priced on a current, or spot, market rate.

The table below illustrates the primary distinctions among these types of charters and contracts:

	Contract of affreightment	**Time charter(1)**	**Bareboat charter(1)**	**Voyage charter(2)**
Typical contract length	One year or more	One year or more	One year or more	Single voyage
Hire rate basis(3)	Typically daily	Daily	Daily	Varies
Voyage expenses(4)	We pay	Customer pays	Customer pays	We pay
Vessel operating expenses(4)	We pay	We pay	Customer pays	We pay
Off-hire(5)	Customer typically does not pay	Varies	Customer typically pays	Customer does not pay

(1) Under time charters and bareboat charters, the customer pays for bunker fuel.

(2) Under a consecutive voyage charter, the customer pays for idle time.

(3) *Hire* rate refers to the basic payment from the charterer for the use of the vessel.

(4) Defined below under Important financial and operational terms and concepts.

(5) *Off-hire* refers to the time a vessel is not available for service.

The duration of LNG time-charters is usually between 20 and 25 years. The duration of FPSO unit contracts is usually between five and 15 years, excluding any extension options. FPSO unit contracts generally provide for a fixed hire rate that is related to the cost of the unit, a fluctuating component based on the amount of oil produced and processed by the unit, or both. FPSO units for smaller fields often operate under life-of-field production contracts, where the contract s duration is for the useful life of the oil field.

Important financial and operational terms and concepts

We use a variety of financial and operational terms and concepts when analyzing our performance. These include the following:

Revenues. Revenues primarily include revenues from voyage charters, pool arrangements, time-charters, contracts of affreightment and FPSO service contracts. Revenues are affected by hire rates and the number of days a vessel operates and the daily production volume on FPSO units. Revenues are also affected by the mix of business between time-charters, voyage charters, contracts of affreightment and vessels operating in pool arrangements. Hire rates for voyage charters are more volatile, as they are typically tied to prevailing market rates at the time of a voyage.

Forward freight agreements. We are exposed to freight rate risk for vessels in our spot tanker segment from changes in spot tanker market rates for vessels. In certain cases, we use forward freight agreements (or *FFAs*) to manage this risk. FFAs involve contracts to provide a fixed number of theoretical voyages at fixed rates, thus hedging a portion of our exposure to the spot-charter market. These agreements are recorded as assets or liabilities and measured at fair value. Changes in the fair value of the FFAs are recognized in other comprehensive income (loss)

Table of Contents

until the hedged item is recognized as revenue in income. The ineffective portion of a change in fair value is immediately recognized as revenue in income.

Voyage expenses. Voyage expenses are all expenses unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. Voyage expenses are typically paid by the customer under time-charters and FPSO service contracts and by us under voyage charters and contracts of affreightment.

Net revenues. Net revenues represent revenues less voyage expenses. Because the amount of voyage expenses we incur for a particular charter depends upon the form of the charter, we use net revenues to improve the comparability between periods of reported revenues that are generated by the different forms of charters and contracts. We principally use net revenues, a non-GAAP financial measure, because it provides more meaningful information to us about the deployment of our vessels and their performance than revenues, the most directly comparable financial measure under GAAP.

Vessel operating expenses. Under all types of charters and contracts for our vessels, except for bareboat charters, we are responsible for vessel operating expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses. We expect these expenses to increase as our fleet matures and to the extent that it expands.

Income from vessel operations. To assist us in evaluating our operations by segment, we analyze our income from vessel operations for each segment, which represents the income we receive from the segment after deducting operating expenses, but prior to the deduction of interest expense, income taxes, foreign currency and other income and losses.

Drydocking. We must periodically drydock each of our vessels for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. Generally, we drydock each of our vessels every two and a half to five years, depending upon the type of vessel and its age. In addition, a shipping society classification intermediate survey is performed on our LNG and LPG carriers between the second and third year of the five-year drydocking period. We capitalize a substantial portion of the costs incurred during drydocking and for the survey and amortize those costs on a straight-line basis from the completion of a drydocking or intermediate survey to the estimated completion of the next drydocking. We expense as incurred costs for routine repairs and maintenance performed during drydocking that do not improve or extend the useful lives of the assets and annual class survey costs for our FPSO units. The number of drydockings undertaken in a given period and the nature of the work performed determine the level of drydocking expenditures.

Depreciation and amortization. Our depreciation and amortization expense typically consists of:

- charges related to the depreciation and amortization of the historical cost of our fleet (less an estimated residual value) over the estimated useful lives of our vessels;

- charges related to the amortization of drydocking expenditures over the estimated number of years to the next scheduled drydocking; and

- charges related to the amortization of intangible assets, including the fair value of the time-charters, contracts of affreightment, customer relationships and intellectual property where amounts have been attributed to those items in acquisitions; these amounts are amortized over the period in which the asset is expected to contribute to our future cash flows.

67

Table of Contents

Time-charter equivalent (TCE) rates. Bulk shipping industry freight rates are commonly measured in the shipping industry at the net revenues level in terms of TCE rates, which represent net revenues divided by revenue days.

Revenue days. Revenue days are the total number of calendar days our vessels were in our possession during a period, less the total number of off-hire days during the period associated with major repairs, drydockings or special or intermediate surveys. Consequently, revenue days represent the total number of days available for the vessel to earn revenue. Idle days, which are days when the vessel is available for the vessel to earn revenue, yet is not employed, are included in revenue days. We use revenue days to explain changes in our net revenues between periods.

Calendar-ship-days. Calendar-ship-days are equal to the total number of calendar days that our vessels were in our possession during a period. As a result, we use calendar-ship-days primarily in explaining changes in vessel operating expenses, time-charter hire expense and depreciation and amortization.

Restricted cash deposits. Under the terms of the tax leases for four of our LNG carriers, we are required to have on deposit with financial institutions an amount of cash that, together with interest earned on the deposit, will equal the remaining amounts owing under the leases, including the obligations to purchase the LNG carriers at the end of the lease periods, where applicable. During vessel construction, however, the amount of restricted cash approximates the accumulated vessel construction costs. These cash deposits are restricted to being used for capital lease payments and have been fully funded with term loans and loans from our joint venture partners. Please read Note 5 (Capital Leases and Restricted Cash) to the unaudited financial statements as at and for the nine months ended September 30, 2009, included elsewhere in this prospectus.

Results of operations

In accordance with GAAP, we report gross revenues in our income statements and include voyage expenses among our operating expenses. However, shipowners base economic decisions regarding the deployment of their vessels upon anticipated TCE rates, and industry analysts typically measure bulk shipping freight rates in terms of TCE rates. This is because under time-charter contracts and FPSO service contracts the customer usually pays the voyage expenses, while under voyage charters and contracts of affreightment the ship-owner usually pays the voyage expenses, which typically are added to the hire rate at an approximate cost. Accordingly, the discussion of revenue below focuses on net revenues and TCE rates of our four operating segments where applicable.

Substantially all of the technical operations of our subsidiaries are managed by Teekay Parent. We manage our business operationally, and analyze and report our consolidated results of operations, on the basis of four operating segments: the shuttle tanker and FSO segment, the FPSO segment, the liquefied gas segment, and the conventional tanker segment. In order to provide investors with additional information about our conventional tanker segment, we have divided this operating segment into the fixed-rate tanker segment and the spot tanker segment. For additional information about our operating segments, please read Business Operations.

Table of Contents

Nine months ended September 30, 2009 versus nine months ended September 30, 2008

Shuttle tanker and FSO segment

Our shuttle tanker and FSO segment (which includes our Teekay Navion shuttle tankers and offshore business unit) includes our shuttle tankers and FSO units. The shuttle tanker and FSO segment had four shuttle tankers under construction as at September 30, 2009. We use these vessels to provide transportation and storage services to oil companies operating offshore oil field installations. These services are typically provided under long-term fixed-rate time-charter contracts or contracts of affreightment. Historically, the utilization of shuttle tankers in the North Sea is higher in the winter months, as favorable weather conditions in the summer months provide opportunities for repairs and maintenance to our vessels. Downtime for repairs and maintenance generally reduces oil production and, thus, transportation requirements.

The following table presents our shuttle tanker and FSO segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure for the nine months ended September 30, 2009. The following table also provides a summary of the changes in calendar-ship-days by owned and chartered-in vessels for our shuttle tanker and FSO segment:

	Nine months ended September 30,		
(in thousands of U.S. dollars, except calendar-ship-days and percentages)	**2009**	**2008**	**% Change**
Revenues	432,371	532,821	(18.9)
Voyage expenses	58,227	132,808	(56.2)
Net revenues	374,144	400,013	(6.5)
Vessel operating expenses	126,911	130,038	(2.4)
Time-charter hire expense	85,645	100,231	(14.6)
Depreciation and amortization	88,003	88,036	(0.0)
General and administrative expenses(1)	40,406	45,412	(11.0)
Loss (gain) on sale of vessels and equipment, net of write-downs	1,902	(3,771)	(150.4)
Restructuring charge	5,991	6,500	(7.8)
Income from vessel operations	25,286	33,567	(24.7)
Calendar-ship-days			
Owned vessels	7,917	7,828	1.1
Chartered-in vessels	2,328	2,745	(15.2)
Total	10,245	10,573	(3.1)

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the shuttle tanker and FSO segment based on estimated use of corporate resources). For additional information, please read Other operating results General and administrative expenses elsewhere in this prospectus.

The average fleet size of our shuttle tanker and FSO segment (including vessels chartered-in) decreased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to a decline in the number of chartered-in shuttle tankers.

Net revenues. Net revenues decreased for the nine months ended September 30, 2009 compared to the same period in 2008, primarily due to:

a decrease of $40.7 million due to less revenue days for shuttle tankers servicing contracts of affreightment and trading in the conventional spot market and lower spot rates achieved in the conventional spot market;

a decrease in net revenues from our FSO units of $7.4 million primarily due to the strengthening of the U.S. Dollar against the Norwegian Kroner and Australian Dollar, the currencies in which we are paid under the FSO contracts; and

a decrease of $2.7 million due to the recovery of certain 2008 Norwegian environmental taxes during the nine months ended September 30, 2008;

partially offset by

an increase of $7.8 million due to rate increases on certain contracts of affreightment;

an increase of $6.7 million due to a decrease in the number of offhire days resulting from scheduled drydockings and unexpected repairs; and

an increase of $2.8 million due to a decline in bunker prices.

Vessel operating expenses. Vessel operating expenses decreased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

a decrease of $9.0 million primarily due to lower crew manning expenses from the reflagging of five of our vessels from Norwegian flag to Bahamian flag and changing the nationality mix of our crews, and the strengthening of the US Dollar against the Norwegian Kroner, the currency in which certain vessel operating expenses are paid;

a decrease of $4.1 million relating to repairs and maintenance performed for certain vessels during the nine months ended September 30, 2008; and

a decrease in FSO vessel operating expenses of $1.5 million primarily due to the offhire of one vessel during the nine months ended September 30, 2009;

partially offset by

a net increase of $8.6 million from changes in realized and unrealized losses on our designated foreign currency forward contracts; and

an increase of $2.9 million due to an increase in services, consumables, lube oil and freight.

Time-charter hire expense. Time-charter hire expense decreased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to a net decrease in the number of vessels chartered-in.

Depreciation and amortization. Depreciation and amortization expense increased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to higher amortization expense relating to capitalized drydock and capital upgrade costs for certain of our shuttle tankers, partially offset by lower amortization on our FSO units.

Restructuring charges. During the nine months ended September 30, 2009, we incurred restructuring charges of $6.0 million relating to costs incurred for the reflagging of certain vessels, the closure of one of our offices in Norway, and global staffing changes.

FPSO segment

Our FPSO segment (which includes our Teekay Petrojarl business unit) includes our FPSO units and other vessels used to service our FPSO contracts. We use these units and vessels to provide transportation, production, processing and storage services to oil companies operating offshore oil field installations. These services are typically provided under long-term fixed-rate time-charter contracts or FPSO service contracts. Historically, the utilization of FPSO units and other vessels in the North Sea is higher in the winter months, as favorable weather conditions in the summer months provide opportunities for repairs and maintenance to our vessels and the offshore oil platforms, which generally reduces oil production.

The following table presents our FPSO segment s operating results and also provides a summary of the changes in calendar-ship-days for our FPSO segment for the nine months ended September 30, 2009:

	Nine months ended September 30,		
(in thousands of U.S. dollars, except calendar-ship-days and percentages)	**2009**	**2008**	**% Change**
Revenues	289,825	283,673	2.2
Vessel operating expenses	140,825	165,122	(14.7)
Depreciation and amortization	76,869	67,759	13.4
General and administrative expenses(1)	25,799	35,544	(27.4)
Income from vessel operations	46,332	15,248	203.9
Calendar-ship-days			
Owned vessels	2,365	2,469	(4.2)
Total	2,365	2,469	(4.2)

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the FPSO segment based on estimated use of corporate resources). For additional information, please read Other operating results General and administrative expenses.

The average fleet size of our FPSO segment decreased for the nine months ended September 30, 2009, compared to the same period in 2008, as one of our shuttle tankers servicing FPSO contracts is currently under conversion to an FSO unit.

Revenues. Revenues increased for the nine months ended September 30, 2009 compared to the same period in 2008, primarily due to:

- an increase of $3.8 million from the amortization of contract value liabilities relating to FPSO service contracts (as discussed below), which was recognized on the date of the acquisition by us of a controlling interest in Teekay Petrojarl; and

- an increase of $2.4 million primarily from the delivery of a new FPSO unit in February 2008 (or the *FPSO Delivery*), partially offset by lower revenues in other FPSO units due to lower oil production compared to the prior period and the conversion of a shuttle tanker to an FSO unit.

As part of our acquisition of Teekay Petrojarl, we assumed certain FPSO service contracts that had terms that were less favorable than prevailing market terms at the time of acquisition. This contract value liability, which was recognized on the date of acquisition, is being amortized to revenue over the remaining firm period of the current FPSO contracts on a weighted basis based on the projected revenue to be earned under the contracts. The amount of amortization relating to these contracts included in revenue for the nine months ended September 30, 2009 was $53.3 million compared to $49.5 million for the same period in 2008. The increase was primarily due to our purchase of the remaining interest in Teekay Petrojarl in mid-2008.

Table of Contents

Vessel operating expenses. Vessel operating expenses decreased during the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

a decrease of $23.4 million from decreases in service costs due to the timing of certain projects, cost saving initiatives, and the strengthening of the U.S. Dollar against the Norwegian Kroner; and

a decrease of and $0.9 million from lower insurance charges.

Depreciation and amortization. Depreciation and amortization expense increased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

an increase of $5.4 million primarily from the finalization of preliminary estimates of fair value assigned to certain assets included in our acquisition of Teekay Petrojarl; and

an increase of $3.7 million from the FPSO Delivery.

Liquefied gas segment

Our liquefied gas segment consists of LNG and LPG carriers primarily subject to long-term, fixed-rate time-charter contracts. We accepted delivery of two new LNG carriers between November 2008 and January 2009, and one new LPG carrier in April 2009. At September 30, 2009, we had two LPG carriers under construction, of which one was delivered in early November 2009 and the other is scheduled for delivery in April 2010. In addition, we have four LNG carriers under construction that are scheduled for delivery between August 2011 and January 2012, and two multi-gas carriers under construction that are scheduled for delivery in 2011. Upon delivery, all of these vessels are scheduled to commence operation under long-term, fixed-rate time-charters.

The following table presents our liquefied gas segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure for the nine months ended September 30, 2009. The following table also provides a summary of the changes in calendar-ship-days by owned vessels and vessels under capital lease for our liquefied gas segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Nine months ended September 30, 2009	2008	% Change
Revenues	176,283	167,297	5.4
Voyage expenses	723	791	(8.6)
Net revenues	175,560	166,506	5.4
Vessel operating expenses	36,238	35,224	2.9
Depreciation and amortization	44,257	43,010	2.9
General and administrative expenses(1)	15,875	17,520	(9.4)
Restructuring charge	3,802	614	519.2

Income from vessel operations	75,388	70,138	7.5
Calendar-ship-days:			
Owned vessels and vessels under capital lease	3,383	2,740	23.5

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the liquefied gas segment based on estimated use of corporate resources). For additional information, please read Other operating results General and administrative expenses elsewhere in this prospectus.

The increase in the average fleet size of our liquefied gas segment was primarily due to the delivery of two new LNG carriers in November 2008 and January 2009, respectively (collectively the *Tangguh LNG Deliveries*) and the delivery of one new LPG carrier in April 2009.

Net revenues. Net revenues increased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

- an increase of $19.6 million due to the commencement of the time-charters from the Tangguh LNG Deliveries and the new LPG carrier;
- an increase of $3.1 million due to the *Catalunya Spirit* being off-hire for 34.3 days for repairs during the nine months ended September 30, 2008; and
- an increase of $1.0 million due to the *Polar Spirit* being off-hire for 18.5 days for a scheduled drydock during the nine months ended September 30, 2008;

partially offset by

- a decrease of $5.1 million due to lower net revenues from the *Arctic Spirit* as a result of a decrease in the time-charter rate;
- a relative decrease of $2.1 million, due to the *Madrid Spirit* being off-hire for 25.2 days during the third quarter of 2009 for a scheduled drydock;
- a relative decrease of $1.9 million due to the *Galicia Spirit* being off-hire for 27.6 days during the third quarter of 2009 for a scheduled drydock; and
- a decrease of $5.6 million due to the effect on our Euro-denominated revenues from the weakening of the Euro against the U.S. Dollar.

Vessel operating expenses. Vessel operating expenses increased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

- an increase of $5.3 million from the Tangguh LNG Deliveries;

partially offset by

- a decrease of $2.1 million relating to lower crew manning, insurance, and repairs and maintenance costs; and
- a decrease of $1.6 million due to the effect on our Euro-denominated vessel operating expenses from the weakening of the Euro against the U.S. Dollar (a majority of our vessel operating expenses are denominated in Euros, which is primarily a function of the nationality of our crew; our Euro-denominated revenues currently generally approximate our Euro-denominated expenses and Euro-denominated loan and interest payments).

Depreciation and amortization. Depreciation and amortization expense increased for the nine months ended September 30, 2009, from the same period in 2008, primarily due to:

an increase of $1.2 million from the delivery of the Tangguh Sago in March 2009 prior to the commencement of the external time-charter contract in May 2009 which is accounted for as a direct financing lease; and

an increase of $0.6 million from the delivery of the one new LPG carrier in April 2009;

Table of Contents

partially offset by

a decrease of $0.8 million due to revised depreciation estimates of certain of our vessels.

Restructuring charges. During the nine months ended September 30, 2009, we incurred restructuring charges of $3.8 million relating to costs incurred for global staffing and office changes.

Conventional tanker segment

Fixed-rate tanker segment

Our fixed-rate tanker segment includes conventional crude oil and product tankers on long-term, fixed-rate time-charters.

The following table presents our fixed-rate tanker segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure. The following table also provides a summary of the changes in calendar-ship-days by owned and chartered-in vessels for our fixed-rate tanker segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Nine months ended September 30, 2009	2008	% Change
Revenues	217,574	188,519	15.4
Voyage expenses	4,614	2,904	58.9
Net revenues	212,960	185,615	14.7
Vessel operating expenses	55,540	49,626	11.9
Time-charter hire expense	35,918	32,881	9.2
Depreciation and amortization	41,803	32,447	28.8
General and administrative expenses(1)	20,388	15,157	34.5
Loss on sale of vessels and equipment, net of write-downs	3,960		
Restructuring charge	613	1,893	(67.6)
Income from vessel operations	54,738	53,611	2.1
Calendar-ship-days			
Owned vessels	6,592	4,929	33.7
Chartered-in vessels	1,661	1,826	(9.0)
Total	8,253	6,755	22.2

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the fixed-rate tanker segment based on estimated use of corporate resources). For additional information, please read Other operating results General and administrative expenses.

The average fleet size of our fixed-rate tanker segment (including vessels chartered-in) increased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

the delivery of two new Aframax tankers during January and March 2008 (collectively, the *Aframax Deliveries*);

the transfer of two product tankers from the spot tanker segment in April 2008 upon commencement of long-term time-charters (the *Product Tanker Transfers*);

the transfer of two Suezmax tankers from the spot tanker segment in June 2009 (the *Suezmax Transfers*);

the purchase of a product tanker which commenced a 10-year fixed-rate time charter to Caltex Australia Petroleum Pty Ltd. during September 2009; and

the transfer of five Aframax tankers, on a net basis, from the spot tanker segment in 2008 and 2009 upon commencement of long-term time-charters (the *Aframax Transfers*).

The Aframax Transfers consist of the transfer of five owned vessels and one chartered-in vessel from the spot tanker segment, and the transfer of one chartered-in vessel to the spot tanker segment. The effect of the transaction is to increase the fixed-rate tanker segment s net revenues, time-charter expenses, and vessel operating expenses.

Net revenues. Net revenues increased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

an increase of $20.3 million from the Aframax Transfers;

an increase of $7.1 million from the Suezmax Transfers;

an increase of $2.8 million from the Product Tanker Transfers;

an increase of $1.3 million from the Aframax Deliveries;

a relative increase of $1.2 million as two of our Suezmax tankers were off-hire for 48 days for scheduled drydockings during the nine months ended September 30, 2008; and

an increase of $0.9 million from the purchase of the new product tanker.

partially offset by

a decrease of $4.8 million due to interest-rate adjustments to the daily charter rates under the time-charter contracts for five Suezmax tankers (however, under the terms of these capital leases, we had corresponding decreases in our lease payments, which are reflected as decreases to interest expense; therefore, these and future interest rate adjustments do not and will not affect our cash flow or net (loss) income); and

a decrease of $1.1 million due to a scheduled drydocking during the nine months ended September 30, 2009 of the *Teesta Spirit*, which is one of the vessels included in the Product Tanker Transfers.

Vessel operating expenses. Vessel operating expenses increased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

an increase of $6.2 million from the Aframax Transfers;
an increase of $1.3 million from the Suezmax Transfers; and
an increase of $1.8 million from the Product Tanker Transfers;

partially offset by

- a decrease of $2.3 million relating to lower crew manning, insurance, and repairs and maintenance costs; and

Table of Contents

a decrease of $1.4 million due to the effect on our Euro-denominated vessel operating expenses from the weakening of the Euro against the U.S. Dollar.

Time-charter hire expense. Time-charter hire expense increased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to an increase in the average time-charter hire rates, partially offset by a decrease in the number of in-chartered Aframax vessel days.

Depreciation and amortization. Depreciation and amortization expense increased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to the Aframax Transfers, Suezmax Transfers, Product Tanker Transfers, and an increase in capitalized drydocking expenditures being amortized.

Loss on sale of vessels and equipment. Loss on sale of vessels and equipment for the nine months ended September 30, 2009, primarily relates to a write-down taken on one of our older fixed-rate vessels.

Restructuring charges. During the nine months ended September 30, 2009, we incurred restructuring charges of $0.6 million relating to costs incurred for global staffing changes.

Spot tanker segment

Our spot tanker segment consists of conventional crude oil tankers and product carriers operating on the spot tanker market or subject to time-charters or contracts of affreightment that are priced on a spot-market basis or are short-term, fixed-rate contracts. We consider contracts that have an original term of less than three years in duration to be short-term. We took delivery of six new Suezmax tankers during the nine months ended September 30, 2009 and delivery of an additional new Suezmax tanker in December 2009. Our conventional Aframax, Suezmax, and large and medium product tankers are among the vessels included in the spot tanker segment.

Our spot tanker market operations contribute to the volatility of our revenues, cash flow from operations and net (loss) income. Historically, the tanker industry has been cyclical, experiencing volatility in profitability and asset values resulting from changes in the supply of, and demand for, vessel capacity. In addition, spot tanker markets historically have exhibited seasonal variations in charter rates. Spot tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere and unpredictable weather patterns that tend to disrupt vessel scheduling.

Table of Contents

The following table presents our spot tanker segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure. The following table also provides a summary of the changes in calendar-ship-days by owned and chartered-in vessels for our spot tanker segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Nine months ended September 30, 2009	2008	% Change
Revenues	533,339	1,259,813	(57.7)
Voyage expenses	161,689	436,182	(62.9)
Net revenues	371,650	823,631	(54.9)
Vessel operating expenses	77,785	89,507	(13.1)
Time-charter hire expense	226,680	312,332	(27.4)
Depreciation and amortization	70,924	81,648	(13.1)
General and administrative expenses(1)	53,605	71,102	(24.6)
Gain on sale of vessels and equipment, net of write-downs	(16,148)	(35,942)	(55.1)
Restructuring charge	1,611	2,173	(25.9)
(Loss) income from vessel operations	(42,807)	302,811	(114.1)
Calendar-ship-days			
Owned vessels	9,050	10,339	(12.5)
Chartered-in vessels	8,398	13,215	(36.5)
Total	17,448	23,554	(25.9)

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the spot tanker segment based on estimated use of corporate resources). For additional information, please read Other operating results General and administrative expenses.

The average fleet size of our spot tanker fleet (including vessels chartered-in) decreased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

the transfer of two product tankers in April 2008 to the fixed-rate tanker segment (or the *Spot Product Tanker Transfers*);

the transfer of four Aframax tankers in November 2008 and one Aframax tanker in September 2009 to the fixed-rate tanker segment (or the *Spot Aframax Tanker Transfers*);

the sale of seven product tankers between March 2008 and May 2009 (or the *Spot Product Tanker Sales*);

the sale of one Suezmax tanker in November 2008 (or the *Suezmax Tanker Sale*); and

a net decrease in the number of chartered-in vessels, primarily from the sale of our 50% interest in the Swift Product Tanker Pool in November 2008, which included our interest in ten in-chartered intermediate product tankers;

partially offset by

- the delivery of six new Suezmax tankers between May 2008 and September 2009 (or the *Suezmax Deliveries*); and
- the delivery of one large product tanker in October 2008.

In addition, during February 2009 we sold and leased back one older Aframax tanker. This had the effect of decreasing the number of calendar days for our owned vessels and increasing the number of calendar-ship-days for our chartered-in vessels.

Tanker market and TCE rates

According to CRSL, average Suezmax crude tanker spot market rates were $28,361 per day in 2009 which was lower than the average spot rate for the five-year period from 2004 through 2008 of $60,265 per day. Average Aframax crude tanker spot market rates were $15,780 per day in 2009 which was lower than the average spot rate for the five-year period from 2004 through 2008 of $42,044 per day. The global economic downturn, which resulted in the steepest oil demand contraction since the early 1980 s, coupled with the growth in the global tanker fleet, were the primary causes of the decline in rates in 2009. Since the end of the third quarter of 2009, spot rates have increased as a result of seasonal factors, improving economic fundamentals and short-term factors such as the use of tankers for floating storage, which tightened active fleet supply.

The following tables outline the TCE rates earned by the vessels in our spot tanker segment for the nine months ended September 30, 2009 and 2008:

		September 30, 2009				Nine months ended September 30, 2008
Vessel type	**Net revenues ($000 s)**	**Revenue days**	**TCE rate $**	**Net revenues ($000 s)**	**Revenue days**	**TCE rate $**
Spot fleet:[1]						
Suezmax tankers	55,992	2,393	23,398	88,409	1,482	59,655
Aframax tankers	161,203	8,842	18,232	461,352	11,187	41,240
Large/medium product tankers	39,404	2,185	18,034	105,309	3,319	31,729
Small product tankers				37,239	2,704	13,772
Time-charter fleet:[1]						
Suezmax tankers	52,628	1,448	36,345	58,991	2,015	29,276
Aframax tankers	50,754	1,556	32,618	23,229	713	32,579
Large/medium product tankers	17,883	781	22,898	39,373	1,518	25,938
Other[2]	(6,214)			9,729		
Totals	371,650	17,205	21,601	823,631	22,938	35,907

(1) Spot fleet includes time-charters and fixed-rate contracts of affreightment less than one year and time-charter fleet includes time-charters and fixed-rate contracts of affreightment between one and three years.

Table of Contents

(2) Includes realized gains and losses on forward freight agreements and synthetic time-charter contracts, the cost of spot in-charter vessels servicing fixed-rate contract of affreightment cargoes, the amortization of in-process revenue contracts and cost of fuel while offhire.

Net revenues. Net revenues decreased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

a decrease of $286.4 million, primarily from decreases in our average TCE rate;

a decrease of $111.7 million from a net decrease in the number of chartered-in vessels, excluding small product tankers discussed below;

a decrease of $37.3 million from a net decrease in the number of chartered-in small product tankers primarily due to the sale of our interest in the Swift Tanker Pool in November 2008;

a decrease of $30.3 million from the Spot Aframax Transfers and Spot Product Tanker Transfers;

a decrease of $24.3 million from the Spot Product Tanker Sales; and

a decrease $6.8 million from the Suezmax Tanker Sale;

partially offset by

an increase of $15.1 from a change in the number of days our vessels were off-hire due to regularly scheduled maintenance during the nine months ended September 30, 2009;

an increase of $24.0 million from the Suezmax Deliveries; and

an increase of $5.6 million from the delivery of one large product tanker.

Vessel operating expenses. Vessel operating expenses decreased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

a decrease of $9.1 million from the Spot Aframax Tanker Transfers; and

a decrease of $8.4 million from the Spot Product Tanker Sales;

a decrease of $7.4 million from lower crew manning, repairs, maintenance and consumables costs; and

partially offset by

an increase of $7.6 million from the Suezmax Deliveries;

an increase of $1.9 million from the new product tanker delivered in October 2008.

Time-charter hire expense. Time-charter hire expense decreased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

a decrease of $52.6 million from the decrease in the number of chartered-in Suezmax and Aframax tankers; and

a decrease of $33.1 million from a decrease in the number of chartered-in small product tankers from the sale of the Swift Tanker Pool in November 2008.

Table of Contents

Depreciation and amortization. Depreciation and amortization expense decreased for the nine months ended September 30, 2009, compared to the same period in 2009, primarily due to:

a decrease of $4.9 million from the Spot Product Tanker Sales;

a decrease of $4.5 million from the Spot Aframax Tanker Transfers;

a decrease of $8.4 million from the amortization of a non-compete agreement in the prior periods, which was fully amortized by the end of 2008;

a decrease of $1.2 million from the Spot Product Tanker Transfers; and

a decrease of $1.1 million from the Suezmax Tanker Sale;

partially offset by

an increase of $11.0 million from the Suezmax Tanker Deliveries and one new product tanker.

Gain on sale of vessels and equipment, net of write-downs. The gain on sale of vessels and equipment, net of write-downs for the nine months ended September 30, 2009, is primarily due to gains realized on the disposal of two long-range product tankers during the second quarter of 2009, partially offset by write-downs. The write-downs were for related to two older vessels that were written-down to their fair value.

Restructuring charges. During the nine months ended September 30, 2009, we incurred restructuring charges of $1.6 million relating to costs incurred for global staffing changes.

Other operating results

The following table compares our other operating results for the nine months ended September 30, 2009 and 2008:

(in thousands of U.S. dollars, except percentages)	**Nine months ended September 30, 2009**	**2008**	**% Change**
General and administrative expenses	(156,073)	(184,735)	(15.5)
Interest expense	(111,505)	(215,139)	(48.2)
Interest income	15,894	73,408	(78.3)
Realized and unrealized (losses) gains on non- designated derivative instruments	83,066	(125,542)	(166.2)
Foreign exchange (loss) gain	(39,900)	8,323	(579.4)
Equity (loss) income from joint ventures	29,857	(10,780)	(377.0)
Income tax (expense) recovery	(12,174)	35,022	(134.8)
Other income (loss) net	8,343	(7,662)	(208.9)

General and administrative expenses. General and administrative expenses decreased for the nine months ended September 30, 2009, compared to the same period in 2008, primarily due to:

- a decrease of $32.5 million, in compensation for shore-based employees and other personnel expenses primarily due to decreases in headcount and performance based compensation costs;

Table of Contents

a decrease of $8.9 million from lower travel costs;

a decrease of $5.4 million relating to timing of seafarer training initiatives and lower training activity; and

a decrease of $4.2 million in corporate-related expenses;

partially offset by

an increase of $19.6 million as there was a large recovery recorded in the third quarter of 2008 relating to the costs associated with our equity-based compensation and long-term incentive program for management, in each case due to significant stock market fluctuations; and

an increase of $2.8 million relating to the net realized and unrealized change in fair value of our foreign currency forward contracts.

Interest expense. Interest expense, which excludes realized and unrealized gains and losses from interest rate swaps, decreased to $111.5 million for the nine months ended September 30, 2009 from $215.1 million for the same period in 2008, primarily due to:

a decrease of $65.2 million primarily due to repayments of debt drawn under long-term revolving credit facilities and term loans, and decreases in interest rates relating to long-term debt;

a decrease of $24.6 million as the debt relating to Teekay Nakilat (III) was novated to the RasGas 3 Joint Venture on December 31, 2008 (the interest expense on this debt is not reflected in our 2009 consolidated interest expense as the RasGas 3 Joint Venture is accounted for using the equity method);

a decrease of $10.7 million from the scheduled loan payments on the LNG carrier *Catalunya Spirit*, and scheduled capital lease repayments on the LNG carrier *Madrid Spirit* (the *Madrid Spirit* is financed pursuant to a Spanish tax lease arrangement, under which we borrowed under a term loan and deposited the proceeds into a restricted cash account and entered into a capital lease for the vessel; as a result, this decrease in interest expense from the capital lease is offset by a corresponding decrease in the interest income from restricted cash);

a decrease of $3.3 million from declining interest rates on our five Suezmax tanker capital lease obligations; and

a decrease of $2.5 million due to the effect on our Euro-denominated debt from the weakening of the Euro against the U.S. Dollar;

partially offset by

an increase of $2.7 million relating to debt to finance the purchase of the Tangguh LNG Carriers, as the interest on this debt was capitalized in the same period in 2008.

Realized and unrealized loss of $109.5 million relating to interest rate swaps for the nine months ended September 30, 2008, was reclassified from interest expense to realized and unrealized (loss) gain on non-designated derivative instruments to conform to the presentation adopted in the nine months ended September 30, 2009.

Table of Contents

Interest income. Interest income, which excludes realized and unrealized gains and losses from interest rate swaps, decreased to $15.9 million for the nine months ended September 30, 2009 from $73.4 million, for the same period in 2008, primarily due to:

- a decrease of $23.2 million relating to interest-bearing advances made by us to the RasGas 3 Joint Venture for shipyard construction installment payments, as the loan was repaid on December 31, 2008 when the external debt was novated to the RasGas 3 Joint Venture;

- a decrease of $24.5 million primarily relating to lower interest rates on our bank account balances;

- a decrease of $8.5 million due to decreases in LIBOR rates relating to the restricted cash used to fund capital lease payments for three LNG carriers;

- a decrease of $0.6 million, due to the effect on our Euro-denominated deposits from the weakening of the Euro against the U.S. Dollar; and

- a decrease of $0.7 million primarily from scheduled capital lease repayments on one of our LNG carriers which was funded from restricted cash deposits.

Realized and unrealized gain of $25.7 million relating to interest rate swaps for the nine months ended September 30, 2008, was reclassified from interest income to realized and unrealized (loss) gain on non-designated derivative instruments to conform to the presentation adopted in the nine months ended September 30, 2009.

Realized and unrealized (losses) gains on non-designated derivative instruments. Net realized and unrealized gains on non-designated derivatives were $83.1 million for the nine months ended September 30, 2009, compared to net realized and unrealized (losses) on non-designated derivatives of $(125.5) million for the same period in 2008, as detailed in the table below:

(in thousands of U.S. Dollars)	**Nine months ended September 30, 2009**	**2008**
Realized (losses) gains relating to:		
Interest rate swaps	(91,737)	(28,361)
Foreign currency forward contracts	(8,926)	30,399
Bunkers and forward freight agreements (*FFAs*)	4,660	(25,348)
	(96,003)	(23,310)
Unrealized (losses) gains relating to:		
Interest rate swaps	164,333	(55,480)
Foreign currency forward contracts	15,227	(31,975)
Bunkers, FFAs and other	(491)	(14,777)

	179,069	(102,232)
Total realized and unrealized (losses) gains on non-designated derivative instruments	83,066	(125,542)

82

Table of Contents

Foreign exchange (loss) gain. Foreign currency exchange (losses) were $(39.9) million for the nine months ended September 30, 2009, compared to a gain of $8.3 million for the same period in 2008. The changes in our foreign exchange (losses) gains are primarily attributable to the revaluation of our Euro-denominated term loans at the end of each period for financial reporting purposes, and substantially all of the gains or losses are unrealized. Gains reflect a stronger U.S. Dollar against the Euro on the date of revaluation. Losses reflect a weaker U.S. Dollar against the Euro on the date of revaluation. Currently, our Euro-denominated revenues generally approximate our Euro-denominated operating expenses and our Euro-denominated interest and principal repayments.

Equity (loss) income from joint ventures. Equity income from joint ventures was $29.9 million for the nine months ended September 30, 2009, compared to a loss of $(10.8) million for the same period in 2008. The income or loss was primarily comprised of our share of the Angola LNG Project earnings (losses) and the operations of the four RasGas 3 LNG Carriers, which were delivered between May and July 2008. Substantially all of the equity income relates to unrealized gain on interest rate swaps of $23.1 million for the nine months ended September 30, 2009.

Income tax (expense) recovery. Income tax (expense) was $(12.1) million for the nine months ended September 30, 2009, compared to a recovery of $35.0 million for the same period in 2008. The increase to income tax expense of $47.1 million for the nine months ended September 30, 2009 was primarily due to an increase in deferred income tax expense relating to unrealized foreign exchange translation gains and to a lesser extent due to operational income for tax purposes.

Other income (loss). Other income was $8.3 million for the nine months ended September 30, 2009, compared to a loss of $(7.7) million for the same period in 2008. The increase in other income for the nine months ended September 30, 2009, was primarily due to the write-down of marketable securities and losses from repurchase of bonds, partially offset by gains from the sale of marketable securities, recognized in the same period in 2008.

Net income. As a result of the foregoing factors, net income was $132.5 million for the nine months ended September 30, 2009, compared to $233.0 million for the same period in 2008.

Table of Contents

Year ended December 31, 2008 versus year ended December 31, 2007

Shuttle tanker and FSO segment

The following table presents our shuttle tanker and FSO segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure for the years ended December 31, 2008 and 2007. The following table also provides a summary of the changes in calendar-ship-days by owned and chartered-in vessels for our shuttle segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	**Year ended December 31, 2008**	**2007**	**% Change**
Revenues	705,461	642,047	9.9
Voyage expenses	171,599	117,571	46.0
Net revenues	533,862	524,476	1.8
Vessel operating expenses	175,449	127,372	37.7
Time-charter hire expense	134,100	160,993	(16.7)
Depreciation and amortization	117,198	104,936	11.7
General and administrative expenses(1)	58,725	60,234	(2.5)
Gain on sale of vessels and equipment, net of write-downs	(3,771)	(16,531)	(77.2)
Restructuring charge	10,645		
Income from vessel operations	41,516	87,472	(52.5)
Calendar-ship-days:			
Owned vessels	11,595	11,015	5.3
Chartered-in vessels	3,765	4,619	(18.5)
Total	15,360	15,634	(1.8)

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the shuttle tanker and FSO segment based on estimated use of corporate resources).

The average fleet size of our shuttle tanker and FSO segment (including vessels chartered-in) increased during 2008 compared to 2007. This was primarily the result of:

the transfer of the *Navion Saga* from the fixed-rate segment to the shuttle tanker and FSO segment in connection with the completion of its conversion to an FSO unit in May 2007; and the delivery of two new shuttle tankers, the *Navion Bergen* and the *Navion Gothenburg*, in April and July 2007, respectively (collectively, the *Shuttle Tanker Deliveries*);

partially offset by

a decline in the number of chartered-in shuttle tankers; and

the sale of a 1987-built shuttle tanker in May 2007 (or the *Shuttle Tanker Disposition*).

Net revenues. Net revenues increased 1.8% to $533.9 million for 2008, from $524.5 million for 2007, primarily due to:

- an increase of $10.1 million from the Shuttle Tanker Deliveries;
- an increase of $9.6 million due to more revenue days for shuttle tankers servicing contracts of affreightment and from shuttle tankers servicing contracts of affreightment in the conventional spot tanker market, earning a higher average daily charter rate, compared to the same period in 2008;
- an increase of $6.9 million from the transfer of the *Navion Saga* to the shuttle tanker and FSO segment; and
- an increase of $2.5 million due to the redeployment of one shuttle tanker from servicing contracts of affreightment to a time-charter effective October 2007, and earning a higher average daily charter rate than for the same period in 2008;

partially offset by

- a decrease of $10.0 million due to declining oil production at mature oil fields in the North Sea which are serviced by certain shuttle tankers on contracts of affreightment;
- a decrease of $3.9 million due to an increased number of offhire days resulting from an increase in scheduled drydockings and unexpected repairs performed compared to the same period in 2008;
- a decrease of $3.4 million due to customer performance claims under the terms of charter party agreements;
- a decrease of $3.0 million due to an increase in bunker costs which are not passed on to the charterer under certain contracts; and
- a decrease of $3.0 million due to redeliver of an in-chartered shuttle tanker in May 2008.

Vessel operating expenses. Vessel operating expenses increased 37.7% to $175.4 million for 2008, from $127.4 million for 2007, primarily due to:

- an increase of $33.2 million from increases in crew manning costs;
- an increase of $9.8 million relating to the unrealized change in fair value of our foreign currency forward contracts;
- an increase of $5.0 million relating to the transfer of the *Navion Saga* to the shuttle tanker and FSO segment;
- an increase of $4.4 million, from the acquisition of an in-chartered shuttle tanker, the *Navion Oslo*, which was delivered in late March 2008; and
- an increase of $0.5 million from increases in service costs and the price of consumables, freight and lubricants.

Time-charter hire expense. Time-charter hire expense decreased 16.7% to $134.1 million for 2008, from $161.0 million for 2007, primarily due to a decrease in the number of chartered-in vessels.

Table of Contents

Depreciation and amortization. Depreciation and amortization expense increased 11.7% to $117.2 million for 2008, from $105.0 million for 2007, primarily due to:

an increase of $6.9 million relating to the transfer of the *Navion Saga* to the shuttle tanker and FSO segment; and

an increase of $2.8 million from the Shuttle Tanker Deliveries.

Gain on sale of vessels and equipment net of write-downs. Gain on sale of vessels and equipment for 2008 was a net gain of $3.8 million, which was primarily due to a gain of $3.7 million from the sale of equipment.

FPSO segment

The following table presents our FPSO segment s operating results and also provides a summary of the changes in calendar-ship-days for our FPSO segment for the years ended December 31, 2008 and 2007:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Year ended December 31, 2008	2007	% Change
Revenues	383,752	350,279	9.6
Vessel operating expenses	227,651	156,264	45.7
Depreciation and amortization	91,734	68,047	34.8
General and administrative expenses(1)	53,087	36,927	43.8
Loss on sale of vessels and equipment, net of write-downs	12,019		
Goodwill impairment charge	334,165		
(Loss) income from vessel operations	(334,904)	89,041	(476.1)
Calendar-ship-days:			
Owned vessels	2,073	1,825	13.6

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

The average fleet size of our FPSO segment (including vessels chartered-in) increased during 2008 compared to 2007. This was primarily the result of the delivery of a new FPSO unit in February 2008 (or the *FPSO Delivery*).

Net revenues. Net revenues increased 10.4% to $383.8 million for 2008, from $350.3 million for 2007, primarily due to:

an increase of $40.4 million from the FPSO Delivery;

partially offset by

- a decrease of $11.3 million in revenues from the *Foinaven* FPSO due to lower oil production compared to the prior year and a production shutdown during August and September 2008.

As part of our acquisition of Teekay Petrojarl, we assumed certain FPSO service contracts that have terms that are less favorable than prevailing market terms at the time of acquisition. This contract value liability, which was recognized on the date of acquisition, is being amortized to

Table of Contents

revenue over the remaining firm period of the current FPSO contracts on a weighted basis based on the projected revenue to be earned under the contracts. The amount of amortization relating to these contracts included in revenue for each of 2007 and 2008 was $66.6 million.

Vessel operating expenses. Vessel operating expenses increased 45.7% to $227.7 million for 2008, from $156.3 million for 2007, primarily due to:

- an increase of $25.3 million relating to the unrealized change in fair value of our foreign currency forward contracts;
- an increase of $24.2 million from the FPSO Delivery;
- an increase of $13.9 million from increases in service costs and the price of consumables, freight and lubricants; and
- an increase of $7.3 million from increases in crew manning costs;

partially offset by

- a decrease of $1.8 million from lower insurance charges.

Depreciation and amortization. Depreciation and amortization expense increased 34.8% to $91.7 million for 2008, from $68.0 million for 2007, primarily due to:

- an increase of $13.8 million from the refinement of preliminary estimates of fair value assigned to certain assets included in our acquisition of Teekay Petrojarl; and
- an increase of $9.9 million from the FPSO Delivery.

Loss on sale of vessels and equipment net of write-downs. Loss on sale of vessels and equipment net of write-downs for 2008 was due to a $12.0 million impairment write-down of a 1986-built shuttle tanker.

Goodwill impairment charge. Goodwill impairment charge was from a write-down of goodwill from the Teekay Petrojarl acquisition. Based on an impairment analysis, management concluded that the carrying value of goodwill in the FPSO segment exceeded its fair value by $334.2 million as of December 31, 2008. As a result, an impairment loss of $334.2 million has been recognized in our consolidated statement of income (loss) for the year ended December 31, 2008.

Table of Contents

Liquefied gas segment

The following table presents our liquefied gas segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure for the years ended December 31, 2008 and 2007. The following table also provides a summary of the changes in calendar-ship-days by owned vessels for our liquefied gas segment:

	Year ended December 31,		%
(in thousands of U.S. dollars, except calendar-ship-days and percentages)	**2008**	**2007**	**Change**
Revenues	221,930	166,981	32.9
Voyage expenses	1,009	109	825.7
Net revenues	220,921	166,872	32.4
Vessel operating expenses	48,185	30,239	59.3
Depreciation and amortization	58,371	46,018	26.8
General and administrative expenses(1)	23,072	20,521	12.4
Restructuring charge	634		
Income from vessel operations	90,659	70,094	29.3
Calendar-ship-days:			
Owned vessels and vessels under capital lease	3,701	2,899	27.7

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the liquefied gas segment based on estimated use of corporate resources).

The increase in the average fleet size of our liquefied gas segment from 2007 to 2008 was primarily due to:

the delivery of one new LNG carrier in November 2008 (the *Tangguh Hiri*);

the delivery of two new LNG carriers in January and February 2007 (or the *RasGas II Deliveries*); and

our December 2007 acquisition of two 1993-built LNG vessels from a joint venture between Marathon Oil Corporation and ConocoPhillips (or the *Kenai LNG Carriers*).

Net revenues. Net revenues increased 32.4% to $220.9 million for 2008, from $166.9 million for 2007, primarily due to:

an increase of $38.3 million from the delivery of the Kenai LNG Carriers;

an increase of $6.1 million from the RasGas II Deliveries;

a relative increase of $5.5 million, due to the *Madrid Spirit* being off-hire during the first half of 2007 after sustaining damage to its engine boilers; and

an increase of $4.7 million due to the effect on our Euro-denominated revenues of the strengthening of the Euro against the U.S. Dollar during 2008 compared to 2007;

Table of Contents

partially offset by

- a decrease of $3.1 million, due to the *Catalunya Spirit* being off-hire for 34.3 days during the first half of 2008 for scheduled drydocking.

Vessel operating expenses. Vessel operating expenses increased 59.3% to $48.2 million for 2008, from $30.2 million for 2007, primarily due to:

- an increase of $10.8 million from the full year operations in 2008 of the Kenai LNG Carriers delivered in 2007;
- an increase of $2.3 million due to the effect on our Euro-denominated vessel operating expenses (primarily crewing costs) from the strengthening of the Euro against the U.S. Dollar during 2008 compared to 2007 (a majority of our vessel operating expenses are denominated in Euros, which is primarily a function of the nationality of our crew; our Euro-denominated revenues currently generally approximate our Euro-denominated expenses and Euro-denominated loan and interest payments);
- an increase of $1.2 million from the RasGas II Deliveries; and
- an increase of $0.7 million from the delivery of the *Tangguh Hiri*.

Depreciation and amortization. Depreciation and amortization increased 26.8% to $58.4 million in 2008, from $46.0 million in 2007, primarily due to:

- an increase of $9.9 million from the delivery of the Kenai LNG Carriers;
- an increase of $1.2 million from the RasGas II Deliveries;
- an increase of $0.6 million from the delivery of the *Tangguh Hiri*; and
- an increase of $0.3 million relating to the amortization of drydock expenditures incurred during 2008.

Table of Contents

Fixed-rate tanker segment

The following table presents our fixed-rate tanker segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure for the years ended December 31, 2008 and 2007. The following table also provides a summary of the changes in calendar-ship-days by owned and chartered-in vessels for our fixed-rate tanker segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Year ended December 31, 2008	2007	% Change
Revenues	265,849	195,942	35.7
Voyage expenses	5,010	2,707	85.1
Net revenues	260,839	193,235	35.0
Vessel operating expenses	68,065	51,458	32.3
Time-charter hire expense	43,048	25,812	66.8
Depreciation and amortization	44,578	36,018	23.8
General and administrative expenses[(1)]	20,740	18,221	13.8
Loss on sale of vessels and equipment, net of write-downs	4,401		
Restructuring charge	1,991		
Income from vessel operations	78,016	61,725	26.4
Calendar-ship-days:			
Owned vessels	6,824	5,390	26.6
Chartered-in vessels	2,363	1,312	80.1
Total	9,187	6,702	37.1

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the fixed-rate tanker segment based on estimated use of corporate resources).

The average fleet size of our fixed-rate tanker segment (including vessels chartered-in) increased by 37% in 2008 compared to 2007. This increase was primarily the result of:

the acquisition of two Suezmax tankers from OMI Corporation on August 1, 2007 (collectively, the *OMI Acquisition*);

the addition of two new chartered-in Aframax tankers in January 2008 as part of the multi-vessel transaction with ConocoPhillips, in which we acquired ConocoPhillips rights in six double-hull Aframax tankers (collectively, the *ConocoPhillips Acquisition*);

the delivery of two new Aframax tankers during January and March 2008 (collectively, the *Aframax Deliveries*);

the transfer of two product tankers from the spot tanker segment in April 2008 upon commencement of long-term time-charters (the Product *Tanker Transfers*); and

the transfer of four Aframax tankers, on a net basis during 2008, from the spot tanker segment upon commencement of long-term time-charters (the *2008 Aframax Transfers*).

Table of Contents

The 2008 Aframax Transfers comprise the transfer of three owned vessel and two chartered-in vessels from the spot tanker segment, and the transfer of one owned vessels to the spot tanker segment. The effect of the transaction is to increase the fixed-rate tanker segment s net revenue and time-charter expenses, and to decrease its vessel operating expenses.

Net revenues. Net revenues increased 35.0% to $260.8 million for 2008, from $193.2 million for 2007, primarily due to:

an increase of $17.6 million from the ConocoPhillips Acquisition;

an increase of $17.0 million from the OMI Acquisition;

an increase of $11.2 million from the Product Tanker Transfers;

an increase of $9.8 million from the 2008 Aframax Transfers;

a increase of $9.2 million from increased revenues earned by the *Teide Spirit* and the *Toledo Spirit* (the time charters for both these vessels provide for additional revenues to us beyond the fixed hire rate when spot tanker market rates exceed threshold amounts; the time-charter for the Toledo Spirit also provides for a reduction in revenues to us when spot tanker market rates are below threshold amounts); and

an increase of $8.6 million from the Aframax Deliveries;

partially offset by

a decrease of $3.3 million from lower charter rates earned on an in-chartered VLCC.

Vessel operating expenses. Vessel operating expenses increased 32.3% to $68.1 million for 2008, from $51.5 million for 2007, primarily due to:

an increase of $7.9 million from the ConocoPhillips acquisition;

an increase of $4.6 million relating to higher crew manning and repairs, insurance, and maintenance and consumables;

an increase of $3.8 million from the Product Tanker Transfers;

an increase of $1.7 million due to full year operations in 2008 of the Suezmax tankers acquired in the OMI Acquisition; and

an increase of $1.0 million due to the effect on our Euro-denominated vessel operating expenses (primarily crewing costs for five of our Suezmax tankers) from the strengthening of the Euro against the U.S. Dollar during such period compared to the same period in 2008. A majority of our vessel operating expenses for five of our Suezmax tankers are denominated in Euros, which is primarily a function of the nationality of our crew (our Euro-denominated revenues currently generally approximate our Euro-denominated expenses and Euro-denominated loan and interest payments);

partially offset by

a decrease of $3.1 million from the 2008 Aframax Transfers.

Time-charter hire expense. Time-charter hire expense increased 66.8% to $43.0 million for 2008, compared to $25.8 million for 2007, primarily due to:

an increase of $7.3 million from the ConocoPhillips acquisition.

an increase of $5.6 million from the 2008 Aframax Transfers; and

an increase of $4.9 million from the OMI Acquisition.

Depreciation and amortization. Depreciation and amortization expense increased 23.8% to $44.6 million for 2008, from $36.0 million for 2007, primarily due to:

an increase of $5.1 million from the OMI Acquisition; and

an increase of $2.8 million from the Aframax Deliveries.

Loss on sale of vessels and equipment net of write-downs. For 2008, we recorded a $4.4 million impairment charge related to a 1990-built conventional tanker.

Restructuring charges. During the year ended December 31, 2008, we incurred restructuring charges of $1.3 million relating to costs incurred to change the crew of the *Samar Spirit* from Australian crew to International crew, and $0.5 million relating to reorganization of certain business units.

Spot tanker segment

The following table presents our spot tanker segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure. The following table also provides a summary of the changes in calendar-ship-days by owned and chartered-in vessels for our spot tanker segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Year ended December 31, 2008	2007	% Change
Revenues	1,616,663	1,040,258	55.4
Voyage expenses	580,770	406,921	42.7
Net revenues	1,035,893	633,337	63.6
Vessel operating expenses	134,969	81,813	65.0
Time-charter hire expense	434,975	279,676	55.5
Depreciation and amortization	106,921	74,094	44.3
General and administrative expenses[(1)]	88,898	95,962	(7.4)
Gain on sale of vessels and equipment, net of write-downs	(72,664)		
Restructuring charge	2,359		

Income from vessel operations	340,435	101,792	234.4
Calendar-ship-days:			
Owned vessels	13,623	11,764	15.8
Chartered-in vessels	17,647	12,730	38.6
Total	31,270	24,494	27.7

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the spot tanker segment based on estimated use of corporate resources).

The average fleet size of our spot tanker fleet increased 27.7% from 24,494 calendar days in 2007 to 31,271 calendar days in 2008, primarily due to:

- the acquisition of 15 owned and six chartered-in vessels from OMI Corporation on August 1, 2007 (collectively, the *OMI Acquisition*);
- the addition of two owned and two chartered-in Aframax tankers in January 2008 as part of the multi-vessel transaction with ConocoPhillips, in which we acquired ConocoPhillips rights in six double-hull Aframax tankers (collectively, the *ConocoPhillips Acquisition*);
- the delivery of two new large product tankers in February and May 2007 (or the *2007 Spot Tanker Deliveries*);
- the delivery of three new Suezmax tankers between May and October 2008 (or the *2008 Suezmax Deliveries*); and
- a net increase in the number of chartered-in vessels, primarily Aframax and product tankers.

In addition, during April 2007 we sold and leased back two older Aframax tankers and during July 2007 we sold and leased back two Aframax tankers. This had the effect of decreasing the number of calendar ship days for our owned vessels and increasing the number of calendar ship days for our chartered-in vessels.

Tanker market and TCE rates

The following table outlines the TCE rates earned by the vessels in our spot tanker segment for 2008 and 2007 and includes the realized results of synthetic time-charters (or *STCs*) and forward freight agreements (or *FFAs*), which we enter into at times as hedges against a portion of our exposure to spot tanker market rates or for speculative purposes.

						Year ended
		December 31, 2008				December 31, 2007
Vessel type	**Net revenues ($000 s)**	**Revenue days**	**TCE rate $**	**Net revenues ($000 s)**	**Revenue days**	**TCE rate $**
Spot Fleet(1)						
Suezmax Tankers(2)	121,393	2,111	57,505	52,697	1,496	35,225
Aframax Tankers(2)	609,150	15,072	40,416	342,989	11,681	29,363
Large/Medium Product Tankers(2)	149,842	4,396	34,086	98,194	3,746	26,213
Small Product Tankers(2)	44,008	3,172	13,874	51,811	3,596	14,408
Time-Charter Fleet(1)						
Suezmax Tankers(2)	85,674	2,762	31,019	47,584	1,666	28,562
Aframax Tankers(2)	39,900	1,224	32,598	5,734	183	31,334
Large/Medium Product Tankers(2)	52,892	1,971	26,835	42,482	1,638	25,935
Other(3)	(66,966)			(8,154)		
Totals	1,035,893	30,708	33,734	633,337	24,006	26,382

93

(1) Spot fleet includes short-term time-charters and fixed-rate contracts of affreightment of less than 1 year and gains and losses from FFAs less than 1 year; and time-charter fleet includes short-term time-charters and fixed-rate contracts of affreightment of between 1-3 years and gains and losses from STCs and FFAs of between 1-3 years.

(2) Includes realized gains and losses from STCs and FFAs.

(3) Includes broker commissions, the cost of spot in-charter vessels servicing fixed-rate contract of affreightment cargoes, unrealized gains and losses from STCs and FFAs, the amortization of in-process revenue contracts and cost of fuel while offhire.

Net Revenues. Net revenues increased 63.6% to $1.04 billion for 2008, from $633.3 million for 2007, primarily due to:

an increase of $207.8 million from an increase in our average TCE rate during 2008 compared to 2007;

an increase of $147.4 million from the OMI Acquisition;

an increase of $52.6 million from a net increase in the number of chartered-in vessels;

an increase of $42.0 million from the ConocoPhillips Acquisition;

an increase of $19.5 million from the 2007 Spot Tanker Deliveries and the 2008 Suezmax Deliveries; and

an increase of $17.0 million from the transfer of two Aframax tankers from the fixed-rate tanker segment in January 2008;

partially offset by

a decrease of $54.2 million from the effect of STCs and FFAs;

a decrease of $13.6 million from an increase in the number of days our vessels were off-hire due to regularly scheduled maintenance; and

a decrease of $5.0 million from the transfer of a Suezmax tanker to the offshore segment in May 2007 and the transfer of an Aframax tanker to the fixed-rate tanker segment in December 2007.

Vessel operating expenses. Vessel operating expenses increased 65.0% to $135.0 million for 2008, from $81.8 million for 2007, primarily due to:

an increase of $18.1 million from higher crew manning repairs, maintenance and consumables costs, insurance costs, port expenses, safety inspections and non-recurring damages;

an increase of $17.2 million from the ConocoPhillips Acquisition;

an increase of $10.1 million from the OMI Acquisition;

an increase of $4.8 million from the transfer of two Aframax tankers from the fixed-rate segment in January 2008; and an increase of $4.3 million from the 2007 Spot Tanker Deliveries and the 2008 Suezmax Deliveries;

partially offset by

a decrease of $3.3 million from the transfer of a Suezmax tanker to the shuttle tanker and FSO segment in May 2007 and the transfer of an Aframax tanker to the fixed-rate tanker segment in December 2007.

Time-charter hire expense. Time-charter hire expense increased 55.5% to $435.0 million for 2008, from $279.7 million for 2007, primarily due to:

an increase of $89.9 million from an increase in the number of chartered-in tankers (excluding the OMI and ConocoPhillips vessels) compared to the same period in 2007;

an increase of $2.6 million from an increase in the average in-charter rate;

an increase of $39.8 million from the OMI Acquisition;

an increase of $16.1 million from the ConocoPhillips Acquisition; and

an increase of $6.9 million due to the sale and lease-back of three Aframax tankers during April and July 2007.

Depreciation and amortization. Depreciation and amortization expense increased 44.3% to $106.9 million for 2008, from $74.1 million for 2007, primarily due to:

an increase of $30.7 million from the OMI Acquisition;

an increase of $6.3 million from the ConocoPhillips Acquisition; and

an increase of $3.5 million from the 2007 Spot Tanker Deliveries and the 2008 Suezmax Deliveries;

partially offset by

a decrease of $2.8 million from the sale and lease-back of three Aframax tankers during April and July 2007; and

a decrease of $2.2 million from the transfer of a Suezmax tanker to the shuttle tanker and FSO segment in May 2007 and the transfer of an Aframax to the fixed-rate tanker segment during December 2007.

Gain on sale of vessels and equipment net of write-downs. Gain on sale of vessels and equipment of $72.7 million for 2008 was due to:

a gain of $52.2 million from the sale of vessels; and

a gain of $44.4 million from the sale of our 50% interest in the Swift Tanker Pool;

partially offset by

a decrease of $23.9 million from the impairment write-down on two 1992-built Aframax tankers.

Table of Contents

Other operating results

The following table compares our other operating results for 2008 and 2007.

(in thousands of U.S. dollars, except percentages)	Year ended December 31, 2008	2007	% Change
General and administrative expenses	(244,522)	(231,865)	5.5
Interest expense	(994,966)	(422,433)	135.5
Interest income	273,647	110,201	148.3
Foreign exchange gain (loss)	32,348	(39,912)	(181.0)
Equity loss from joint ventures	(36,085)	(12,404)	190.9
Income tax recovery	56,176	3,192	1,659.9
Non-controlling interest expense	(9,561)	(8,903)	7.4
Other (loss) income net	(6,736)	23,677	(128.4)

General and administrative expenses. General and administrative expenses increased 5.5% to $244.5 million for 2008, from $231.9 million for 2007, primarily due to:

an increase of $26.5 million from the unrealized change in fair value of our foreign currency forward contracts;

an increase of $16.7 million in compensation for shore-based employees and other personnel expenses, primarily due to increase in headcount and compensation levels partially offset by the strengthening of the U.S. Dollar compared to other major currencies;

an increase of $10.3 million in corporate-related expenses, including costs associated with Teekay Tankers becoming a public entity in December 2007; and

an increase of $3.8 million in fleet overhead from the timing of seafarer training initiatives and higher training activity in the liquefied gas segment;

partially offset by

a decrease of $42.2 million relating to the costs associated with our equity-based compensation and long-term incentive program for management; and

a decrease of $2.8 million in office expenses and travel costs due to business development and other project initiatives.

Interest expense. Interest expense increased 135.5% to $995.0 million for 2008, from $422.4 million for 2007, primarily due to:

an increase of $508.4 million relating to the unrealized change in fair value of our interest rate swaps and certain options to enter into interest rate swaps;

an increase of $43.6 million due to additional debt drawn under long-term revolving credit facilities and term loans relating to the Shuttle Tanker Deliveries, the Aframax Deliveries, the Spot Tanker Deliveries and other investing activities;

- an increase of $9.3 million relating to debt of Teekay Nakilat (III) used by the RasGas 3 Joint Venture to fund shipyard construction installment payments (this increase in interest expense from debt is offset by a corresponding increase in interest income from advances to the joint venture); and
- an increase of $0.6 million relating to debt from the delivery of the *Tangguh Hiri*.

We have not applied hedge accounting to our interest rate swaps and as such, the unrealized changes in fair value of the swaps are reflected in interest expense in our consolidated statements of income (loss).

Interest income. Interest income increased 148.3% to $273.6 million for 2008, compared to $110.2 million for 2007, primarily due to:

- an increase of $171.3 million relating to the unrealized change in fair value of our interest rate swaps; and
- an increase of $4.5 million relating to interest-bearing loans made by us to the RasGas 3 Joint Venture for shipyard construction installment payments;

partially offset by

- a decrease of $8.9 million resulting from the repayment of interest-bearing loans we made to a 50% joint venture between us and TORM, which were used during the second quarter of 2007, together with comparable loans made by TORM, to acquire 100% of the outstanding shares of OMI; and
- a decrease of $2.4 million relating to a decrease in restricted cash used to fund capital lease payments for the RasGas II Deliveries.

We have not applied hedge accounting to our interest swaps and as such, the unrealized changes in fair value of the swaps are reflected in interest income in our consolidated statements of income.

Foreign exchange gains (losses). Foreign exchange gain (loss) was a gain of $32.3 million for 2008, compared to a loss of $39.9 million for 2007. The changes in our foreign exchange gains (losses) are primarily attributable to the revaluation of our Euro-denominated term loans at the end of each period for financial reporting purposes, and substantially all of the gains or losses are unrealized. Gains reflect a stronger U.S. Dollar against the Euro on the date of revaluation. Losses reflect a weaker U.S. Dollar against the Euro on the date of revaluation. As of the date of this prospectus, our Euro-denominated revenues generally approximate our Euro-denominated operating expenses and our Euro-denominated interest and principal repayments.

Non-controlling interest expense. Non-controlling interest expense increased to $9.6 million for 2008, compared to $8.9 million for 2007, primarily due to:

- an increase of $21.7 million from the initial public offering of Teekay Tankers in December 2007; and
- an increase of $3.0 million from the operating results of the RasGas II joint venture;

partially offset by

- a decrease of $14.6 million from a decrease in earnings from Teekay Offshore partially offset by the follow-on public offering of Teekay Offshore in June 2008; and

Table of Contents

a decrease of $12.3 million from a decrease in earnings from Teekay LNG which was primarily the result of unrealized foreign exchange losses attributable to the revaluation of its Euro-denominated term loans partially offset by the follow-on public offering of Teekay LNG in April 2008.

Equity loss from joint ventures. Equity loss of $36.1 million for 2008 was primarily comprised of our share of the Angola LNG Project loss. The majority of the loss relates to unrealized losses on interest rate swaps.

Income tax recovery. Income tax recovery was $56.2 million for 2008 compared to $3.2 million for 2007. The $53.0 million increase to income tax recoveries was primarily due to an increase in deferred income tax recoveries relating to unrealized foreign exchange translation losses.

Other (loss) income (net). Other loss of $6.7 million for 2008 was primarily comprised of write-down of marketable securities of $20.2 million, partially offset by leasing income of $9.5 million from our volatile organic compound emissions equipment, gain on sale of marketable securities of $4.6 million, and gain on bond redemption of $3.0 million.

Other income of $23.7 million for 2007 was primarily comprised of leasing income of $11.0 million from our volatile organic compound emissions equipment, gain on sale of marketable securities of $9.6 million and gain on sale of subsidiary of $6.9 million, partially offset by loss on bond redemption of $0.9 million.

Net (loss) income. As a result of the foregoing factors, we incurred a net loss of $469.5 million for 2008, compared to a net income of $63.5 million for 2007.

Year ended December 31, 2007 versus year ended December 31, 2006

Shuttle tanker and FSO segment

The following table presents our shuttle tanker and FSO segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure for the years ended December 31, 2007 and 2006.

The following table also provides a summary of the changes in calendar-ship-days by owned and chartered-in vessels for our shuttle segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Year ended December 31, 2007	2006	% Change
Revenues	642,047	572,392	12.2
Voyage expenses	117,571	89,642	31.2
Net revenues	524,476	482,750	8.6
Vessel operating expenses	127,372	90,798	40.3
Time-charter hire expense	160,993	170,308	(5.5)
Depreciation and amortization	104,936	83,501	25.7
General and administrative expense(1)	60,234	46,220	30.3
(Gain) loss on sale of vessels	(16,531)	698	(2,468.3)
Income from vessel operations	87,472	91,225	(4.1)
Calendar-ship-days:			
Owned vessels	11,015	9,050	21.7
Chartered-in vessels	4,619	4,983	(7.3)
Total	15,634	14,033	11.4

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the shuttle tanker and FSO segment based on estimated use of corporate resources).

The average fleet size of our shuttle tanker and FSO segment (including vessels chartered-in) increased during 2007 compared to 2006. This was primarily the result of:

the consolidation of five 50%-owned subsidiaries, each of which owns one shuttle tanker, effective December 1, 2006 upon amendments of the applicable operating agreements, which granted us control of these entities, that were previously accounted for as joint ventures using the equity method (or the *Consolidation of 50%-owned Subsidiaries*);

the transfer of the *Navion Saga* from the fixed-rate segment to the shuttle tanker and FSO segment in connection with the completion of its conversion to an FSO unit in May 2007; and

the delivery of two new shuttle tankers, the *Navion Bergen* and the *Navion Gothenburg*, in April and July 2007, respectively (or the *Shuttle Tanker Deliveries*);

partially offset by

- a decline in the number of chartered-in shuttle tankers; and
- the sale of one 1981-built shuttle tanker in July 2006 and one 1987-built shuttle tanker in May 2007 (the *Shuttle Tanker Dispositions*).

Net revenues. Net revenues increased 8.6% to $524.5 million for 2007, from $482.8 million for 2006, primarily due to:

- an increase of $40.8 million due to the Consolidation of 50%-owned Subsidiaries;

an increase of $23.0 million relating to the transfer of the *Navion Saga* to the shuttle tanker and FSO segment;

an increase of $12.3 million due to the Shuttle Tanker Deliveries; and

an increase of $3.6 million due to the renewal of certain vessels on time-charter contracts at higher daily rates during 2006;

partially offset by

a decrease of $13.1 million in revenues due to (a) fewer revenue days for shuttle tankers servicing contracts of affreightment during 2007 due to a decline in oil production from mature oil fields in the North Sea and (b) the redeployment of idle shuttle tankers servicing contracts of affreightment in the conventional spot tanker market at a lower average charter rate during the fourth quarter of 2007 due to a weaker spot tanker market; and

a decrease of $3.4 million due to the drydocking of the FSO unit the *Dampier Spirit* during the first half of 2007.

Vessel operating expenses. Vessel operating expenses increased 40.3% to $127.4 million for 2007, from $90.8 million for 2006, primarily due to:

an increase of $17.5 million from the Consolidation of 50%-owned Subsidiaries;

an increase of $14.0 million in salaries for crew and officers primarily due to general wage escalations from the renegotiation of seafarer contracts, change in crew composition, a change in the crew rotation system and the weakening U.S. Dollar;

an increase of $6.0 million relating to the transfer of the *Navion Saga* to the shuttle tanker and FSO segment;

an increase of $3.4 million relating to an increase in services, non-recurring repairs and maintenance; and

an increase of $0.2 million relating to the unrealized change in fair value of our foreign currency forward contracts;

partially offset by

a decrease of $2.1 million relating to the Shuttle Tanker Dispositions.

Time-charter hire expense. Time-charter hire expense decreased 5.5% to $161.0 million for 2007, from $170.3 million for 2006, primarily due to a decrease in the number of chartered-in vessels.

Depreciation and amortization. Depreciation and amortization expense increased 25.7% to $104.9 million for 2007, from $83.5 million for 2006, primarily due to:

an increase of $13.7 million from the Consolidation of 50%-owned Subsidiaries;

an increase of $6.6 million from the transfer of the *Navion Saga* to the shuttle tanker and FSO; and

an increase of $3.8 million due to the Shuttle Tanker Deliveries;

Table of Contents

partially offset by

a decrease of $4.0 million relating to the Shuttle Tanker Dispositions.

Gain on sale of vessels and equipment Net of write-downs. Gain on sale of vessels for 2007 was a net gain of $16.5 million, which was primarily comprised of:

a gain of $11.6 million from the sale of a 1987-built shuttle tanker and certain equipment during May 2007; and

a gain of $4.9 million from the sale of a 50% interest in a 2007-built shuttle tanker during September 2007.

FPSO segment

The following table presents our FPSO segment s operating results and also provides a summary of the changes in calendar-ship-days by owned and chartered-in vessels for our offshore segment for the years ended December 31, 2007 and 2006:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	**Year ended December 31, 2007**	**2006**	**% Change**
Revenues	350,279	95,455	267.0
Vessel operating expenses	156,264	36,158	332.2
Depreciation and amortization	68,047	22,360	204.3
General and administrative expenses(1)	36,927	10,549	250.1
Income from vessel operations	89,041	26,388	237.4
Calendar-ship-days:			
Owned vessels	1,825	460	296.7

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

The average fleet size of our FPSO segment increased during 2007 compared to 2006. This was primarily the result of the acquisition during the third quarter of 2006 of Teekay Petrojarl.

Revenues. Revenues increased 267.0% to $350.3 million for 2007, from $95.5 million for 2006, primarily due to a net increase of $245.8 million relating to the Teekay Petrojarl acquisition, which includes the effect of amortization of contract values as described below;

As part of our acquisition of Teekay Petrojarl, we assumed certain FPSO service contracts which have terms that are less favorable than then-prevailing market terms. This contract value liability, which was recognized on the date of acquisition, is being amortized to revenue over the remaining firm period of the current FPSO contracts on a weighted basis based on the projected revenue to be earned under the contracts. The amount of amortization relating to these contracts included in revenue for 2007 and 2006 was $66.6 million and $22.4 million, respectively.

Vessel operating expenses. Vessel operating expenses increased 332.2% to $156.3 million for 2007, from $36.2 million for 2006, primarily due to:

- an increase of $125.3 million from the Teekay Petrojarl acquisition;

partially offset by

a decrease of $4.0 million relating to the unrealized change in fair value of our foreign currency forward contracts.

Depreciation and amortization. Depreciation and amortization expense increased 204.3% to $68.0 million for 2007, from $22.4 million for 2006, primarily due to an increase of $45.1 million from the Teekay Petrojarl acquisition.

Liquefied gas segment

The following table presents our liquefied gas segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure for the years ended December 31, 2007 and 2006. The following table also provides a summary of the changes in calendar-ship-days by owned vessels for our liquefied gas segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Year ended December 31, 2007	2006	% Change
Revenues	166,981	104,489	59.8
Voyage expenses	109	975	(88.8)
Net revenues	166,872	103,514	61.2
Vessel operating expenses	30,239	18,912	59.9
Depreciation and amortization	46,018	33,160	38.8
General and administrative expenses(1)	20,251	15,531	32.1
Income from vessel operations	70,094	35,911	95.2
Calendar-ship-days:			
Owned vessels and vessels under capital lease	2,899	1,887	53.6

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the liquefied gas segment based on estimated use of corporate resources).

The increase in the average fleet size of our liquefied gas segment was primarily due to:

the delivery of the three RasGas II LNG Carriers between October 2006 and February 2007, and

our December 2007 acquisition of the two Kenai LNG Carriers.

On March 29, 2007, the *Madrid Spirit* sustained damage to its engine boilers when a condenser tube failed resulting in seawater contamination of the boilers. The vessel was offhire for three days during the first quarter of 2007 and

76 days during the second quarter of 2007. As a result, we incurred a reduction to income from vessel operations of $6.6 million in the second quarter of 2007, consisting of $5.8 million from loss of hire and $0.8 million from uninsured repair costs. The *Madrid Spirit* resumed normal operations in early July 2007.

Net revenues. Net revenues increased 61.2% to $166.9 million for 2007, from $103.5 million for 2006, primarily due to:

an increase of $59.8 million from the delivery of the RasGas II LNG Carriers;

an increase of $6.8 million due to the effect on our Euro-denominated revenues from the strengthening of the Euro against the U.S. Dollar during 2007 compared to 2006;

Table of Contents

a relative increase of $2.4 million due to the *Catalunya Spirit* being off-hire for 35.5 days during 2006 to complete repairs and for a scheduled drydock; and

an increase of $2.0 million from the delivery of the Kenai LNG Carriers;

partially offset by

a decrease of $5.8 million due to the *Madrid Spirit* being off-hire, as discussed above; and

a decrease of $2.0 million relating to 30.8 days of off-hire for a scheduled drydocking for one of our LNG carriers during July 2007.

Vessel operating expenses. Vessel operating expenses increased 59.9% to $30.2 million for 2007, from $18.9 million for 2006, primarily due to:

an increase of $8.9 million from the delivery of the RasGas II LNG Carriers;

an increase of $1.4 million due to the effect on our Euro-denominated vessel operating expenses (primarily crewing costs) from the strengthening of the Euro against the U.S. Dollar during such period compared to the same period last year (a majority of our vessel operating expenses are denominated in Euros, which is primarily a function of the nationality of our crew; our Euro-denominated revenues currently generally approximate our Euro-denominated expenses and Euro-denominated loan and interest payments); and

an increase of $0.8 million for repair costs for the *Madrid Spirit* incurred during the second quarter of 2007 in excess of insurance recoveries;

partially offset by

a relative decrease of $1.0 million relating to repair costs for the *Catalunya Spirit* incurred during the second quarter of 2006 in excess of insurance recoveries.

Depreciation and amortization. Depreciation and amortization increased 38.8% to $46.0 million in 2007, from $33.2 million in 2006, primarily due to:

an increase of $11.7 million from the delivery of the RasGas II LNG Carriers;

an increase of $0.7 million relating to the amortization of drydock expenditures incurred during 2007; and

an increase of $0.5 million from the delivery of the Kenai LNG Carriers.

Fixed-rate tanker segment

The following table presents our fixed-rate tanker segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure for the years ended December 31, 2007 and 2006. The following table also provides a summary of the changes in calendar-ship-days by owned and chartered-in vessels for our fixed-rate tanker segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Year ended December 31, 2007	2006	% Change
Revenues	195,942	181,605	7.9
Voyage expenses	2,707	1,999	35.4
Net revenues	193,235	179,606	7.6
Vessel operating expenses	51,458	44,083	16.7
Time-charter hire expense	25,812	16,869	53.0
Depreciation and amortization	36,018	32,741	10.0
General and administrative expenses(1)	18,221	15,843	15.0
Income from vessel operations	61,726	70,070	(11.9)
Calendar-ship-days:			
Owned vessels	5,390	5,475	(1.6)
Chartered-in vessels	1,312	728	80.2
Total	6,702	6,203	8.0

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the fixed-rate tanker segment based on estimated use of corporate resources).

The average fleet size of our fixed-rate tanker segment (including vessels chartered-in) increased by 8% in 2007 compared to 2006. This increase was primarily the result of:

the acquisition of two Suezmax tankers as part of the OMI Acquisition on August 1, 2007; and

the transfer of two in-chartered Aframax tankers from the spot tanker segment in July 2007 and October 2007, respectively, upon commencement of three-year time-charters (or the *2007 Aframax Transfers*).

In addition, during July 2007 we sold and leased back an older Aframax tanker. This had the effect of decreasing the number of calendar ship days for our owned vessels and increasing the number of calendar ship days for our chartered-in vessels.

Net revenues. Net revenues increased 7.6% to $193.2 million for 2007, from $179.6 million for 2006, primarily due to:

- an increase of $9.3 million from the OMI Acquisition;
- an increase of $8.1 million from the 2007 Aframax Transfers;
- an increase of $1.4 million due to adjustments to the daily charter rate based on inflation and increases from rising interest rates in accordance with the time-charter contracts for five

Suezmax tankers. (However, under the terms of our capital leases for these tankers we had a corresponding increase in our lease payments, which is reflected as an increase to interest expense. Therefore, these and future interest rate adjustments do not and will not affect our cash flow or net income); and

a relative increase of $0.3 million because one of our Suezmax tankers was off-hire for 15.8 days for a scheduled drydocking during 2006;

partially offset by

a decrease of $5.5 million from reduced revenues earned by the *Teide Spirit* and the *Toledo Spirit* (the time-charters for both these vessels provide for additional revenues to us beyond the fixed hire rate when spot tanker market rates exceed threshold amounts; the time-charter for the *Toledo Spirit* also provides for a reduction in revenues to us when spot tanker market rates are below threshold amounts).

Vessel operating expenses. Vessel operating expenses increased 16.7% to $51.5 million for 2007, from $44.1 million for 2006, primarily due to:

an increase of $4.1 million relating to higher crew manning and repairs, maintenance and consumables;

an increase of $1.6 million due to the effect on our Euro-denominated vessel operating expenses (primarily crewing costs for five of our Suezmax tankers) from the strengthening of the Euro against the U.S. Dollar during such period compared to the same period last year. A majority of our vessel operating expenses on five of our Suezmax tankers are denominated in Euros, which is primarily a function of the nationality of our crew (our Euro-denominated revenues currently generally approximate our Euro-denominated expenses and Euro-denominated loan and interest payments); and

an increase of $1.1 million from the OMI Acquisition.

Time-charter hire expense. Time-charter hire expense increased 53.0% to $25.8 million for 2007, compared to $16.9 million for 2006, primarily due to:

an increase of $4.7 million from the 2007 Aframax Transfers;

an increase of $4.1 million from the OMI Acquisition; and

an increase of $1.2 million due to the sale and lease-back of an Aframax tanker in July 2007.

Depreciation and amortization. Depreciation and amortization expense increased 10.0% to $36.0 million for 2007, from $32.7 million for 2006, primarily due to:

an increase of $3.4 million from the OMI Acquisition; and

an increase of $1.2 million from an increase in amortization of drydocking costs;

partially offset by

a decrease of $1.1 million due to the sale and lease-back of an Aframax tanker in July 2007.

Table of Contents

Spot tanker segment

The following table presents our spot tanker segment s operating results and compares its net revenues (which is a non-GAAP financial measure) to revenues, the most directly comparable GAAP financial measure for the years ended December 31, 2007 and 2006 . The following table also provides a summary of the changes in calendar-ship-days by owned and chartered-in vessels for our spot tanker segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Year ended December 31, 2007	2006	% Change
Revenues	1,040,258	1,059,796	(1.8)
Voyage expenses	406,921	430,341	(5.4)
Net revenues	633,337	629,455	0.6
Vessel operating expenses	81,813	58,088	40.8
Time-charter hire expense	279,676	214,991	30.1
Depreciation and amortization	74,094	52,203	41.9
General and administrative expenses(1)	95,962	93,357	2.8
Gain on sale of vessels		(2,039)	(100.0)
Restructuring charge		8,929	(100.0)
Income from vessel operations	101,792	203,926	(50.1)
Calendar-ship-days:			
Owned vessels	11,764	9,541	23.3
Chartered-in vessels	12,730	11,190	13.8
Total	24,494	20,731	18.2

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the spot tanker segment based on estimated use of corporate resources).

The average fleet size of our spot tanker fleet increased 18.2% from 20,731 calendar days in 2006 to 24,494 calendar days in 2007, primarily due to:

the delivery of four new large product tankers between November 2006 and May 2007 (or the *Spot Tanker Deliveries*);

the acquisition of twelve vessels from OMI Corporation on August 1, 2007 as part of the OMI Acquisition; and

- a net increase in the number of chartered-in vessels, primarily Suezmax and product tankers;

partially offset by

- the transfer of the *Navion Saga* to the shuttle tanker and FSO segment in connection with the completion of its conversion to an FSO unit in May 2007.

In addition, during April 2007 we sold and leased back two older Aframax tankers and during July 2007 we sold and leased back one Aframax tanker. This had the effect of decreasing the number of calendar days for our owned vessels and increasing the number of calendar ship days for our chartered-in vessels.

Net revenues. Net revenues increased 0.6% to $633.3 million for 2007, from $629.5 million for 2006, primarily due to:

- an increase of $71.0 million relating to the OMI Acquisition;
- an increase of $31.9 million relating to the Spot Tanker Deliveries;
- an increase of $11.6 million from the effect of STCs and FFAs; and
- an increase of $4.5 million from a net increase in the number of chartered-in vessels (excluding the effect of the sale and lease-back of two older Aframax tankers during April 2007 and the Aframax tanker during July 2007);

partially offset by

- a decrease of $100.4 million from a 15.1% decrease in our average TCE rate during 2007;
- a decrease of $6.5 million from the transfer of the *Navion Saga* to the offshore segment in May 2007; and
- a decrease of $5.7 million from an increase in the number of days our vessels were off-hire due to regularly scheduled maintenance.

Vessel operating expenses. Vessel operating expenses increased 40.8% to $81.8 million for 2007, from $58.1 million for 2006, primarily due to:

- an increase of $12.7 million from the OMI Acquisition;
- an increase of $7.7 million from the Spot Tanker Deliveries; and
- an increase of $3.3 million relating to higher crew manning costs.

Time-charter hire expense. Time-charter hire expense increased 30.1% to $279.7 million for 2007, from $215.0 million for 2006, primarily due to:

- an increase of $32.3 million from a net increase in the average TCE rate of our chartered-in fleet;
- an increase of $22.3 million from the OMI Acquisition;
- an increase of $7.5 million due to the sale and lease-back of the Aframax tankers during April and July 2007; and
- an increase of $4.1 million from an increase in the number of chartered-in tankers (excluding OMI vessels).

Depreciation and amortization. Depreciation and amortization expense increased 41.9% to $74.1 million for 2007, from $52.2 million for 2006, primarily due to:

- an increase of $21.4 million from the OMI Acquisition; and
- an increase of $6.1 million from the Spot Tanker Deliveries;

partially offset by

a decrease of $5.5 million from the sale and lease-back of the Aframax tankers during April and July 2007; and

a decrease of $1.7 million from the transfer of the *Navion Saga* to the shuttle tanker and FSO segment.

Table of Contents

Tanker market and TCE rates

The following table outlines the TCE rates earned by the vessels in our spot tanker segment for 2007 and 2006 and includes the realized results of STCs and FFAs, which we enter into at times as hedges against a portion of our exposure to spot tanker market rates or for speculative purposes.

						Year ended
	December 31, 2007			December 31, 2006		
Vessel type	Net revenues ($000 s)	Revenue days	TCE rate $	Net revenues ($000 s)	Revenue days	TCE rate $
Spot fleet(1)						
Suezmax tankers(2)	52,697	1,496	35,225	56,981	1,639	34,766
Aframax tankers(2)	342,989	11,681	29,363	398,522	10,946	36,408
Large/medium product tankers(2)	98,194	3,746	26,213	96,782	3,488	27,747
Small product tankers(2)	51,811	3,596	14,408	58,530	3,782	15,476
Time-charter fleet(1)						
Suezmax tankers(2)	47,584	1,666	28,562			
Aframax tankers(2)	5,734	183	31,334	19,134	729	26,247
Large/medium product tankers(2)	42,482	1,638	25,935			
Other(3)	(8,154)			(494)		
Totals	633,337	24,006	26,382	629,455	20,584	30,580

(1) Spot fleet includes short-term time-charters and fixed-rate contracts of affreightment of less than 1 year and gains and losses from forward freight agreements (*FFAs*) less than 1 year; and time-charter fleet includes short-term time-charters and fixed-rate contracts of affreightment of between 1-3 years and gains and losses from STCs and FFAs of between 1-3 years.

(2) Includes realized gains and losses from STCs and FFAs.

(3) Includes broker commissions, the cost of spot in-charter vessels servicing fixed-rate contract of affreightment cargoes, unrealized gains and losses from STCs and FFAs, the amortization of in-process revenue contracts and cost of fuel while offhire.

Net revenues. Net revenues increased 0.6% to $633.3 million for 2007, from $629.5 million for 2006, primarily due to:

an increase of $71.0 million relating to the OMI Acquisition;

an increase of $31.9 million relating to the Spot Tanker Deliveries;

an increase of $11.6 million from the effect of STCs and FFAs; and

an increase of $4.5 million from a net increase in the number of chartered-in vessels (excluding the effect of the sale and lease-back of two older Aframax tankers during April 2007 and the Aframax tanker during July 2007) compared to 2006;

partially offset by

a decrease of $100.4 million from a 15.1% decrease in our average TCE rate during 2007 compared to 2006;

Table of Contents

a decrease of $6.5 million from the transfer of the *Navion Saga* to the offshore segment in May 2007; and

a decrease of $5.7 million from an increase in the number of days our vessels were off-hire due to regularly scheduled maintenance.

Vessel operating expenses. Vessel operating expenses increased 40.8% to $81.8 million for 2007, from $58.1 million for 2006, primarily due to:

an increase of $12.7 million from the OMI Acquisition;

an increase of $7.7 million from the Spot Tanker Deliveries; and

an increase of $3.3 million relating to higher crew manning costs.

Time-charter hire expense. Time-charter hire expense increased 30.1% to $279.7 million for 2007, from $215.0 million for 2006, primarily due to:

an increase of $32.3 million from a net increase in the average TCE rate of our chartered-in fleet;

an increase of $22.3 million from the OMI Acquisition;

an increase of $7.5 million due to the sale and lease-back of the Aframax tankers during April and July 2007; and

an increase of $4.1 million from an increase in the number of chartered-in tankers (excluding OMI vessels) compared to 2006.

Depreciation and amortization. Depreciation and amortization expense increased 41.9% to $74.1 million for 2007, from $52.2 million for 2006, primarily due to:

an increase of $21.4 million from the OMI Acquisition; and

an increase of $6.1 million from the Spot Tanker Deliveries;

partially offset by

a decrease of $5.5 million from the sale and lease-back of the Aframax tankers during April and July 2007; and

a decrease of $1.7 million from the transfer of the *Navion Saga* to the offshore segment.

Table of Contents

Other operating results

The following table compares our other operating results for 2007 and 2006.

(in thousands of U.S. dollars, except percentages)	Year ended December 31, 2007	2006	% Change
General and administrative expenses	(231,865)	(181,500)	27.7
Interest expense	(422,433)	(100,089)	322.1
Interest income	110,201	31,714	247.5
Foreign exchange loss	(39,912)	(50,416)	(20.8)
Equity (loss) income from joint ventures	(12,404)	6,099	(303.4)
Income tax recovery (expense)	3,192	(8,811)	(136.2)
Non-controlling interest expense	(8,903)	(6,759)	31.7
Other net	23,677	3,566	564.0

General and administrative expenses. General and administrative expenses increased 27.7% to $231.9 million for 2007, from $181.5 million for 2006, primarily due to:

an increase of $26.0 million from our acquisition of Teekay Petrojarl in October 2006;

an increase of $20.7 million from an increase in shore-based compensation and other personnel expenses, primarily due to weakening of the U.S. Dollar compared to other major currencies and increases in headcount and compensation levels;

an increase of $6.7 million from an increase in corporate-related expenses, including costs associated with Teekay Tankers and Teekay Offshore becoming public entities in December 2007 and 2006, respectively;

an increase of $5.8 million from higher travel costs, due to the integration of OMI and Teekay Petrojarl, and an increase in costs due to the weakening of the U.S. Dollar compared to other major currencies, and

an increase of $4.3 million from an increase in crew training expenses, due to integration of new seafarers and LNG training initiatives;

partially offset by

a decrease of $5.6 million relating to the unrealized change in fair value of our non-designated foreign currency forward contracts;

a relative decrease of $6.7 million during 2007 relating to the costs associated with our equity-based compensation and long-term incentive program for management; and a relative decrease of $2.1 million during 2007 from severance costs recorded in 2006.

Interest expense. Interest expense increased 322.1% to $422.4 million for 2007, from $100.1 million for 2006, primarily due to:

an increase of $205.3 million relating to the unrealized change in fair value of our non-designated interest rate swaps;

an increase of $36.5 million resulting from interest incurred from financing our acquisition of Teekay Petrojarl and interest incurred on debt we assumed from Teekay Petrojarl;

an increase of $33.3 million relating to the increase in capital lease obligations and term loans in connection with the delivery of the RasGas II LNG Carriers;

an increase of $31.6 million relating to the increase in debt used to finance our acquisition of 50% of OMI Corporation;

an increase of $26.7 million relating to additional debt of Teekay Nakilat (III) used by the RasGas 3 Joint Venture to fund shipyard construction installment payments (this increase in interest expense from debt is offset by a corresponding increase in interest income from advances to joint venture); and

an increase of $11.3 million relating to the Consolidation of 50%-owned Subsidiaries;

partially offset by

a decrease of $6.2 million from scheduled capital lease repayments on two of our LNG carriers.

We have not applied hedge accounting to our interest rate swaps and as such, the unrealized changes in fair value of the swaps are reflected in interest expense in our consolidated statements of income.

Interest income. Interest income increased 247.5% to $110.2 million for 2007, compared to $31.7 million for 2006, primarily due to:

an increase of $36.7 million relating to the unrealized change in fair value of our non-designated interest rate swaps;

an increase of $26.8 million relating to interest-bearing loans made by us to the RasGas 3 Joint Venture for shipyard construction installment payments;

an increase of $11.1 million resulting from $1.1 billion of interest-bearing loans we made to Omaha Inc., a 50% joint venture between us and TORM, which were used, together with comparable loans made by TORM, to acquire 100% of the outstanding shares of OMI Corporation in June 2007;

an increase of $6.9 million relating to additional restricted cash deposits that will be used to pay for lease payments on the three RasGas II LNG Carriers; and

an increase of $2.7 million from the interest we earned on cash we assumed as part of the Teekay Petrojarl acquisition;

partially offset by

a decrease of $7.3 million resulting from scheduled capital lease repayments on two of our LNG carriers that were funded from restricted cash deposits.

We have not applied hedge accounting to our interest swaps and as such, the unrealized changes in fair value of the swaps are reflected in interest income in our consolidated statements of income.

Foreign exchange loss. Foreign exchange loss decreased 20.8% to $39.9 million for 2007, compared to $50.4 million for 2006. The changes in our foreign exchange losses are primarily attributable to the revaluation of our Euro-denominated term loans at the end of each period for financial reporting purposes, and substantially all of the gains or losses are unrealized. Gains reflect a stronger U.S. Dollar against the Euro on the date of revaluation. Losses reflect a weaker U.S. Dollar against the Euro on the date of revaluation. As of the date of this report, our Euro-denominated revenues generally approximate our Euro-denominated operating expenses and our Euro-denominated interest and principal repayments.

Non-controlling interest expense. Non-controlling interest expense increased to $8.9 million for 2007, compared to $6.8 million for 2006, primarily due to:

- an increase of $2.7 million resulting from the Consolidation of 50%-owned Subsidiaries; and
- an increase of $1.2 million from the initial public offering of Teekay Tankers in December 2007;

partially offset by

- a decrease of $3.5 million from a minority owner s share of a gain on the disposal of a vessel in July 2006.

Equity (loss) income from joint ventures. Equity loss of $12.4 million for 2007 was primarily comprised of equity losses from the joint ventures with SkaugenPetroTrans and with OMI.

Income tax recovery (expense). Income tax recovery was $3.2 million for 2007 compared to an income tax expense of $8.8 million for 2006. The $12.0 million increase to income tax recoveries was primarily due to deferred income tax recoveries resulting from the financial restructuring of our Norwegian shuttle tanker operations during 2006, partially offset by an increase in deferred income tax expense relating to unrealized foreign exchange translation gains.

Other (loss) income (net). Other income of $23.7 million for 2007 was primarily comprised of leasing income of $11.0 million from our volatile organic compound emissions equipment, gain on sale of marketable securities of $9.6 million and gain on sale of subsidiary of $6.9 million, offset by loss on bond redemption of $0.9 million.

Other income of $3.6 million for 2006 was primarily comprised of leasing income of $11.4 million from our volatile organic compound emissions equipment and gain on sale of marketable securities of $1.4 million, partially offset by loss on expiry of options to construct LNG carriers of $6.1 million, write-off of capitalized loan costs of $2.8 million, and loss on bond redemption of $0.4 million.

Net (loss) income. As a result of the foregoing factors, net income decreased to $63.5 million for 2007, from $302.8 million for 2006.

Liquidity and capital resources

Liquidity and cash needs

Our primary sources of liquidity are cash and cash equivalents, cash flows provided by our operations and our undrawn credit facilities. Our short-term liquidity requirements are for the payment of operating expenses, debt servicing costs, dividends, the scheduled repayments of long-term debt, as well as funding our working capital requirements. As at September 30, 2009,

our total cash and cash equivalents was $495.4 million, compared to $814.2 million as at December 31, 2008. Our total liquidity, including cash and undrawn credit facilities, was $1.8 billion and $1.9 billion as at September 30, 2009, and December 31, 2008, respectively. Please read Description of other indebtedness elsewhere in this prospectus.

As at September 30, 2009, we had $350.2 million of scheduled debt repayments and $44.7 million of capital lease obligations coming due within the following twelve months. The cash flow generated during the 12 months ended September 30, 2009 under fixed-rate contracts with an initial term of at least one year would have been sufficient to pay the aggregate scheduled amortization (excluding balloon payments) and estimated interest payments on our total debt for 2010. We believe that our working capital is sufficient for our present short-term liquidity requirements.

Our operations are capital intensive. We finance the purchase of our vessels primarily through a combination of borrowings from commercial banks or our joint venture partners, the issuance of debt and equity securities and cash generated from operations. In addition, we may use sale and lease-back arrangements as a source of long-term liquidity. Occasionally we use our revolving credit facilities to temporarily finance capital expenditures until longer-term financing is obtained, at which time we typically use all or a portion of the proceeds from the longer-term financings to prepay outstanding amounts under the revolving credit facilities. Pre-arranged debt facilities are in place for substantially all of our remaining capital commitments relating to our portion of newbuildings currently on order. Our pre-arranged newbuilding debt facilities are in addition to our undrawn credit facilities. We continue to consider strategic opportunities, including the acquisition of additional vessels and expansion into new markets. We may choose to pursue such opportunities through internal growth, joint ventures or business acquisitions. We intend to finance any future acquisitions through various sources of capital, including internally-generated cash flow, existing credit facilities, additional debt borrowings, and the issuance of additional debt or equity securities or any combination thereof.

As at September 30, 2009, our revolving credit facilities provided for borrowings of up to $3.3 billion, of which $1.3 billion was undrawn. The amount available under these revolving credit facilities decreased by $74.0 million during the fourth quarter of 2009 and decreases by $173.0 million (2010), $205.8 million (2011), $313.8 million (2012), $596.3 million (2013) and $1.9 billion (thereafter). Although we have significant cash flow to support our debt obligations, we generally plan to refinance our credit facilities in advance of their maturities. Our revolving credit facilities are collateralized by first-priority mortgages granted on 62 of our vessels, together with other related security, and are guaranteed by Teekay or our subsidiaries.

Our unsecured 8.875% Senior Notes are due July 15, 2011. We have commenced a tender offer to repurchase these notes and intend to fund the repurchase with a portion of the net proceeds of this offering. Our outstanding term loans reduce in monthly, quarterly or semi-annual payments with varying maturities through 2023. Some of our term loans also have bullet or balloon repayments at maturity and are collateralized by first-priority mortgages granted on 32 of our vessels, together with other related security, and are generally guaranteed by Teekay or our subsidiaries.

Among other matters, our long-term debt agreements generally provide for maintenance of minimum consolidated financial covenants and prepayment privileges, in some cases with penalties. Certain of our loan agreements require the maintenance of vessel market value-to-loan rations and that we maintain a minimum level of free cash. This amount currently is $100.0 million. Certain of the loan agreements also require that we 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, 2009, this amount was $233.4 million. We currently are in compliance with all loan covenants.

For additional information about our credit facilities, including new credit facilities of Teekay LNG and Teekay Offshore in October and November 2009 respectively, please read Description of other indebtedness.

We conduct our funding and treasury activities within corporate policies designed to minimize borrowing costs and maximize investment returns while maintaining the safety of the funds and appropriate levels of liquidity for our purposes. We hold cash and cash equivalents primarily in U.S. Dollars, with some balances held in Japanese Yen, Singapore Dollars, Canadian Dollars, Australian Dollars, British Pounds, Euros and Norwegian Kroner.

We are exposed to market risk from foreign currency fluctuations and changes in interest rates. We use forward foreign currency contracts and interest rate swaps to manage currency and interest rate risks. We do not use these financial instruments for trading or speculative purposes. Please read Quantitative and qualitative disclosures about market risk.

Cash flows

The following table summarizes our cash and cash equivalents provided by (used for) operating, financing and investing activities for the periods presented:

	Nine months ended September 30,		**Year ended December 31,**		
(in thousands of U.S. dollars)	**2009**	**2008**	**2008**	**2007**	**2006**
Net operating cash flows	298,300	317,315	431,847	255,018	520,785
Net financing cash flows	(400,743)	945,798	767,878	2,114,199	299,256
Net investing cash flows	(216,320)	(830,173)	(828,233)	(2,270,458)	(713,111)

Operating cash flows

The decrease in net cash flow from operating activities for the nine months ended September 30, 2009 compared with the same period in 2008 was primarily due to a decrease in net revenues and increases in expenditures for drydocking, partially offset by an increase in changes to non-cash working capital items. The increase in net operating cash flow for the year ended December 31, 2008 compared with 2007 mainly reflects an increase in net operating cash flows generated by our spot tanker and liquefied gas segments, partially offset by a decrease in net operating cash flows generated by our offshore segment, which was primarily the result of an increase in crew manning costs and vessel repair costs, and an increase in distributions to minority owners. The decrease in net operating cash flow for 2007 compared with 2006 mainly reflects a decrease in net operating cash flows generated by our spot tanker segment, which was primarily the result of a decrease in the average TCE rate earned an increase in expenditures for drydockings and an increase in non-cash working capital.

Net cash flow from operating activities depends upon the timing and amount of drydocking expenditures, repairs and maintenance activity, vessel additions and dispositions, foreign currency rates, changes in interest rates and fluctuations in working capital balances, tanker utilization and spot market hire rates. The number of vessel may vary each year.

Table of Contents

Financing cash flows

Proceeds from long-term debt

During the nine months ended September 30, 2009, our net proceeds from long-term debt net of debt issuance costs were $758.9 million. Our repayments of long-term debt were $1.2 billion during the same period. The net proceeds from long-term debt were to finance our expenditures for vessels and equipment, which are explained in more detail below. During 2008 our proceeds from long-term debt, net of prepayments, were $565.4 million. We used a majority of these funds to finance our expenditures for vessels and equipment, which are explained in more detail below. During 2007, our proceeds from long-term debt, net of prepayments, were $2.2 billion. We used a majority of these funds to finance our acquisition of 50% of OMI Corporation and our expenditures for vessels and equipment.

Equity issuances

During March 2009, our subsidiary Teekay LNG issued an additional 4.0 million common units in a public offering for net proceeds of $67.1 million (excluding the general partner s capital contribution). During June 2009, our subsidiary Teekay Tankers issued an additional 7.0 million shares of Class A Common Stock in a public offering for net proceeds of $65.6 million. During August 2009, our subsidiary Teekay Offshore issued an additional 7.475 million common units in a public offering for net proceeds of $102.1 million (excluding the general partner s proportionate capital contribution). During November 2009, our subsidiary Teekay LNG completed a public offering of 3.95 million common units for net proceeds of $91.9 million (excluding the general partner s capital contribution). Each of these entities used the net offering proceeds to repay outstanding debt under their respective revolving credit facilities.

During April 2008, Teekay LNG issued 5.4 million common units in a public offering for net proceeds of $148.3 million, and during June 2008, our subsidiary Teekay Offshore, issued an additional 7.4 million common units in a public offering for net proceeds of $141.5 million, in each case excluding common units and proceeds from concurrent private placements to Teekay and also excluding the respective general partner s proportionate capital contribution. Teekay LNG used the net proceeds to repay outstanding debt under two of its revolving credit facilities that had been used to fund vessel acquisitions, and Teekay Offshore used the net proceeds to fund the acquisition of an additional 25% interest in OPCO from Teekay and to repay a portion of advances from OPCO.

During May 2007, our subsidiary Teekay LNG issued 2.3 million common units in a public offering for net proceeds of $84.2 million (excluding the general partner s capital contribution), which it used to prepay certain of its revolving credit facilities prior to its acquiring certain LNG projects from Teekay.

During December 2007, our subsidiary Teekay Tankers completed its initial public offering of 11.5 million shares of its Class A common stock for net proceeds of $208.2 million, which it used to prepay debt.

Share repurchases and cash distributions

During March 2008, we repurchased 0.5 million shares of our common stock for $20.5 million, or an average cost of $41.09 per share, pursuant to previously announced share repurchase programs. During 2007, we repurchased 1.5 million shares for $80.4 million, or an average cost of $53.22 per share, pursuant to previously announced share repurchase programs.

Table of Contents

Distributions from subsidiaries to non-controlling interests during the nine months ended September 30, 2009, the year ended December 31, 2008 and 2007, were $83.6 million, $91.8 million and $49.4 million, respectively.

Dividends paid by Teekay during the nine months ended September 30, 2009 were $68.8 million, or $0.94875 per share. Dividends paid during 2008, 2007 and 2006 were $82.9 million, or $1.14125 per share, $72.5 million, or $0.9875 per share, and $63.1 million, or $0.86 per share, respectively. We have paid a quarterly dividend since 1995. Through multiple increases we have increased our quarterly dividend per share in 2003 to $0.31625 per share in the third quarter of 2008, which remains the current dividend amount. Subject to financial results and declaration by our board of directors, we currently intend to continue to declare and pay a regular quarterly dividend in such amount per share on our common stock.

The timing and amount of dividends, if any, will depend, among other things, on our results of operations, financial condition, cash requirements, restrictions in financing agreements and other factors deemed relevant by our board of directors. Because we are a holding company with no material assets other than the stock of our subsidiaries, our ability to pay dividends on the common stock depends on the earnings and cash flow of our subsidiaries.

Investing cash flows

During the nine months ended September 30, 2009, we:

- incurred capital expenditures for vessels and equipment of $431.6 million, primarily for acquisition of one product tanker and shipyard construction installment payments on our newbuilding Suezmax tankers, shuttle tankers, LNG carriers and LPG carriers;

- received proceeds of $166.1 million from the sale of three product tankers; and

- received proceeds of $32.7 million from the sale of an Aframax tanker through a sale-leaseback agreement.

In November 2009, Teekay LNG acquired an LNG newbuilding from I.M. Skaugen ASA for approximately $33 million.

During 2008, we:

- incurred capital expenditures for vessels and equipment of $620.1 million, primarily for shipyard construction installment payments on our newbuilding Suezmax tankers, Aframax tankers, shuttle tankers and LNG carriers and for costs to convert a conventional tanker to an FPSO unit;

- acquired an additional 35.3% interest in Teekay Petrojarl for a total cost of $304.9 million;

- loaned $211.5 million to the RasGas 3 Joint Venture for shipyard construction installment payments;

- acquired two Aframax tankers for a total cost of approximately $72.5 million as part of the multi-vessel transaction with ConocoPhillips;

- acquired a shuttle tanker for a total cost of $41.7 million;

- sold our 50% interest in Swift Tankers Management AS, which included our intermediate vessel positions within the Swift Tanker pool for proceeds of $44.4 million; and

116

Table of Contents

received proceeds of $331.6 million from the sale of three Handysize product tankers, one Aframax product tanker, one medium-range product tanker and one Suezmax tanker.

During 2007, we:

acquired 50% of OMI Corporation for a total cost of approximately $1.1 billion;

incurred capital expenditures for vessels and equipment of $680.7 million, primarily for shipyard construction installment payments on our Suezmax tankers, Aframax tankers and shuttle tankers and for costs to convert two of our conventional tankers to shuttle tankers and one conventional tanker to an FPSO unit;

acquired the two Kenai LNG Carriers for a total cost of approximately $229.6 million from a joint venture between Marathon Oil Corporation and ConocoPhillips;

loaned $461.3 million to the RasGas 3 Joint Venture for shipyard construction installment payments; and

received proceeds of $214.8 million from the sale of six vessels.

Commitments and contingencies

The following table summarizes our long-term contractual obligations as at September 30, 2009:

(in millions of U.S. Dollars)	**Total**	**Remainder of 2009**	**2010 and 2011**	**2012 and 2013**	**Beyond 2013**
U.S. Dollar-Denominated Obligations:					
Long-term debt(1)(2)	4,094.0	32.9	831.4	518.4	2,711.3
Chartered-in vessels (operating leases)	696.6	78.8	423.7	146.9	47.2
Commitments under capital leases(3)	227.6	6.0	221.6		
Commitments under capital leases(4)	1,055.1	6.0	48.0	48.0	953.1
Commitments under operating leases(5)	489.0	6.3	50.1	50.1	382.5
Newbuilding installments(6)	510.3	42.5	467.8		
Asset retirement obligation	22.0				22.0
Total U.S. Dollar-denominated obligations	7,094.6	172.5	2,042.6	763.4	4,116.1
Euro-Denominated Obligations:(7)					
Long-term debt(8)	424.8	3.2	245.8	15.4	160.4
Commitments under capital leases(3)(9)	171.8	37.5	134.3		
Total Euro-denominated obligations	596.6	40.7	380.1	15.4	160.4

Total(2)	7,691.2	213.2	2,422.7	778.8	4,276.5

(1) Excludes expected interest payments of $20.8 million (balance of 2009), $147.7 million (2010 and 2011), $95.0 million (2012 and 2013) and $125.6 million (beyond 2013). Expected interest payments are based on the existing interest rates (fixed-rate loans) and LIBOR plus margins that ranged up to 3.25% at September 30, 2009 (variable-rate loans). The expected interest payments do not reflect the effect of related interest rate swaps that we have used as an economic hedge of certain of our floating-rate debt.

(2) Giving effect to this offering and the application of the estimated net proceeds as if this offering had occurred on September 30, 2009 and assuming all of our outstanding 8.875% Senior Notes are purchased in the Tender Offer, our (a) U.S.

Table of Contents

Dollar-denominated long-term debt scheduled for repayment during (i) 2010 and 2011 and (ii) beyond 2013 would have been $1.7 billion and $4.5 billion, respectively, and (b) total debt scheduled for payment during such period would have been $2.1 billion and $4.6 billion, respectively. Please read Use of proceeds.

(3) Includes, in addition to lease payments, amounts we are required to pay to purchase certain leased vessels at the end of the lease terms. We are obligated to purchase five of our existing Suezmax tankers upon the termination of the related capital leases, which will occur at various times in 2011. The purchase price will be based on the unamortized portion of the vessel construction financing costs for the vessels, which we expect to range from $31.7 million to $39.2 million per vessel. We expect to satisfy the purchase price by assuming the existing vessel financing, although we may be required to obtain separate debt or equity financing to complete the purchases if the lenders do not consent to our assuming the financing obligations. We are also obligated to purchase one of our existing LNG carriers upon the termination of the related capital leases on December 31, 2011. The purchase obligation has been fully funded with restricted cash deposits.

(4) Existing restricted cash deposits of $480.4 million, together with the interest earned on the deposits, will be sufficient to repay the remaining amounts we currently owe under the lease arrangements.

(5) We have corresponding leases whereby we are the lessor and expect to receive $455 million for these leases from the remainder of 2009 to 2029.

(6) Represents remaining construction costs (excluding capitalized interest and miscellaneous construction costs) for four shuttle tankers, one Suezmax tanker, and four LPG carriers.

(7) Euro-denominated obligations are presented in U.S. Dollars and have been converted using the prevailing exchange rate as of September 30, 2009.

(8) Excludes expected interest payments of $2.0 million (balance of 2009), $10.1 million (2010 and 2011), $4.9 million (2012 and 2013) and $15.3 million (beyond 2013). Expected interest payments are based on EURIBOR at September 30, 2009, plus margins that ranged up to 0.66%, as well as the prevailing U.S. Dollar/Euro exchange rate as of September 30, 2009. The expected interest payments do not reflect the effect of related interest rate swaps that we have used as an economic hedge of certain of our floating-rate debt.

(9) Existing restricted cash deposits of $159.1 million, together with the interest earned on the deposits, are expected to equal the remaining amounts we owe under the lease arrangement, including our obligation to purchase the vessel at the end of the lease term.

We also have a 33% interest in a consortium that has entered into agreements for the construction of four LNG carriers. As at September 30, 2009, the remaining commitments on these vessels, excluding capitalized interest and other miscellaneous construction costs, totaled $906.0 million, of which our share was $299.0 million. Please read Note 11(b) to our consolidated financial statements.

Off-balance sheet arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical accounting estimates

We prepare our consolidated financial statements in accordance with GAAP, which require us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Accounting estimates and assumptions discussed below are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties. For a further description of our material accounting policies, please read Note 1 to our consolidated financial statements.

Table of Contents

Revenue recognition

Description. We generate a majority of our revenues from spot voyages and voyages servicing contracts of affreightment. Within the shipping industry, the two methods used to account for revenues and expenses are the percentage of completion and the completed voyage methods. Most shipping companies, including us, use the percentage of completion method. For each method, voyages may be calculated on either a load-to-load or discharge-to-discharge basis. In other words, revenues are recognized ratably either from the beginning of when product is loaded for one voyage to when it is loaded for another voyage, or from when product is discharged (unloaded) at the end of one voyage to when it is discharged after the next voyage. We recognize revenues from time-charters daily over the term of the charter as the applicable vessel operates under the charter. Revenues from FPSO service contracts are recognized as service is performed. In all cases we do not recognize revenues during days that a vessel is off-hire.

Judgments and Uncertainties. In applying the percentage of completion method, we believe that in most cases the discharge-to-discharge basis of calculating voyages more accurately reflects voyage results than the load-to-load basis. At the time of cargo discharge, we generally have information about the next load port and expected discharge port, whereas at the time of loading we are normally less certain what the next load port will be. We use this method of revenue recognition for all spot voyages and voyages servicing contracts of affreightment, with an exception for our shuttle tankers servicing contracts of affreightment with offshore oil fields. In this case a voyage commences with tendering of notice of readiness at a field, within the agreed lifting range, and ends with tendering of notice of readiness at a field for the next lifting. However we do not begin recognizing revenue for any of our vessels until a charter has been agreed to by the customer and us, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

Effect if Actual Results Differ from Assumptions. Our revenues could be overstated or understated for any given period to the extent actual results are not consistent with our estimates in applying the percentage of completion method.

Vessel lives and impairment

Description. The carrying value of each of our vessels represents its original cost at the time of delivery or purchase less depreciation or impairment charges. We depreciate our vessels on a straight-line basis over each vessel s estimated useful life, less an estimated residual value. The carrying values of our vessels may not represent their fair market value at any point in time because the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Both charter rates and newbuilding costs tend to be cyclical in nature. We review vessels and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. We measure the recoverability of an asset by comparing its carrying amount to future undiscounted cash flows that the asset is expected to generate over its remaining useful life.

Judgments and Uncertainties. Depreciation is calculated using an estimated useful life of 25 years for Aframax, Suezmax, and product tankers, 25 to 30 years for FPSO units and 35 years for LNG and LPG carriers, commencing the date the vessel was originally delivered from the shipyard. However, the actual life of a vessel may be different, with a shorter life resulting in an increase in the quarterly depreciation and potentially resulting in an impairment loss. The estimates and assumptions regarding expected cash flows require considerable judgment and are based upon existing contracts, historical experience, financial forecasts and industry trends and conditions. With the exception of the Foinaven FPSO unit, we are not aware of any indicators of impairments nor any regulatory changes or environmental liabilities that we anticipate will have a material impact on our current or future operations.

We have been advised that the Foinaven FPSO unit is now expected to remain on station at the Foinaven field beyond 2010. A portion of the revenue we receive under the related FPSO contract is based on the amount of oil processed by this unit. Making such long-range estimates of oil field production requires significant judgment, and we rely on the information provided by the operator of the field and other sources for this information. The Foinaven contract provides for an adjustment to the amount paid to us in connection with the Foinaven FPSO unit, and we have requested an adjustment of the amounts payable to us under the terms of that provision. Our cash flow projections relating to this FPSO unit are based on our assessment of the likely outcome of discussions with the other party to the contract about these adjustments. While we anticipate certain increases to the rates we will receive under this contract, should there be a negative outcome to these discussions, we would likely need to complete an additional impairment test on the vessel. This could result in our having to write-down some of the carrying value of the vessel, which could be significant in amount.

Effect if Actual Results Differ from Assumptions. If we consider a vessel or equipment to be impaired, we recognize a loss in an amount equal to the excess of the carrying value of the asset over its fair market value. The new lower cost basis will result in a lower annual depreciation expense than before the vessel impairment.

Drydocking

Description. We capitalize a substantial portion of the costs we incur during drydocking and amortize those costs on a straight-line basis from the completion of a drydocking or intermediate survey to the estimated completion of the next drydocking. We include in capitalized drydocking those costs incurred as part of the drydocking to meet regulatory requirements, or are expenditures that either add economic life to the vessel, increase the vessel s earnings capacity or improve the vessel s efficiency. We expense costs related to routine repairs and maintenance performed during drydocking that do not improve or extend the useful lives of the assets and for annual class survey costs on our FPSO units. When significant drydocking expenditures occur prior to the expiration of the original amortization period, the remaining unamortized balance of the original drydocking cost and any unamortized intermediate survey costs are expensed in the period of the subsequent drydocking.

Judgments and Uncertainties. Amortization of capitalized drydock expenditures requires us to estimate the period of the next drydocking. While we typically drydock each vessel every two and a half to five years and have a shipping society classification intermediate survey performed on our LNG and LPG carriers between the second and third year of the five-year drydocking period, we may drydock the vessels at an earlier date.

Goodwill and intangible assets

Description. We allocate the cost of acquired companies to the identifiable tangible and intangible assets and liabilities acquired, with the remaining amount being classified as goodwill. Certain intangible assets, such as time-charter contracts, are being amortized over time. Our future operating performance will be affected by the amortization of intangible assets and potential impairment charges related to goodwill. Accordingly, the allocation of purchase price to intangible assets and goodwill may significantly affect our future operating results. Goodwill and indefinite-lived assets are not amortized, but reviewed for impairment annually, or more frequently if impairment indicators arise. The process of evaluating the potential impairment of goodwill and intangible assets is highly subjective and requires significant judgment at many points during the analysis.

Judgments and Uncertainties. The allocation of the purchase price of acquired companies requires management to make significant estimates and assumptions, including estimates of future cash flows expected to be generated by the acquired assets and the appropriate discount rate to value these cash flows. In addition, the process of evaluating the potential impairment of goodwill and intangible assets is highly subjective and requires significant judgment at many points during the analysis. The fair value of our reporting units was estimated based on discounted expected future cash flows using a weighted-average cost of capital rate. The estimates and assumptions regarding expected cash flows and the appropriate discount rates require considerable judgment and are based upon existing contracts, historical experience, financial forecasts and industry trends and conditions.

As of September 30, 2009, we had three reporting units with goodwill attributable to them. During the third quarter of 2009, we determined there were indicators of impairment present within our shuttle tanker reporting unit. Consequently, an interim goodwill impairment test was conducted on this reporting unit. This interim goodwill impairment test determined that the fair value of the reporting unit exceeded its carrying value by approximately 75%. As of September 30, 2009, the carrying value of goodwill for this reporting unit was $130.9 million. Key assumptions that impact the fair value of the reporting unit include our ability to do the following: maintain or improve the utilization of our vessels; redeploy existing vessels on the expiry of their current charters; control or reduce operating expenses, pass on operating cost increases to our customers in the form of higher charter rates; and continue to grow the business. Other key assumptions include the operating life of our vessels, our cost of capital, the volume of production from certain offshore oil fields, and the fair value of our credit facilities. If actual future results are less favorable than expected results, in one or more of these key assumptions, a goodwill impairment may occur.

We currently do not believe that there is a reasonable possibility that the goodwill attributable to our remaining two reporting units might be impaired during 2010.

However, certain factors that impact our goodwill impairment tests are inherently difficult to forecast and as such we cannot provide any assurances that an impairment will or will not occur in the future. An assessment for impairment involves a number of assumptions and estimates that are based on factors that are beyond our control.

Valuation of derivative financial instruments

Description. Our risk management policies permit the use of derivative financial instruments to manage foreign currency fluctuation, interest rate, bunker fuel price and spot tanker market rate risk. Changes in fair value of derivative financial instruments that are not designated as cash flow hedges for accounting purposes are recognized in earnings. Changes in fair value of derivative financial instruments that are designated as cash flow hedges for accounting purposes are recorded in other comprehensive income and are reclassified to earnings when the hedged transaction is reflected in earnings. Ineffective portions of the hedges are recognized in earnings as they occur. During the life of the hedge, we formally assess whether each derivative designated as a hedging instrument continues to be highly effective in offsetting changes in the fair value or cash flows of hedged items. If it is determined that a hedge has ceased to be highly effective, we will discontinue hedge accounting prospectively.

Judgments and Uncertainties. The fair value of our derivative financial instruments is the estimated amount that we would receive or pay to terminate the agreements in an arm s length transaction under normal business conditions at the reporting date, taking into account current interest rates, foreign exchange rates, bunker fuel prices and spot tanker market rates. Inputs used to determine the fair value of our derivative instruments are observable either directly or indirectly in active markets.

Effect if Actual Results Differ from Assumptions. If our estimates of fair value are inaccurate, this could result in a material adjustment to the carrying amount of derivative asset or liability and consequently the change in fair value for the applicable period that would have been recognized in earnings or comprehensive income.

Recent accounting pronouncements

In June 2009, the Financial Accounting Standards Board (or *FASB*) issued Statement of Financial Accounting Standards (or *SFAS*) No. 168, *The FASB Accounting Standards Codification^{tm}* and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162. SFAS No. 168 identifies the source of authoritative *GAAP* recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (or *SEC*) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this Statement, SFAS No. 168 will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the SFAS No. 168 will become non-authoritative. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We are currently assessing the potential impact, if any, of this statement on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (or *SFAS No. 167*). SFAS No. 167 eliminates FASB Interpretation 46(R) s 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. SFAS No. 167 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 in applying FASB Interpretation 46(R) s provisions. The elimination of the qualifying special-purpose entity concept and its consolidation exceptions means more entities will be subject to consolidation assessments and reassessments. SFAS No. 167 is effective for fiscal years beginning after November 15, 2009, and for interim periods within that first period, with earlier adoption prohibited. We are currently assessing the potential impact, if any, of this statement on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140*. SFAS No. 166 eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor s interest in transferred financial assets. SFAS No. 166 will be effective for transfers of financial assets in fiscal years beginning after November 15, 2009, and in interim periods within those fiscal years with earlier adoption prohibited. We are currently assessing the potential impacts, if any, on our consolidated financial statements.

In April 2009, the FASB issued *SFAS* 115-2 and SFAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. This statement changes existing accounting requirements for other-than-temporary impairment. SFAS 115-2 is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We are currently evaluating the potential impact, if any, of the adoption of SFAS 115-2 on our consolidated results of operations and financial condition.

In April 2009, the FASB issued SFAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability has Significantly Decreased and Identifying Transactions that are Not Orderly*. SFAS 157-4 amends SFAS 157, *Fair Value Measurements* to provide additional guidance on estimating fair value when the volume and level of transaction activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. SFAS 157-4 also provides additional guidance on circumstances that may indicate that a transaction is not orderly. SFAS 157-4 supersedes SFAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*. The guidance in SFAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009. Early adoption is permitted, but only for periods ending after March 15, 2009. We are currently evaluating the potential impact, if any, of the adoption of SFAS 157-4 on our consolidated results of operations and financial condition.

In April 2009, the FASB issued SFAS 107-1 and APB 28-1, *Interim Disclosures About Fair Value of Financial Instruments*. SFAS 107-1 extends the disclosure requirements of SFAS 107, *Disclosures about Fair Value of Financial Instruments* to interim financial statements of publicly traded companies as defined in APB Opinion No. 28, *Interim Financial Reporting*. SFAS 107-1 is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We are currently evaluating the potential impact, if any, of the adoption of SFAS 107-1 on our consolidated results of operations and financial condition.

In April 2009, the FASB issued SFAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies*. This statement amends SFAS 141, *Business Combinations*, to require that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value, in accordance with SFAS 157, if the fair value can be determined during the measurement period. SFAS 141(R)-1 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We are currently evaluating the potential impact, if any, of the adoption of SFAS 141(R)-1 on our consolidated results of operations and financial condition.

In October 2008, the FASB issued SFAS No. 157-3, *Determining the Fair Value of a Financial Asset in a Market That Is Not Active*, which clarifies the application of SFAS 157 when the market for a financial asset is inactive. Specifically, SFAS No. 157-3 clarifies how (1) management s internal assumptions should be considered in measuring fair value when observable data are not present, (2) observable market information from an inactive market should be taken into account, and (3) the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. The guidance in SFAS No. 157-3 is effective immediately but does not have any impact on our consolidated financial statements.

Table of Contents

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of Statement of Financial Accounting Standards No. 133* (or *SFAS 161*). The statement requires qualitative disclosures about an entity s objectives and strategies for using derivatives and quantitative disclosures about how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. SFAS 161 is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008, with early application allowed. SFAS 161 allows but does not require, comparative disclosures for earlier periods at initial adoption.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (or *SFAS 141(R)*), which replaces SFAS No. 141*, Business Combinations*. This statement establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the potential impact, if any, of the adoption of SFAS 141(R) on our consolidated results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of Accounting Research Bulletin* No. 51 (or *SFAS 160*). This statement establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the potential impact, if any, of the adoption of SFAS 160 on our consolidated results of operations and financial condition.

Accounting pronouncements not yet adopted

In August 2009, the FASB issued an amendment to FASB ASC 820, *Fair Value Measurements and Disclosures* that clarifies the fair value measurement requirements for liabilities that lack a quoted price in an active market and provides clarifying guidance regarding the consideration of restrictions when estimating the fair value of a liability. This amendment became effective for us on October 1, 2009. We are currently assessing the potential impacts, if any, on our consolidated financial statements.

In September 2009, the FASB issued an amendment to FASB ASC 605, *Revenue Recognition* that provides for a new methodology for establishing the fair value for a deliverable in a multiple-element arrangement. When vendor specific objective or third-party evidence for deliverables in a multiple-element arrangement cannot be determined, we will be required to develop a best estimate of the selling price of separate deliverables and to allocate the arrangement consideration using the relative selling price method. This amendment will be effective for us on January 1, 2010. We are currently assessing the potential impacts, if any, on our consolidated financial statements.

Table of Contents

Quantitative and qualitative disclosures about market risk

We are exposed to market risk from foreign currency fluctuations and changes in interest rates. We use foreign currency forward contracts and interest rate swaps, to manage currency and interest rate risks but do not use these financial instruments for trading or speculative purposes.

Foreign currency fluctuation risk

Our primary economic environment is the international shipping market. This market utilizes the U.S. Dollar as its functional currency. Consequently, a substantial majority of our revenues and most of our operating costs are in U.S. Dollars. We incur certain voyage expenses, vessel operating expenses, drydocking and overhead costs in foreign currencies, the most significant of which are the Singapore Dollar, Canadian Dollar, Australian Dollar, British Pound, Euro and Norwegian Kroner.

We reduce our exposure to this risk by entering into foreign currency forward contracts. In most cases we hedge a substantial majority of our net foreign currency exposure for the following 12 months. We generally do not hedge our net foreign currency exposure beyond three years forward.

As at September 30, 2009, we had the following foreign currency forward contracts:

					Expected maturity date
	Remainder of 2009 contract amount(1)	2010 contract amount(1)	2011 contract amount(1)	Total contract amount(1)	Total fair value(1) asset (liability)
Norwegian Kroner:	$ 46.8	$ 139.5	$ 9.6	$ 195.9	$ 9.7
Average contractual exchange rate(2)	5.78	6.21	6.20	6.11	
Euro:	$ 16.9	$ 36.8	$ 2.3	$ 56.0	$ 0.5
Average contractual exchange rate(2)	0.66	0.70	0.73	0.69	
Canadian Dollar:	$ 14.5	$ 45.3		$ 59.8	$ 1.0
Average contractual exchange rate(2)	1.06	1.10		1.09	
British Pound:	$ 15.4	$ 34.3	$ 1.8	$ 51.5	$ (2.7)
Average contractual exchange rate(2)	0.54	0.61	0.63	0.59	
Australian Dollar:	$ 0.3			$ 0.3	
Average contractual exchange rate(2)	1.13			1.13	
Singapore Dollar:	$ 1.6			$ 1.6	
Average contractual exchange rate(2)	1.41			1.41	

(1) Contract amounts and fair value amounts in millions of U.S. Dollars.

(2) Average contractual exchange rate represents the contractual amount of foreign currency one U.S. Dollar will buy.

Although the majority of our transactions, assets and liabilities are denominated in U.S. Dollars, certain of our subsidiaries have foreign currency-denominated liabilities. There is a risk that currency fluctuations will have a negative effect on the value of our cash flows. We have not entered into any forward contracts to protect against the translation risk of our foreign currency-denominated liabilities. As at September 30, 2009, we had Euro-denominated term loans of 290.1 million Euros ($424.8 million) included in long-term debt and Norwegian Kroner-denominated deferred income taxes of approximately 147.2 million ($25.5 million). We receive

Table of Contents

Euro-denominated revenue from certain of our time-charters. These Euro cash receipts generally are sufficient to pay the principal and interest payments on our Euro-denominated term loans. Consequently, we have not entered into any foreign currency forward contracts with respect to our Euro-denominated term loans, although there is no assurance that our exposure to fluctuations in the Euro will not increase in the future.

Interest rate risk

We are exposed to the impact of interest rate changes primarily through our borrowings that require us to make interest payments based on LIBOR or EURIBOR. Significant increases in interest rates could adversely affect our operating margins, results of operations and our ability to repay our debt. We use interest rate swaps to reduce our exposure to market risk from changes in interest rates. Generally our approach is to hedge a substantial majority of floating-rate debt associated with our vessels that are operating on long-term fixed-rate contracts. We manage the rest of our debt based on our outlook for interest rates and other factors.

In order to minimize counterparty risk, we only enter 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 transactions. In addition, to the extent possible and practical, interest rate swaps are entered into with different counterparties to reduce concentration risk.

The table below provides information about our financial instruments at September 30, 2009, which are sensitive to changes in interest rates, including our debt and capital lease obligations and interest rate swaps. For long-term debt and capital lease obligations, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and weighted-average interest rates by expected contractual maturity dates.

		Expected maturity date						Fair value	
n millions, except percentages)	Balance of 2009	2010	2011	2012	2013	Thereafter	Total	asset/ (liability)	Rate[1
ong-term debt:									
ariable rate ($U.S.)[2]	20.5	317.6	225.8	206.6	216.4	2,405.8	3,392.7	(3,023.7)	1.2%
ariable rate (Euro)[3][4]	3.2	13.3	232.5	7.5	8.0	160.3	424.8	(367.2)	1.5%
xed-rate debt ($U.S.)	12.4	46.7	241.7	47.6	47.6	305.2	701.2	(669.8)	6.2%
verage interest rate	5.2%	5.1%	8.0%	5.2%	5.2%	5.2%	6.2%		
apital lease obligations:[5][6]									
xed-rate ($U.S.)[7]	2.3	9.6	185.5				197.4	(197.4)	7.4%
verage interest Rate[8]	7.5%	7.5%	7.4%				7.4%		
terest rate swaps:									
ontract amount ($U.S.)[6][9][10]	349.8	279.3	170.3	276.3	82.5	2,738.6	3,896.8	(422.3)	4.8%
verage fixed pay rate[2]	4.9%	4.3%	3.5%	3.1%	4.9%	5.1%	4.8%		
ontract amount (Euro)[4][9]	3.2	13.3	232.5	7.4	8.0	160.4	424.8	(14.3)	3.8%
verage fixed pay rate[3]	3.8%	3.8%	3.8%	3.7%	3.7%	3.8%	3.8%		

(1)

Rate refers to the weighted-average effective interest rate for our long-term debt and capital lease obligations, including the margin we pay on our floating-rate debt and the average fixed pay rate for our interest rate swap agreements. The average interest rate for our capital lease obligations is the weighted-average interest rate implicit in our lease obligations at the inception of the leases. The average fixed pay rate for our interest rate swaps excludes the margin we pay on our floating-rate debt, which as of September 30, 2009 ranged from 0.3% to 3.25%.

Table of Contents

(2) Interest payments on U.S. Dollar-denominated debt and interest rate swaps are based on LIBOR.

(3) Interest payments on Euro-denominated debt and interest rate swaps are based on EURIBOR.

(4) Euro-denominated amounts have been converted to U.S. Dollars using the prevailing exchange rate as of September 30, 2009.

(5) Excludes capital lease obligations (present value of minimum lease payments) of 107.2 million Euros ($156.9 million) on one of our existing LNG carriers with a weighted-average fixed interest rate of 5.8%. Under the terms of this fixed-rate lease obligation, we are required to have on deposit, subject to a weighted-average fixed interest rate of 5.0%, an amount of cash that, together with the interest earned thereon, will fully fund the amount owing under the capital lease obligation, including a vessel purchase obligation. As at September 30, 2009, this amount was 108.6 million Euros ($159.1 million). Consequently, we are not subject to interest rate risk from these obligations or deposits.

(6) Under the terms of the capital leases for three LNG carriers, we are required to have on deposit, subject to a variable rate of interest, an amount of cash that, together with interest earned on the deposit, will equal the remaining amounts owing under the leases. The deposits, which as at September 30, 2009 totaled $480.4 million, and the lease obligations, which as at September 30, 2009 totaled $470.1 million, have been swapped for fixed-rate deposits and fixed-rate obligations. Consequently, we are not subject to interest rate risk from these obligations and deposits and, therefore, the lease obligations, cash deposits and related interest rate swaps have been excluded from the table above. As at September 30, 2009, the contract amount, fair value and fixed interest rates of these interest rate swaps related to the capital lease obligations and restricted cash deposits for the three LNG carriers were $460.5 million and $474.6 million, $(62.1) million and $76.4 million, and 4.9% and 4.8%, respectively.

(7) The amount of capital lease obligations represents the present value of minimum lease payments together with our purchase obligation, as applicable.

(8) The average interest rate is the weighted-average interest rate implicit in the capital lease obligations at the inception of the leases.

(9) The average variable receive rate for our interest rate swaps is set monthly at the 1-month LIBOR or EURIBOR, quarterly at the 3-month LIBOR or semi-annually at the 6-month LIBOR.

(10) Includes interest rate swaps of $300.0 million and $200.0 million that have commencement dates of 2010 and 2011, respectively.

Business

Overview

We are a leading provider of international crude oil and gas marine transportation services, and transport approximately 10% of the world s seaborne oil, primarily under long-term, fixed-rate contracts. We also offer offshore floating oil production, storage and off-loading services. With an owned and in-chartered fleet of 158 vessels (including 11 newbuildings), offices worldwide and approximately 6,300 seagoing and shore-based employees, we provide comprehensive marine services to the world s leading oil and gas companies, helping them link their upstream energy production to their downstream operations.

We are a market leader in each of the segments in which we operate. We are the third largest independent owner of LNG carriers, with a fleet of 19 vessels (including four newbuildings) in addition to six LPG carriers (including three LPG newbuildings). With a fleet of 39 shuttle tankers (including four newbuildings), we are the world s largest independent owner and operator of shuttle tankers and control over 50% of the worldwide shuttle tanker fleet. We are also one of the largest owners and operators of FPSO units in the North Sea, with four owned units currently operating in that region, in addition to a fifth owned FPSO unit operating off the coast of Brazil. During 2009, our FPSO units produced an average of approximately 95,000 barrels of oil per day under long-term contracts. With our fleet of 83 crude oil and petroleum product tankers, we are the largest owner and operator of mid-size conventional oil tankers. For the 12 months ended September 30, 2009, our total fleet generated revenues of approximately $2.4 billion, net revenues of approximately $2.0 billion, net loss of approximately $560.4 million and Adjusted EBITDA of $617.2 million. Please read Summary Summary financial and operating data for reconciliations of our revenues to net revenues and of our net loss to Adjusted EBITDA.

Our customers include major international oil, energy and utility companies such as BP plc, Chevron Corporation, ConocoPhillips, ExxonMobil Corporation, Petrobras, Ras Laffan Liquified Natural Gas Company Ltd. (a joint venture between ExxonMobil Corporation and the Government of Qatar), Repsol YPF S.A., Shell, Statoil ASA, Talisman Energy, Inc. and Total S.A. We believe that customers partner with us for logistically complex projects under long-term, fixed-rate contracts due to our extensive capabilities, diverse service offerings, global operations platform, financial stability and high quality fleet and customer service. As of December 31, 2009, 37 of our contracts with customers exceeded 10 years in duration, excluding options to extend.

Over the past decade, we have transformed from being primarily an owner of ships in the cyclical spot tanker sector to being a diversified supplier of logistics services in the Marine Midstream sector. This transformation has included, among other things:

Our entry into the LNG and LPG shipping sectors and into the offshore oil production, storage and transportation sectors;

The reorganization of certain of our assets through our formation of three publicly-traded subsidiaries, which are focused on growing specific core operating segments and have expanded our investor base and access to the capital markets; and

Expansion of our fixed-rate businesses. For the 12 months ended September 30, 2009, net revenues from fixed-rate contracts with an initial term of at least three years represented 69% of our total net revenues, compared to 41% of total net revenues in 2003. For the 12 months

128

ended September 30, 2009, net revenues from fixed-rate contracts with an initial term of at least one year represented approximately 75% of our total net revenues. As of December 31, 2009, we had under contract a total of approximately $11.5 billion of forward, fixed-rate revenue, with a weighted-average remaining term of approximately 10.3 years (excluding options to extend).

Our three publicly-traded subsidiaries include: Teekay LNG (NYSE: TGP), which we formed in 2005 and primarily operates in the LNG and LPG shipping sectors; Teekay Offshore (NYSE: TOO), which we formed in 2006 and primarily operates in the offshore oil production, storage and transportation sectors; and Teekay Tankers (NYSE: TNK), which we formed in 2007 and engages in the conventional tanker business. Teekay Parent, which essentially includes all our operations other than those of our publicly-traded subsidiaries, manages substantially all of the vessels in the total Teekay fleet and itself owns or in-charters a fleet of 65 vessels (including eight newbuildings), comprised of 52 conventional tankers, four FPSO units and one FSO unit.

Through our flexible corporate structure, we have access to the debt and equity capital markets to grow each of our core businesses. Through vessel sales by Teekay Parent to its publicly-traded subsidiaries and public equity financing of such acquisitions by those subsidiaries, Teekay Parent has significantly reduced its net debt during the 12 months ended September 30, 2009 by approximately $300 million. In November 2009, Teekay Parent further reduced its net debt by repaying $160 million under one of its revolving credit facilities, using funds repaid to it by Teekay Offshore. As our publicly-traded subsidiaries continue to issue equity to finance their growth, structural mechanisms, including Teekay Parent s ownership of the sole general partnership interests in Teekay LNG and Teekay Offshore and its 100% ownership of Teekay Tankers supervoting Class B shares, provide Teekay Parent with a significant level of control over these entities. Certain of Teekay s officers and directors are also officers and directors of the publicly-traded subsidiaries or, as applicable, their general partners. Please read Certain relationships and related party transactions. Distributions Teekay Parent receives from these subsidiaries as well as cash flow generated by assets owned by Teekay Parent have further reduced its debt level. Please see Organizational structure for further information about our corporate structure.

Although our corporate structure includes our three publicly-traded subsidiaries, our operations are divided into the following segments: the liquefied gas segment; the shuttle tanker and FSO segment; the FPSO segment and the conventional tanker segment (which we further divide into the fixed-rate tanker segment and the spot tanker segment).

Our liquefied gas segment includes our LNG and LPG operations, with all delivered vessels currently owned by Teekay LNG. All of our LNG and LPG carriers operate under long-term, fixed-rate time-charter contracts, with an average remaining term of approximately 17.2 years as of December 31, 2009 (excluding options to extend). This fleet totaled 25 carriers, including seven newbuildings on order, as of December 31, 2009.

Our FPSO segment includes five FPSO units, four of which are owned by Teekay Parent and one by Teekay Offshore. All of these units operate under long-term fixed-rate contracts. As of December 31, 2009, the average remaining term for our FPSO contracts was approximately 4.5 years (excluding options to extend).

Our shuttle tanker and FSO segment includes our shuttle tankers and FSO units, all of which generally operate under long-term, fixed-rate contracts. As of December 31, 2009, this fleet consisted of 39 shuttle tankers (including four newbuildings and eight in-chartered vessels), with contracts with an average remaining term of approximately 4.3 years (excluding options to extend), and six FSO units, with contracts with an average remaining term of approximately 4.9 years (excluding options to extend). All of the shuttle tankers and FSO units are owned or operated by Teekay Offshore, except for four Aframax newbuilding shuttle tankers on order and one FSO unit, which are owned by Teekay Parent. Our shuttle tanker fleet, including newbuildings on order, has a total capacity of approximately 4.7 million deadweight tonnes (or *dwt*) and represents more than 50% of the total world shuttle tanker fleet.

Our conventional tanker segment included 73 crude oil tankers and 10 product tankers, representing the world s largest fleet of mid-size conventional oil tankers. Of this fleet, 52 tankers are owned or operated by Teekay Parent and 31 tankers are owned by Teekay Tankers, Teekay LNG or Teekay Offshore. As of December 31, 2009, we had 42 conventional tankers employed on fixed-rate time charters, with an average remaining term of approximately 4.8 years (excluding options to extend). The remainder of our conventional tanker fleet operated in the spot tanker market as of December 31, 2009.

In our conventional tanker segment, we have developed a flexible commercial operating platform. Certain of our vessels in the spot tanker segment operate pursuant to commercial pooling arrangements which include our and third party vessels and are managed either solely or jointly by us. We believe the size and scope of our commercial pooling arrangements enhance our ability to secure backhaul voyages, which improves pool vessel utilization and generates higher effective TCE rates per vessel than might otherwise be obtained in the spot market, while providing certain cost efficiencies and a higher overall service level to customers. As of December 31, 2009, an additional 27 tankers controlled by third parties operated in our commercial pools thereby increasing our overall footprint in the conventional tanker sector from 83 to 110 vessels.

Our size, reputation and operational capabilities provide opportunities for us to in-charter third party vessels to our fleet. This flexibility allows us to expand our spot market fleet size or, by not renewing in-charters, reduce the fleet size in response to market conditions. Since the fourth quarter of 2008, we have taken steps to reduce our exposure to the weakening spot tanker market, including redelivering in-chartered vessels, chartering out vessels on fixed-rate time-charter contracts and selling certain spot traded vessels. As a result, we reduced our quarterly in-charter hire expense by approximately $60 million for the quarter ended September 30, 2009 compared to the quarter ended September 30, 2008. Recent initiatives reduced our aggregate quarterly general and administrative and vessel operating expenses by $24 million, or approximately 11%, for the quarter ended September 30, 2009 compared to the quarter ended September 30, 2008.

Please read Operations for additional information about or business segments.

Our competitive strengths

Market leadership in all business segments. We are a market leader in each of the segments in which we operate. Teekay LNG is the third largest independent owner of LNG carriers. We are the world s largest independent owner and operator of shuttle tankers and control over 50% of the world shuttle tanker fleet. We are also the largest owner and operator of FPSO units in the North Seas, with four units currently operating in that region, and a fifth FPSO unit operating off the coast of Brazil. In addition, we are the largest owner and operator of mid-sized conventional oil

Table of Contents

tankers. We believe our position as a market leader in these segments enhances our reputation, which, together with the scale, diversity and quality of our operations, provides us with further opportunities to retain and increase our market position.

Increased operating and financial stability through long-term, fixed-rate contracted revenue. Over the past decade, we have diversified our revenue and cash flow mix beyond the cyclical spot tanker market and significantly increased the amount and proportion of fixed-rate revenue. For the 12 months ended September 30, 2009, approximately 75% of our total net revenue was derived from fixed-rate contracts with an initial term of at least one year. As of December 31, 2009, approximately 83% of our total fleet operating days (on a ship equivalent basis) for 2010 were subject to fixed-rate contracts with an initial term of at least three years. As of December 31, 2009, we had under contract a total of approximately $11.5 billion of forward, fixed-rate revenue with a weighted-average remaining term of approximately 10.3 years (excluding options to extend).

Strong credit profile, liquidity position and cash flows. Our focus on fixed-rate contracts has enabled us to secure significant recurring revenue and cash flows. As of September 30, 2009, approximately 79% of our consolidated total debt was being serviced by assets operating under long-term, fixed-rate contracts. After giving effect to (a) this offering and our intended use of the net offering proceeds us described in Use of proceeds and (b) the use of $90 million of net proceeds from Teekay LNG s November 2009 public offering of common units to repay indebtedness under one of its revolving credit facilities, of our $5.3 billion in consolidated debt as of September 30, 2009 ($4.6 billion net of restricted cash) approximately $4.2 billion ($3.6 billion net of restricted cash) was attributable to our three public company subsidiaries, of which approximately 83% (93% net of restricted cash) is non-recourse to Teekay Parent. As of December 31, 2009, and after giving effect to this offering and the intended use of the net offering proceeds, we would have had approximately $2.1 billion of available liquidity, consisting of cash on hand and undrawn revolving credit facilities, with approximately $1.1 billion of this liquidity at the Teekay Parent level. In addition, credit facilities are currently in place to cover 98% of our current newbuilding capital expenditure commitments. After giving effect to this offering and the intended use of the net offering proceeds, as of December 31, 2009, we would have had scheduled balloon debt repayments of $0 million, $265 million, $0 million and $388 million in 2010, 2011, 2012 and 2013, respectively. Although we have liquidity and cash flow to support a significant amount of our debt obligations, we generally plan to refinance our credit facilities in advance of their maturities. During the 12 months ended September 30, 2009, Teekay Parent reduced its net debt by approximately $300 million and its newbuilding capital commitments by nearly $350 million, primarily as a result of vessel sales to its publicly-traded subsidiaries (which were financed partially with equity offerings by each subsidiary), other vessel dispositions and cash flow generated from operations. In November 2009, Teekay Parent further reduced its net debt by repaying $160 million under one of its revolving credit facilities using funds repaid to it by Teekay Offshore.

Flexible corporate structure with increased access to capital markets. Three of our subsidiaries, Teekay LNG, Teekay Offshore and Teekay Tankers, are publicly-traded entities with structural features that provide Teekay Parent with a significant level of control over them. Our long-term objective is to continue to grow each of these subsidiaries through accretive acquisitions, primarily through vessel sales to them by Teekay Parent, and further reinforce market leadership within each sector in which these subsidiaries operate. Including the initial public offerings of Teekay LNG, Teekay Offshore and Teekay Tankers in May 2005, December 2006 and December 2007, respectively, and subsequent public offerings, we have raised over $1.3 billion in public equity through these subsidiaries, which they primarily used to fund vessel acquisitions from Teekay Parent. Teekay Parent has used these sales proceeds primarily to prepay debt. In addition, Teekay Parent is entitled to cash distributions on its general and limited partnership interests in Teekay LNG and Teekay Offshore and on its equity interest in Teekay Tankers. Teekay Parent also has certain rights to receive increasing percentages of cash distributions from these entities to the extent per unit or per share distributions increase as a result of accretive acquisitions or otherwise, which may further enhance Teekay Parent s cash flow.

Strong, long-term relationships with high credit quality customers. We have developed strong relationships with our customers, which include major international oil, energy and utility companies such as BP plc, Chevron Corporation, ConocoPhillips, ExxonMobil Corporation, Petrobras, Ras Laffan Liquified Natural Gas Company Ltd. (a joint venture between ExxonMobil Corporation and the Government of Qatar), Repsol YPF S.A., Shell, Statoil ASA, Talisman Energy, Inc. and Total S.A. We have never experienced a material default by a customer under a long-term, fixed-rate contract. We attribute the strength of our customer relationships, and the opportunity to partner with our customers on many long-term, logistically complex projects, to the diversity and depth of our service offerings, our reputation for consistent delivery of high-quality services and our financial stability. As of December 31, 2009, we had 37 customer contracts with terms exceeding 10 years, excluding options to extend.

Scale, diversity and high quality of service offerings. The size of, and broad range of vessel types in, our fleet of 158 vessels permit us to offer to customers a comprehensive range of midstream logistics services, including ship-based transportation, production and storage options. This has contributed to our playing an increasingly prominent role in our customers logistics chains by positioning us as a one-stop-shop for these services and providing economies of scale. We believe we are an industry leader in safety and environmental standards. We benefit from higher quality control over commercial and technical management due to our expertise in and ability to perform all significant functions in-house, such as operational and technical support, tanker maintenance, crewing, shipyard supervision, insurance and financial management services.

Experienced management team. The members of Teekay s senior management team have on average more than 20 years of experience in the shipping industry, including an average of approximately 11 years with Teekay. Our executives have experience managing through multiple economic cycles and expertise across commercial, technical, financial and other functional management areas of our business, which helps promote a focused marketing effort, stringent quality and cost controls, and effective operations and safety monitoring.

Our business strategy

Maintain segment leading positions through increased customer adoption of our diversified service offerings and fleet growth. We offer to our customers a one-stop-shop for a comprehensive range of midstream marine logistical services. We have over 30 years experience in the oil tanker business and maintain worldwide operations. Since 2004, we have expanded our service offerings to include ship-based oil production and storage and marine transportation of LNG and LPG. Many of our customers use more than one of the types of major services we offer. By pursuing new customer relationships and leveraging existing relationships, we seek to continue to increase customer adoption of our diversified service offerings. We intend to continue to grow our fleet by pursuing growth opportunities through Teekay Parent and our publicly-traded subsidiaries. We also intend to maintain our leadership positions in the segments in which we operate by leveraging our established reputation for maintaining high standards of performance, reliability and safety.

Table of Contents

Maintain a balanced chartering strategy to increase cash flow. We will continue to focus on entering into long-term, fixed-rate contracts with customers and expect that these contracts will continue to generate a substantial majority of our revenues and cash flows. We plan to continue to maintain some of our vessels in the spot market in order to take advantage of ongoing market opportunities. Our size, reputation and operational capabilities also provide opportunities for us to in-charter third party vessels, including vessels that may trade on the spot market. This provides us flexibility in expanding or, by not renewing in-charters, reducing our fleet size, in response to market conditions. In addition, through participating in and managing commercial pools of vessels, we seek to increase returns on our spot fleet and provide additional resources to our customers, without the need for additional capital investments.

Continue to increase cash flows and improve our financial position. We intend to continue to improve our cash flows and financial condition while capitalizing on attractive growth opportunities. As part of this strategy, Teekay Parent intends to continue to offer to sell additional vessels from time to time to its publicly-traded subsidiaries. We anticipate that these transactions, if accepted by the subsidiaries, will help Teekay Parent monetize these assets and reduce its debt level while maintaining operating control of the vessels through existing management agreements. Teekay Parent also has certain rights to receive increasing percentages of cash distributions from these entities to the extent per unit or per share distributions increase as result of accretive acquisitions or otherwise. We also intend to continue the strategy we employed throughout 2009 to increase profitability and cash flows through, among other measures, seeking to recontract certain FPSO units and shuttle tankers at more favorable rates and carefully managing our general and administrative and vessel operating expenses.

Expand offshore and gas operations in high growth regions. We continually monitor expansion opportunities in our existing and in new markets. In particular, we seek to expand our FPSO and FSO and shuttle tanker operations in growing offshore markets in which we currently operate, such as Brazil, the North Sea and Australia, and we intend to pursue opportunities in promising offshore markets where we do not regularly operate, such as the Arctic, Eastern Canada, the Gulf of Mexico, Africa, the Middle East and Southeast Asia. In addition, we seek to capitalize on opportunities emerging from the global expansion of the LNG and LPG sectors by selectively targeting long-term, fixed-rate charters with high credit quality customers.

Continue our focus on maintaining high quality, cost-effective marine operations. Our operational focus is to continue to be an industry leader in safety and risk management, to maintain cost-effective operations, to ensure high quality customer service with a large, diversified and well-maintained asset base, and to employ well-trained onshore and offshore staff. We believe achievement of these objectives allows us to deliver superior services to our customers. We apply key performance indicators to facilitate regular monitoring of our operational performance. We intend to continue to maintain all significant operating, commercial, technical and administrative functions in-house to ensure stringent operational and quality control. We believe these strategies will enhance our ability to obtain repeat business from our customers and attract new customers, as well as to operate our fleet with greater efficiencies.

Table of Contents

Organizational structure

The following chart depicts our simplified organizational structure as of December 31, 2009. Vessel number information includes owned, in-chartered and newbuildings. Please read Fleet list.

(1) The partnership is controlled by its general partner. Teekay Corporation indirectly owns a 100% beneficial ownership in the general partner. However, in certain limited cases, approval of a majority of the unitholders of the partnership is required to approve certain actions.

(2) Teekay Tankers has two classes of shares: Class A common stock and Class B common stock. Teekay Corporation indirectly owns 100% of the Class B shares which have five votes each but aggregate voting power capped at 49%. As a result of Teekay Corporation s ownership of Class A and Class B shares, it currently holds aggregate voting power of 51.6%.

(3) Includes 48 vessels owned by Teekay Offshore Operating L.P.

Table of Contents

Fleet list

As of December 31, 2009, our total fleet consisted of 158 vessels, including in-chartered vessels and newbuildings on order but excluding vessels we commercially manage for third parties, as summarized in the following table:

	Number of vessels			
Teekay Corporation fleet list	**Owned vessels**	**Chartered-in vessels**	**Newbuildings**	**Total**
Teekay Parent fleet[1]				
Aframax tankers[2]	6	16		22
Suezmax tankers[3]	13	6		19
VLCC tankers		1		1
Product tankers	8	2		10
LNG carriers[4]			4	4
Shuttle tankers			4	4
FPSO units[5]	4			4
FSO units[5]	1			1
Total Teekay Parent fleet	32(10)	25	8	65
Teekay Offshore fleet				
Shuttle tankers[6]	27	8		35
FSO units[7]	5			5
FPSO unit	1			1
Aframax tankers[8]	11			11
Total Teekay Offshore fleet	44	8		52
Teekay LNG fleet				
LNG carriers[9]	15			15
LPG carriers	3		3	6
Suezmax tankers	8			8
Total Teekay LNG fleet	26		3	29
Teekay Tankers fleet				
Aframax tankers	9			9
Suezmax tankers	3			3

Total Teekay tankers fleet	12			12
Total Teekay consolidated fleet	**114(10)**	**33**	**11**	**158**

(1) Excludes the fleet of Teekay Offshore Operating L.P. (or *OPCO*), which is owned 51% by Teekay Offshore and 49% by Teekay Parent. All of OPCO s 48 vessels are included within the Teekay Offshore fleet.

(2) Excludes nine vessels chartered-in from Teekay Offshore and one vessel chartered-in from Teekay Tankers.

(3) Includes one Suezmax tanker Teekay Parent has agreed to offer to Teekay Tankers by June 18, 2010.

(4) Excludes two LNG carriers chartered-in from Teekay LNG. Includes four LNG newbuildings on order in which Teekay Parent s ownership interest is 33%. Teekay Parent has agreed to offer to Teekay LNG its interest in these four vessels and related charter contracts no later than 180 days before the scheduled delivery dates of the vessels, which are between August 2011 and January 2012.

(5) Teekay Parent has agreed to offer to Teekay Offshore any of FPSO and FSO units that service contracts in excess of three years in duration.

(6) Includes two shuttle tankers owned directly by Teekay Offshore, including one vessel in which its ownership is 50%. Includes 25 shuttle tankers owned by OPCO (including five vessels in which OPCO s ownership is 50%) and eight vessels chartered-in by OPCO.

(7) Includes one FSO unit owned directly by Teekay Offshore and four units owned by OPCO, including one FSO unit in which OPCO s ownership is 89%.

(8) All these vessels are owned by OPCO. Includes two lightering vessels.

(9) Includes five LNG carriers in which Teekay LNG s ownership is 70% and four LNG carriers in which its ownership is 40%.

(10) Based on our most recent vessel valuations and current sale and purchase market conditions, we estimate that the fair market values of our owned fleet and of Teekay Parent s owned fleet, on a charter-free basis, are approximately $7.2 billion and $2.5 billion, respectively.

Industry overview

The following industry overview highlights recent growth trends and data provided by the IEA, R.S. Platou Shipbrokers a.s. (or *RS Platou)*, the IMA and CRSL for the sectors in which we operate.

Liquefied natural gas shipping

The LNG industry continues to grow as natural gas remains one of the world s fastest growing primary energy sources. LNG carriers provide a cost-effective means for transporting natural gas in its supercooled, liquid form, which reduces its volume to approximately 1/600th of its gaseous state. The carries transport LNG between liquefaction facilities and import terminals, where the LNG typically is offloaded and stored in heavily insulated tanks until returned to its gaseous state and shipped by pipeline for distribution to natural gas customers. The IEA estimates that global demand of natural gas will grow from approximately 3,000 billion cubic meters (or *Bcm*) in 2007 to nearly 4,300 Bcm in 2030, representing a CAGR of 1.5%. The IEA anticipates that a resumption of economic growth in 2010, the favorable environmental and practical attributes of natural gas over other fossil fuels, and constraints on how quickly low-carbon energy technologies can be commercially developed, are expected to provide growth in demand for natural gas worldwide.

Between 2000 and 2007, the annual amount of LNG shipped internationally increased by CAGR of 7.3%, from approximately 104 MMT per annum to 170.8 MMT per annum as a result of improvements in liquefaction and regasification technologies, decreases in LNG shipping costs and increases in demand from consuming regions located far from natural gas reserves. In its latest long-term energy outlook published in November 2009, the IEA forecasted that the global natural gas inter-regional trade would grow from 677 Bcm in 2007 to 1,070 Bcm in 2030 (a CAGR of approximately 2%), and that the percentage of this trade represented by LNG would grow from approximately 34% in 2007 to approximately 40% in 2030. Accordingly, global LNG inter-regional trade is expected to grow from 225 bcm in 2007 to 425 bcm in 2030 (a CAGR of approximately 3%).

Table of Contents

The charts below illustrate the historical and projected volume of global inter-regional natural gas trade and demand for the periods and regions presented.

World inter-regional natural gas trade

Global natural gas demand

Source: IEA World Energy Outlook, November 2009

LNG carriers are usually chartered to carry LNG pursuant to time-charter contracts, where a vessel is hired for a fixed period of time, typically between 20 and 25 years, and the charter rate is payable to the owner on a monthly basis at a fixed rate. LNG projects require significant capital expenditures and typically involve an integrated chain of dedicated facilities and cooperative activities. Accordingly, the overall success of an LNG project depends to a large extent on long-range planning and coordination of project activities, including marine transportation. As of December 31, 2009, the global LNG fleet consisted of 338 existing carriers and 43 newbuildings on order.

In recent years, niche opportunities for floating regasification and receiving terminals have developed in Brazil, Italy and the Middle East. There has also recently been increased demand for development of floating liquefaction projects and we expect this trend to continue.

Table of Contents

Offshore oil industry

Oil continues to be the world s primary energy source as it has been for a number of decades, with consumption of oil accounting for approximately 35% of global energy consumption. In November 2009, the IEA forecasted that world demand for liquid fuels and other petroleum would grow from approximately 85.0 mb/d in 2008 to 105.2 mb/d in 2030, representing a CAGR of 1%.

The table below illustrates historical and projected future oil prices for the periods presented in nominal amounts and real amounts (i.e. nominal amounts adjusted for inflation).

Long-term oil price scenarios

Source: IEA World Energy Outlook, November 2009

As reflected in the chart above, the IEA projects oil prices to remain on an upward trend in its reference case, which is based on the assumption of a global economic recovery. The main factors driving upward trend in oil prices are the rising marginal cost of supply and demand growth in non-OECD countries. This trend is also a fundamental driver for offshore oil production.

Offshore oil production, in which oil is obtained from reservoirs beneath the ocean floor, is accounting for an increasing share of total global oil production. In particular, deepwater oil production is one of the fastest growing areas of the global oil industry and is replacing shallow water as the main focus of offshore oil field development. Deepwater oil production, characterized by wells located in water depths greater than 1,000 feet, has developed as conventional land-based or shallow-water reserves become depleted and exploration and production technologies have advanced to make oil extraction from deep water oil discoveries feasible. Shuttle tankers, FSO units and FPSO units are an important part of the supporting infrastructure for deepwater offshore development, as conventional offshore solutions, such as jackups and semi-submersibles, are generally better suited for shallow water oil production. Although the duration of FPSO contracts varies, it typically is between five and 15 years plus extension options. For smaller fields, FPSO units have generally been provided by independent FPSO contractors under life-of-field production contracts, where the contract s duration is for the useful life of the oil field. FPSO unit contracts generally provide for a fixed hire rate that is related to the cost of the unit, a fluctuating component based on either the amount of oil produced and processed by the unit, or both.

Table of Contents

Brazil is a leading frontier in the offshore market where approximately 85% of oil production currently comes from offshore fields. Brazil s Petrobras has announced plans to double its oil production by 2020 and has started a large investment plan of approximately $174.4 billion out to 2013.

Based on IMA data, the demand for FPSO units and FSO units is projected to increase over the next few years. The main growth regions for new projects are expected to include Brazil, Africa, Australian and Southeast Asia. In addition to the large projects in these areas, there is a mixture of small and medium-sized projects which provide niche opportunities as well (e.g. harsh weather regions, heavy oil production).

The following table shows the number of offshore projects planned or under study as of November 2009:

170 projects involving floating production or storage systems are planned or under study (as of November 2009)

Source: IMA, November 2009

Table of Contents

The following table reflects forecast FPSO and FSO unit orders through 2014, and related estimated aggregate capital expenditures for those units, based on varying prices for oil per barrel.

Forecast of FPSO and FSO unit orders through 2014
(including redeployments)

Source: IMA, March 2009

Conventional oil tankers

Historically the tanker industry has been cyclical in nature, experiencing volatility in profitability due to changes in the supply of and demand for tanker capacity, oil and oil products.

The following charts illustrate spot charter rates, expressed as the quarterly average of daily TCE rates and TC rates (for three-year, time-charter contracts) for double hull Suezmax and Aframax conventional oil tankers, as applicable, from 2007 to 2009. Information for January 2010 is based on average daily rates through January 8, 2010.

140

Table of Contents

Suezmax Spot Charter TCE Rates vs. Three-Year TC Rates

Source: CRSL, January 2010

Aframax Spot Charter TCE Rates vs. Three-Year TC Rates

Source: CRSL, January 2010

2009 tanker market summary. According to CRSL, average Suezmax crude tanker spot market rates were $28,361 per day in 2009, which was lower than the average spot rate for the five-year period from 2004 through 2008 of $60,265 per day. Average Aframax crude tanker spot

Table of Contents

market rates were $15,780 per day in 2009, which was lower than the average spot rate for the five-year period from 2004 through 2008 of $42,044 per day. The global economic downturn, which resulted in the steepest oil demand contraction since the early 1980 s, coupled with the growth in the global tanker fleet, were the primary causes of the decline in rates in 2009. Since the end of the third quarter of 2009, spot rates have increased as a result of improving economic fundamentals, seasonal factors and the use of tankers for floating storage, which tightened active fleet supply.

2010 tanker market fundamentals.

The table below shows the growth in the GDP versus growth in demand for oil for the periods presented.

Global GDP vs. oil demand growth

Source: IMF, October 2009
IEA, December 2009

Demand. In October 2009, the IMF estimated that global GDP will grow by 3.1% from 2009 to 2010, after contracting by 1.1% from 2008 to 2009. The global economic recovery is expected to be led to a large extent by energy-intensive Asian economies such as China and India. Vehicle sales in China in 2009 were 46% higher than sales in 2008. The IEA is currently forecasting global oil demand growth of 1.5 mb/d, or 1.7%, in 2010, approximately half of which is expected to come from emerging Asia and OECD North Americas, which are regions dependent on seaborne oil imports. Non-OPEC supply is estimated to grow by 0.3 mb/d in 2010, with a majority of this growth expected to come from the FSU and Latin America, which is likely to increase medium-sized tanker demand. If non-OPEC oil supply growth is lower than estimated, that likely would further increase demand for longer-haul Middle East OPEC crude.

Supply. According to CRSL, during 2009, the global tanker fleet grew by 29.6 mdwt, or 7%, as vessel deliveries totaled 48.2 mdwt and removals were 18.5 mdwt. The pace of tanker scrapping increased in the second half of 2009 in anticipation of 2010, which is the International Maritime Organization s mandated phase-out target for single-hull tankers. According to CRSL, as of January 1, 2010, the world tanker orderbook was 132.3 mdwt and there were 38.6 mdwt of

Table of Contents

existing single-hull tankers in the world fleet. Factors which could dampen tanker fleet supply growth in 2010 include:

higher than expected delivery delays, which is particularly relevant for the Suezmax sector where deliveries in 2009 totaled 7.1 mdwt compared to 10.9 expected at the beginning of the year;

a well-enforced single-hull tanker phase-out; and

potential tanker newbuilding order cancellations, particularly as tanker deliveries scheduled for 2010 and 2011 are the most expensive units currently on order.

Operations

Although our corporate structure includes our three public company subsidiaries Teekay Offshore, Teekay LNG and Teekay Tankers, substantially all of the operations of these entities are managed by Teekay and other of its subsidiaries. Operationally, our organization is divided into the following key areas: the shuttle tanker and FSO segment (included in our Teekay Navion Shuttle Tankers and Offshore business unit*)*, the FPSO segment (included in our Teekay Petrojarl business unit), the liquefied gas segment (included in our Teekay Gas Services business unit), the spot tanker segment and fixed-rate tanker segment (both included in our Teekay Tanker Services business unit). These centers of expertise work closely with customers to ensure a thorough understanding of our customers requirements and to develop tailored solutions.

The Teekay Navion Shuttle Tankers and Offshore and Teekay Petrojarl business units provide marine transportation, processing and storage services to the offshore oil industry, including shuttle tanker, FSO and FPSO services. Our expertise and partnerships with third parties allow us to create solutions for customers producing crude oil from offshore installations.

The Teekay Gas Services business unit provides gas transportation services, primarily under long-term fixed-rate contracts to major energy and utility companies. These services currently include the transportation of LNG and LPG.

The Teekay Tanker Services business unit is responsible for the commercial management of our conventional crude oil and product tanker transportation services. We offer a full range of shipping solutions through our worldwide network of commercial offices.

Shuttle tanker and FSO segment and FPSO segment

The main services our shuttle tanker and FSO segment and our FPSO segment provide to customers are:

offloading and transportation of cargo from oil field installations to onshore terminals by means of dynamically positioned, offshore loading shuttle tankers;

floating storage for oil field installations using FSO units; and

floating production, processing and storage services using FPSO units.

Shuttle tankers

Shuttle tankers are specialized ships designed to transport crude oil and condensates from offshore oil field installations to onshore terminals and refineries. Shuttle tankers are equipped

Table of Contents

with sophisticated loading systems and dynamic positioning systems that allow the vessels to load cargo safely and reliably from oil field installations, even in harsh weather conditions. Shuttle tankers were developed in the North Sea as an alternative to pipelines. Shuttle tankers are often described as floating pipelines because these vessels typically shuttle oil from offshore installations to onshore facilities in much the same way a pipeline would transport oil along the ocean floor.

Our shuttle tankers are primarily subject to long-term, fixed-rate time-charter contracts or bareboat charter contracts for a specific offshore oil field, where a vessel is hired for a fixed period of time, or under contracts of affreightment for various fields, where we commit to be available to transport the quantity of cargo requested by the customer from time to time over a specified trade route within a given period of time. The number of voyages performed under these contracts of affreightment normally depends upon the oil production of each field. Competition for charters is based primarily upon price, availability, the size, technical sophistication, age and condition of the vessel and the reputation of the vessel s manager. Technical sophistication of the vessel is especially important in harsh operating environments such as the North Sea. Although the size of the world shuttle tanker fleet has been relatively unchanged in recent years, conventional tankers can be converted into shuttle tankers by adding specialized equipment to meet customer requirements. Shuttle tanker demand may also be affected by the possible substitution of sub-sea pipelines to transport oil from offshore production platforms.

According to RS Platou, as of December 31, 2009, there were approximately 75 vessels in the world shuttle tanker fleet (including 18 newbuildings), the majority of which operate in the North Sea. Shuttle tankers also operate in Brazil, Canada, Russia, Australia and Africa. As of December 31, 2009, we owned 31 shuttle tankers (including four newbuildings) and chartered-in an additional eight shuttle tankers. Other shuttle tanker owners in the North Sea include Knutsen OAS Shipping AS, JJ Ugland Group and Transpetro, which as of December 31, 2009 controlled small fleets of approximately three to fifteen shuttle tankers each. We believe that we have significant competitive advantages in the shuttle tanker market as a result of the quality, type and dimensions of our vessels combined with our market share in the North Sea.

FPSO units

FPSO units are floating vessels used to provide on-site production, processing and storage for oil fields. An FPSO unit carries on-board all the necessary production and processing facilities normally associated with a fixed production platform. FPSO units are designed to receive oil or gas from nearby seabeds, process it to remove impurities, such as water, sand, and stones, and then store it onboard until it can be offloaded to a tanker or transported through a pipeline. FPSO units are well suited for deepwater oil fields in excess of 8,000 feet where a fixed installation and pipeline may not be feasible. FPSO units are also typically used as production facilities to develop marginal oil fields. An FPSO unit is usually of similar design to a conventional tanker, and can be converted from an existing oil tanker or purpose built. A majority of the cost of an FPSO comes from its top-side production equipment and, thus, FPSO units are expensive relative to conventional tankers. There are a number of experienced companies that compete in the FPSO segment, including state-sponsored entities and major energy companies. Although the duration of FPSO contracts varies, it typically is between five and 15 years plus extension options. FPSO unit contracts generally provide for a fixed hire rate that is related to the cost of the unit, a fluctuating component based on the amount of oil produced and processed by the unit, or both.

Traditionally for large field developments, the major oil companies have owned and operated new, custom-built FPSO units. FPSO units for smaller fields have generally been provided by independent FPSO contractors under life-of-field production contracts, where the contract s duration is for the useful life of the oil field. According to IMA, as of December 31, 2009, there were approximately 159 FPSO units operating and 31 FPSO units on order or under conversion in the world fleet. At December 31, 2009, we had five FPSO units. Most independent FPSO contractors have backgrounds in marine energy transportation, oil field services or oil field engineering and construction. The major independent FPSO contractors are SBM Offshore, Modec, Prosafe, BW Offshore, Sevan Marine, Bluewater and Maersk.

FSO units

FPSO units provide on-site storage for oil field installations that have no storage facilities or that require supplemental storage. An FSO unit is generally used in combination with a jacked-up fixed production system, floating production systems that do not have sufficient storage facilities or as supplemental storage for fixed platform systems, which generally have some on-board storage capacity. An FSO unit is usually of similar design to a conventional tanker, but has specialized loading and offtake systems required by field operators or regulators. FSO units are moored to the seabed at a safe distance from a field installation and receive the cargo from the production facility via a dedicated loading system. An FSO unit is also equipped with an export system that transfers cargo to shuttle or conventional tankers. Depending on the selected mooring arrangement and where they are located, FSO units may or may not have any propulsion systems. FSO units are usually conversions of older single-hull conventional oil tankers. These conversions, which include installation of a loading and offtake system and hull refurbishment, can generally extend the lifespan of a vessel as an FSO unit by up to 20 years over the normal conventional tanker lifespan of 25 years. Primary competitors in this segment are conventional tanker owners, who have access to tankers for conversion, oil field services companies, and oil field engineering and construction companies. FSO units are generally placed on long-term, fixed-rate time charters or bareboat charters as an integrated part of the field development plan.

According to IMA, as of December 31, 2009, there were approximately 90 FSO units operating and five FSO units on order or under conversion in the world fleet. As at December 31, 2009, we had six FSO units. The major markets for FSO units are Asia, the Middle East, Africa, South America and the North Sea. Our primary competitors in the FSO market are conventional tanker owners, who have access to tankers available for conversion, and oil field services companies and oil field engineering and construction companies who compete in the floating production system market. Competition in the FSO market is primarily based on price, expertise in FSO operations, management of FSO conversions and relationships with shipyards, as well as the ability to access vessels for conversion that meet customer specifications.

Liquefied gas segment

The vessels in our liquefied gas segment compete in the LNG and LPG markets. In the LNG markets, we compete principally with other private and state-controlled energy and utilities companies, which generally operate captive fleets, and independent ship owners and operators. Many major energy companies compete directly with independent owners by transporting LNG for third parties in addition to their own LNG. Given the complex, long-term nature of LNG projects, major energy companies historically have transported LNG through their captive fleets.

Table of Contents

However, independent fleet operators have been obtaining an increasing percentage of charters for new or expanded LNG projects as major energy companies have continued to divest non-core businesses. The major operators of LNG carriers are Malaysian International Shipping, NYK Line, Qatar Gas Transport (Nakilat), Shell Group and Mitsui O.S.K.

LNG carriers transport LNG internationally between liquefaction facilities and import terminals. After natural gas is transported by pipeline from production fields to a liquefaction facility, it is supercooled to a temperature of approximately negative 260 degrees Fahrenheit. This process reduces its volume to approximately 1/600th of its volume in a gaseous state. The reduced volume facilitates economical storage and transportation by ship over long distances, enabling countries with limited natural gas reserves or limited access to long-distance transmission pipelines to meet their demand for natural gas. LNG carriers include a sophisticated containment system that holds and insulates the LNG so it maintains its liquid form. The LNG is transported overseas in specially built tanks on double-hulled ships to a receiving terminal, where it is offloaded and stored in heavily insulated tanks. In regasification facilities at the receiving terminal, the LNG is returned to its gaseous state (or *regasified*) and then shipped by pipeline for distribution to natural gas customers.

LNG carriers are usually chartered to carry LNG pursuant to time-charter contracts, where a vessel is hired for a fixed period of time, usually between 20 and 25 years, and the charter rate is payable to the owner on a monthly basis at a fixed rate. LNG projects require significant capital expenditures and typically involve an integrated chain of dedicated facilities and cooperative activities. Accordingly, the overall success of an LNG project depends to a large extent on long-range planning and coordination of project activities, including marine transportation.

LPG carriers are mainly chartered to carry LPG on time charters of three to five years, on contracts of affreightment or spot voyage charters. The two largest consumers of LPG are residential users and the petrochemical industry. Residential users, particularly in developing regions where electricity and gas pipelines are not developed, do not have fuel switching alternatives and generally are not