TEEKAY CORP
Form 6-K
December 09, 2010

Table of Contents

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

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

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

Form 20-F þ Form 40- F o

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

Yes o No þ

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

Yes o No þ

TEEKAY CORPORATION AND SUBSIDIARIES
REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010
INDEX

	PAGE
PART I: FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Unaudited Consolidated Statements of Income (Loss) for the three and nine months ended September 30, 2010 and 2009	3
Unaudited Consolidated Balance Sheets as at September 30, 2010 and December 31, 2009	4
Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2010 and 2009	5
Unaudited Consolidated Statement of Changes in Total Equity for the nine months ended September 30, 2010	6
Unaudited Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2010 and 2009	7
Notes to the Unaudited Consolidated Financial Statements	8
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3. Quantitative and Qualitative Disclosures about Market Risk	46
PART II: OTHER INFORMATION	49
SIGNATURES	50

Table of Contents

ITEM 1 FINANCIAL STATEMENTS

TEEKAY CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands of U. S. dollars, except share and per share amounts)

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

Net (loss) income attributable to stockholders of Teekay Corporation				
Per common share of Teekay Corporation *(note 17)*				
Basic (loss) earnings attributable to stockholders of Teekay Corporation	(2.55)	(1.96)	(4.84)	1.36
Diluted (loss) earnings attributable to stockholders of Teekay Corporation	(2.55)	(1.96)	(4.84)	1.35
Cash dividends declared	0.3163	0.3163	0.9488	0.9488
Weighted average number of common shares outstanding *(note 17)*				
Basic	72,982,870	72,553,809	72,911,689	72,535,438
Diluted	72,982,870	72,553,809	72,911,689	72,876,558

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

Table of Contents

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

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

LIABILITIES AND EQUITY		
Current		
Accounts payable	55,986	57,242
Accrued liabilities *(note 16)*	304,794	308,122
Current portion of derivative liabilities *(note 16)*	142,875	143,770
Current portion of long-term debt *(note 8)*	303,398	231,209
Current obligation under capital leases *(note 9)*	44,750	41,016
Current portion of in-process revenue contracts *(note 6)*	44,461	56,758
Loan from joint venture partners	44	1,294
Total current liabilities	896,308	839,411
Long-term debt, including amounts due to joint venture partners of $13,664 (2009 $16,410) *(note 8)*	4,153,082	4,187,962
Long-term obligation under capital leases *(note 9)*	732,147	743,254
Derivative liabilities *(note 16)*	630,452	215,709
Deferred income tax liability (*note 18*)		11,628
Asset retirement obligation	22,752	22,092
In-process revenue contracts *(note 6)*	163,504	187,602
Other long-term liabilities	227,618	214,104
Total liabilities	6,825,863	6,421,762
Commitments and contingencies *(notes 4, 9, 11 and 16)*		
Redeemable non-controlling interest *(note 11d)*	43,330	
Equity		
Common stock and additional paid-in capital ($0.001 par value; 725,000,000 shares authorized; 72,993,003 shares outstanding (2009 72,694,345); 73,492,203 shares issued (2009 73,193,545)) *(note 10)*	676,734	656,193
Retained earnings	1,227,690	1,585,431
Non-controlling interest	1,052,626	855,580
Accumulated other comprehensive loss *(note 15)*	(3,922)	(1,534)
Total equity	2,953,128	3,095,670
Total liabilities and equity	9,822,321	9,517,432

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

Table of Contents

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

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

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

Supplemental cash flow information *(note 7)*

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

Table of Contents

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

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

Table of Contents

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

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

Table of Contents

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

1. Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

Adoption of New Accounting Pronouncements

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

2. Segment Reporting

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

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

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

Table of Contents

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

Three months ended September 30, 2009	Shuttle Tanker and FSO Segment	FPSO Segment	Liquefied Gas Segment	Conventional Tanker Segment	Total
Revenues	144,182	100,327	61,435	194,424	500,368
Voyage expenses	23,652		465	47,542	71,659
Vessel operating expenses	39,720	49,917	12,620	47,533	149,790
Time-charter hire expense	27,772			67,192	94,964
Depreciation and amortization	30,014	25,344	14,188	37,565	107,111
General and administrative (2)	12,875	7,918	5,059	24,038	49,890
Loss (gain) on sale of vessels and equipment, net of write-downs	961			(46)	915
Restructuring charge	693		590	173	1,456
Income (loss) from vessel operations	8,495	17,148	28,513	(29,573)	24,583
Total assets of operating segments at September 30, 2009	1,695,154	1,272,105	2,890,314	2,902,175	8,759,748

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

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

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

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

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

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

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

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

3. Investment in Term Loans

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

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

4. Operating and Direct Financing Leases

Operating Lease Obligations

Teekay Tangguh Subsidiary

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

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

Year	**Head Lease Receipts [1]**	**Sublease Payments [1]**
Remainder of 2010	$ 7,221	$ 6,268
2011	$ 28,875	$ 25,072
2012	$ 28,859	$ 25,072
2013	$ 28,843	$ 25,072
2014	$ 28,828	$ 25,072
Thereafter	$ 303,735	$ 357,387
Total	$ 426,361	$ 463,943

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

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

Net Investment in Direct Financing Leases

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

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

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

5. Equity Offerings by Subsidiaries

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

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

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

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

Table of Contents

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

6. Intangible Assets and In-Process Revenue Contracts

Intangible Assets

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

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

In-Process Revenue Contracts

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

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

7. Supplemental Cash Flow Information

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

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

8. Long-Term Debt

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

9. Capital Lease Obligations and Restricted Cash

Capital Lease Obligations

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

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

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

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

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

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

Year	**Commitment**

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

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

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

Year	**Commitment**
Remainder of 2010	26,918 Euros ($36,700)
2011	64,825 Euros ($88,382)

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

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

Year	**Commitment**
Remainder of 2010	$ 5,892
2011	$ 197,854

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

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

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

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

Restricted Cash

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

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

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

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

10. Capital Stock

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

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

Table of Contents

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

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

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

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

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

11. Commitments and Contingencies

a) Vessels Under Construction

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

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

b) Joint Ventures

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

Table of Contents

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

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

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

c) Legal Proceedings and Claims

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

d) Redeemable Non-Controlling Interest

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

e) Other

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

12. Fair Value Measurements

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a) Vessel Sales

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

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

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

Table of Contents

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

b) Vessels and Equipment Write-downs

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

14. Other Income

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

15. Accumulated Other Comprehensive Loss

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

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

16. Derivative Instruments and Hedging Activities

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

Foreign Exchange Risk

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

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

Fair Value / Carrying Amount

(1) Average forward rate

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

Interest Rate Risk

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

Table of Contents

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

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

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

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

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

(3) Principal amount reduces

quarterly.

(4) Inception dates of swaps in 2011 ($200.0 million).

(5) Principal amount reduces monthly to 70.1 million Euros ($95.6 million) by the maturity dates of the swap agreements.

(6) Principal amount is the U.S. Dollar equivalent of 281.2 million Euros.

Spot Tanker Market Risk

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

Commodity Price Risk

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

Table of Contents

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

Tabular Disclosure

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

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

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

Three Months Ended September 30, 2010	Three Months Ended September 30, 2009
Balance Sheet	**Balance Sheet**

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

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

Table of Contents

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

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

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

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

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

17. (Loss) Earnings Per Share

	Three Months Ended September 30,	Nine Months Ended September 30,

	2010 $	2009 $	2010 $	2009 $
Net (loss) income attributable to stockholders of Teekay Corporation	(186,043)	(142,248)	(353,193)	98,616
Weighted average number of common shares	72,982,870	72,553,809	72,911,689	72,535,438
Dilutive effect of stock-based compensation				341,120
Common stock and common stock equivalents	72,982,870	72,553,809	72,911,689	72,876,558
(Loss) earnings per common share:				
- Basic	(2.55)	(1.96)	(4.84)	1.36
- Diluted	(2.55)	(1.96)	(4.84)	1.35

The anti-dilutive effect attributable to outstanding stock-based compensation is excluded from the calculation of diluted (loss) earnings per common share. For the three and nine months ended September 30, 2010, the anti-dilutive effect attributable to outstanding stock-based compensation was 6.4 million shares. For the three and nine months ended September 30, 2009, the anti-dilutive effect attributable to outstanding stock-based compensation was 6.2 million shares and 4.5 million shares, respectively.

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

18. Income Tax (Expense) Recovery

Teekay and several of its subsidiaries are not subject to income tax in the jurisdictions in which they are incorporated because they do not conduct business or operate in those jurisdictions. However, among others, the Company s Australian ship-owing subsidiaries and its Norwegian subsidiaries are subject to income taxes.

The following is a roll-forward of the Company s unrecognized tax benefits, recorded in other long-term liabilities, from December 31, 2009 to September 30, 2010:

Balance of unrecognized tax benefits as at December 31, 2009	$	40,943
Increase for positions related to the current period		3,535
Increase for positions taken in prior years		8,979
Decrease for positions taken in prior years		(4,544)
Decrease related to statute of limitations		(1,600)
Balance of unrecognized tax benefits as at September 30, 2010	$	47,313

The majority of the net increase for positions for the nine months ended September 30, 2010 relates to potential tax on freight income.

The Company does not presently anticipate such uncertain tax positions will significantly increase or decrease in the next 12 months; however, actual developments could differ from those currently expected. The tax years 2006 through 2009 remain open to examination by some of the major taxing jurisdictions in which the Company is subject to tax.

The components of the provision for income tax (expense) recovery are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	$	$	$	$
Current	(2,586)	(2,061)	(12,035)	(2,459)
Deferred	(5,986)	(8,843)	15,917	(9,715)
Income tax (expense) recovery	(8,572)	(10,904)	3,882	(12,174)

19. Restructuring Charge

During the three and nine months ended September 30, 2010, the Company incurred $3.2 million and $11.2 million, respectively, of restructuring costs. The restructuring costs primarily relate to the reflagging of certain vessels, crew changes, and global staffing changes. At September 30, 2010 and December 31, 2009, $nil and $2.0 million, respectively, of restructuring liability were recorded in accrued liabilities on the consolidated balance sheets.

20. Accounting Pronouncements Not Yet Adopted

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, the Company 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 the Company on January 1, 2011, although earlier adoption is allowed. The Company is currently assessing the potential impact, if any, of adoption of this standard on its consolidated financial statements.

In July 2010, the FASB issued an amendment to FASB ASC 310, *Receivables,* that requires companies to provide more information in their disclosures about the credit quality of their financing receivables and the credit reserves held

against them. The amendments that require disclosures as of the end of a reporting period are effective for periods ending on or after December 15, 2010. The amendments that require disclosures about activity that occurs during a reporting period are effective for periods beginning on or after December 15, 2010. The Company is currently assessing the potential impacts, if any, of these amendments on its consolidated financial statements.

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

21. Subsequent Events

a) In October 2010, Teekay Tankers completed a public offering of approximately 8.6 million common shares of its Class A Common Stock (including 395,000 common shares issued upon the partial exercise of the underwriter s overallotment option) at a price of $12.15 per share, for gross proceeds of approximately $104.4 million. As a result, the Company s ownership of Teekay Tankers has been reduced from 37.1% to 31.0%. Teekay maintains voting control of Teekay Tankers through its ownership of shares of Teekay Tankers Class A and Class B common stock and continues to consolidate this subsidiary.

b) In October 2010, the Company announced that it had signed a contract with Petroleo Brasileiro SA (or *Petrobras*) to provide a FPSO unit for the Tiro and Sidon fields located in the Santos Basin offshore Brazil. The contract with Petrobras will be serviced by a newly converted FPSO unit, to be named the *Petrojarl Cidade de Itajai*, which is currently under conversion from an existing Aframax tanker, for a total estimated cost of approximately $370 million. The new FPSO is scheduled to deliver in the second quarter of 2012 when it will commence operations under a nine-year, fixed-rate time-charter contract to Petrobras with six additional one-year extension options.

c) On November 4, 2010, Teekay LNG acquired a 50% interest in companies that own two LNG carriers (collectively the Exmar Joint Venture) from Exmar NV for a total purchase price of approximately $70.3 million. Teekay LNG paid $35.4 million of the purchase price by issuing to Exmar NV 1,052,749 of its common units and the balance of $34.9 million was financed by drawing on one of its revolving credit facilities. On the date of the acquisition, the Exmar Joint Venture had $206.3 million of debt, of which 50% has been guaranteed by Teekay LNG. Exmar NV retains a 50% ownership interest in the Exmar Joint Venture. The two vessels acquired are the 2002-built *Excalibur*, a conventional LNG carrier, and the 2005-built *Excelsior*, a specialized gas carrier which can both transport and regasify LNG onboard. Both vessels are on long-term, fixed-rate charter contracts to Excelerate Energy LP for firm periods until 2022 and 2025, respectively.

d) In November 2010, Teekay Offshore issued 600 million Norwegian Kroner in senior unsecured bonds that mature in November 2013. The aggregate principal amount of the bonds is equivalent to approximately $100 million U.S. dollars and bears interest at NIBOR plus 4.75% per annum. The proceeds of the bonds are for general purposes including repayment of existing credit facility debt. Teekay Offshore will apply for listing of the bonds on the Oslo Stock Exchange.

e) In December 2010, Teekay Offshore completed a public offering of approximately 6.4 million common units (including 840,000 common units issued upon the exercise of the underwriter s overallotment option) at a price of $27.84 per unit, for gross proceeds of $182.9 million (including the general partner s $3.7 million proportionate capital contribution). As a result, the Company s ownership of Teekay Offshore has been reduced from 31.7% to 28.3% (including the Company s 2% general partner interest). Teekay maintains control of Teekay Offshore by virtue of its control of the general partner and will continue to consolidate this subsidiary.

Table of Contents

TEEKAY CORPORATION AND SUBSIDIARIES
SEPTEMBER 30, 2010
PART I FINANCIAL INFORMATION

ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and accompanying notes contained in Item 1 Financial Statements of this Report on Form 6-K and with our audited consolidated financial statements contained in Item 17 Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 5 Operating and Financial Review and Prospects of our Annual Report on Form 20-F for the year ended December 31, 2009.

OVERVIEW

Teekay Corporation (or *Teekay*) is a leading provider of international crude oil and gas marine transportation services and we also offer offshore oil production, storage and offloading services, primarily under long-term, fixed-rate contracts. Over the past decade, we have undergone a major transformation from being primarily an owner of ships in the cyclical spot tanker business to being a growth-oriented asset manager in the Marine Midstream sector. This transformation has included the expansion into the liquefied natural gas (or *LNG*) and liquefied petroleum gas (or *LPG*) shipping sectors through our publicly-listed subsidiary Teekay LNG Partners L.P. (or *Teekay LNG*), further growth of our operations in the offshore production, storage and transportation sector through our publicly-listed subsidiary Teekay Offshore Partners L.P. (or *Teekay Offshore*) and through Teekay Petrojarl AS (or *Teekay Petrojarl*), and expansion of our conventional tanker business through our publicly-listed subsidiary Teekay Tankers Ltd. (or *Teekay Tankers*). With a fleet of over 150 vessels, offices in 16 countries and approximately 6,100 seagoing and shore-based employees, Teekay provides comprehensive marine services to the world s leading oil and gas companies, helping them link their upstream energy production to their downstream processing operations. Our goal is to create the industry s leading asset management company focused on the Marine Midstream space.

SIGNIFICANT DEVELOPMENTS IN 2010

Public Offering of $450 Million Senior Unsecured Notes

In January 2010, we completed a public offering of senior unsecured notes due January 2020, with a principal amount of $450 million and which bear interest at a rate of 8.5% per year. We used a portion of the offering proceeds to repurchase the majority of our outstanding 8.875% senior notes due 2011, and the remainder to repay amounts outstanding under a term loan and a portion of outstanding debt under one of our revolving credit facilities. Please read Item 1 Financial Statements: Note 8 Long-Term Debt.

Public Offerings by and the Sale of Vessels to Teekay Offshore

During March 2010, Teekay Offshore completed a public offering of approximately 5.1 million common units (including 660,000 units issued upon the exercise of the underwriter s overallotment option) at a price of $19.48 per unit, for gross proceeds of $100.6 million (including the general partner s $2.0 million proportionate capital contribution). Teekay Offshore used the total net proceeds from the offering of $95.5 million to repay the vendor financing of $60.0 million we provided for the acquisition from us of the floating production, storage and offloading (or *FPSO*) unit, the *Petrojarl Varg* and to finance a portion of the April 2010 acquisition from us of the floating storage and offtake (or *FSO*) unit, the *Falcon Spirit*, for $44.1 million.

During August 2010, Teekay Offshore completed a public offering of approximately 6.0 million common units (including 787,500 units issued upon the exercise of the underwriter s overallotment option) at the price of $22.15 per unit, for gross proceeds of $136.5 million (including the general partner s $2.7 million proportionate capital contribution). Teekay Offshore used the net proceeds of $130.4 million from the equity offering to repay a portion of their outstanding debt under one of their revolving credit facilities.

During December 2010, Teekay Offshore completed a public offering of approximately 6.4 million common units (including 840,000 common units issued upon the exercise of the underwriter s overallotment option) at a price of $27.84 per unit, for gross proceeds of approximately $182.9 million (including the general partner s $3.7 million proportionate capital contribution).

As a result of the above transactions, our ownership of Teekay Offshore was reduced from 40.5% to 28.3% (including our 2% general partner interest). We maintain control of Teekay Offshore by virtue of our control of the general partner and will continue to consolidate this subsidiary.

In November 2010, Teekay Offshore issued 600 million Norwegian Kroner in senior unsecured bonds that mature in November 2013. The aggregate principal amount of the bonds is equivalent to approximately $100 million U.S. dollars and bears interest at NIBOR plus 4.75% per annum. The proceeds of the bonds are for general purposes including repayment of existing credit facility debt. Teekay Offshore will apply for listing of the bonds on the Oslo Stock Exchange.

Public Offerings by and the Sale of Vessels to Teekay Tankers

During April 2010, Teekay Tankers completed a public offering of approximately 8.8 million common shares of its Class A Common Stock (including 1,079,500 common shares issued upon the partial exercise of the underwriter s overallotment option) at a price of $12.25 per share, for gross proceeds of $107.5 million. Teekay Tankers used the total net proceeds from the offering as partial consideration to acquire from us for a total purchase price of $168.7 million the following three vessels: the two Suezmax tankers, the *Yamuna Spirit* and the *Kaveri Spirit*, and the Aframax tanker, the *Helga Spirit*. As part of the purchase price for these vessels, Teekay Tankers concurrently issued to us 2.6 million unregistered shares of Class A Common Stock at the public offering price of $12.25 per share.

During October 2010, Teekay Tankers completed a public offering of approximately 8.6 million common shares of its Class A Common Stock (including 395,000 common shares issued upon the partial exercise of the underwriter s overallotment option) at a price of $12.15 per share, for gross proceeds of $104.4 million. As a result of these transactions, our ownership of Teekay Tankers was reduced from 42.2% to 31.0%. We maintain voting control of Teekay Tankers through our ownership of shares of Class A and Class B Common Stock and will continue to consolidate this subsidiary.

During November 2010, Teekay Tankers acquired from Teekay its subsidiaries Esther Spirit L.L.C., which owns an Aframax tanker, the *Esther Spirit* and the Iskmati Spirit L.L.C., which owns a Suezmax tanker, the *Iskmati Spirit* for a total of $107.5 million. The *Esther Spirit* is currently operating under a fixed-rate time-charter (with a profit share component) through July 2012 and the *Iskmati Spirit* is trading in the spot market as part of Teekay s Gemini Suezmax tanker pool. Teekay Tankers financed the acquisitions by drawing on its existing revolving credit facility.

Direct Equity Placement by Teekay LNG

During July 2010, Teekay LNG completed a direct equity placement of approximately 1.7 million common units at a price of $29.18 per unit, for gross proceeds of $51 million (including its general partner s $1.0 million proportionate capital contribution). As a result, our ownership of Teekay LNG has been reduced from 49.2% to 47.7% (including our 2% general partner interest). We maintain control of Teekay LNG by virtue of our control of the general partner and will continue to consolidate this subsidiary.

Sale of Vessels to Teekay LNG

In March 2010, Teekay LNG acquired from us two 2009-built Suezmax tankers, the *Bermuda Spirit* and the *Hamilton Spirit*, and one 2007-built Handy-max product tanker, the *Alexander Spirit*, for a total purchase price of $160 million. Teekay LNG financed the acquisition by assuming $126 million of debt related to two of the vessels, borrowing $24 million under existing revolving credit facilities and using $10 million of cash. In addition, Teekay LNG acquired approximately $15 million of working capital in exchange for a short-term vendor loan from us. The *Bermuda Spirit* and the *Hamilton Spirit* are currently operating under 12-year fixed-rate contracts to Centrofin, an international owner of 28 vessels, and the *Alexander Spirit* is currently employed on a 10-year fixed-rate contract to Caltex Australia Petroleum Pty Ltd.

Teekay LNG Exmar Joint Venture

In November 2010, Teekay LNG acquired a 50% interest in companies that own two LNG carriers (collectively the Exmar Joint Venture) from Exmar NV for a total purchase price of approximately $70.3 million. Teekay LNG paid $35.4 million of the purchase price by issuing to Exmar NV 1,052,749 of its common units and the balance of $34.9 million was financed by drawing on one of its revolving credit facilities. On the date of the acquisition, the Exmar Joint Venture had $206.3 million of debt, of which 50% has been guaranteed by Teekay LNG. Exmar NV retains a 50% ownership interest in the Exmar Joint Venture. The two vessels acquired are the 2002-built *Excalibur*, a conventional LNG carrier, and the 2005-built *Excelsior*, a specialized gas carrier which can both transport and regasify LNG onboard. Both vessels are on long-term, fixed-rate charter contracts to Excelerate Energy LP for firm periods until 2022 and 2025, respectively.

Teekay Tankers First Priority Ship Mortgage Loans and 50/50 Joint Venture Arrangement

In July 2010, Teekay Tankers made an investment in loans totaling $115 million to a third party ship-owner (the *Loans*). The Loans bear interest at an annual interest rate of 9% per annum and have a fixed term of three years. The Loans are repayable in full, together with a 3% premium of the Loans then outstanding, on maturity and are secured by first priority mortgages on two 2010-built Very Large Crude Carriers (or *VLCC*) owned by the ship-owner. Teekay Tankers financed the Loans by drawing on its revolving credit facility. Please read Item 1 Financial Statements: Note 3 Investment in Term Loans.

In September 2010, Teekay Tankers entered into a 50/50 joint venture arrangement (the *Joint Venture*) with Wah Kwong Maritime Transport Holdings Limited to have a VLCC newbuilding constructed, managed and chartered to third parties. The VLCC has an estimated purchase price of approximately $98 million, excluding capitalized interest and other miscellaneous construction costs. The vessel is expected to be delivered during the second quarter of 2013. A third party has agreed to time-charter the vessel for a term of five years at a daily rate and has also agreed to pay the Joint Venture 50% of any additional amounts if the daily rate of any sub-charter earned by the third party exceeds a certain threshold. As at November 1, 2010, Teekay Tankers has made the first payment of $9.8 million to the Joint Venture. Please read Item 1 Financial Statements: Note 11(b) Commitments and Contingencies Joint Ventures.

Foinaven FPSO Contract Amendment

In March 2010, we amended our operating contract with the operator (*Britoil plc*) of the *Foinaven* FPSO unit and Foinaven co-venturers (*Britoil plc* and certain of its affiliates and *Marathon Petroleum*), which also includes transportation services provided by two shuttle tankers. The amended contract provides for operating services for the

Foinaven field until at least 2021 and includes operating performance incentives that may increase the revenue generated by the *Foinaven* FPSO unit.

The amended contract, which applied from January 1, 2010, is comprised of the following components: a daily rate, part of which is earned based on agreed operating performance incentives (adjusted annually based on industry indices); a production tariff based on the volume of oil produced; and a supplemental tariff based on both the volume of oil produced and the annual average Brent Crude Oil price. Based on crude oil prices at the time the agreement was signed, we expect that under the amended contract the *Foinaven* FPSO unit will generate incremental operating cash flow and net income of approximately $30 million to $40 million per annum over the anticipated life of the contract period.

Under the amended contract, we received payments of approximately $30 million and $29.2 million in April 2010 and July 2010, respectively, relating to the *Foinaven* FPSO unit s operations in previous years. We recognized approximately $30 million in revenue in the first quarter of 2010 in conjunction with the signing of the amended agreement and approximately $29.2 million in revenue in the second quarter of 2010 upon the completion of certain conditions.

Cidade de Rio das Ostras FPSO Contract Extension and the Sale of the FPSO to Teekay Offshore

In June 2010, we signed an agreement with the operator to extend the operating contract for the *Cidade de Rio das Ostras* FPSO unit (the *Rio das Ostras* FPSO, previously known as the *Siri* FPSO) for an additional seven years through the end of 2017 in the Brazilian offshore sector. The *Rio das Ostras* FPSO, which has operated at the Siri reservoir on the Badejo field in Brazil s Campos Basin since 2008, will be re-deployed to the Aruana field in the Campos Basin following upgrades to prepare the unit for its new field. The upgrades are expected to be completed during the first quarter of 2011.

Pursuant to an omnibus agreement that Teekay Offshore entered into with us in connection with its initial public offering in December 2006, we are obligated to offer to Teekay Offshore our interest in certain shuttle tankers, FSO units and FPSO units and joint ventures we may acquire in the future, provided the vessels are servicing contracts in excess of three years in length. Pursuant to an offer under this agreement, in October 2010 we sold the *Rio das Ostras* FPSO unit to Teekay Offshore, which is on a long-term charter to Petroleo Brasileiro SA (or *Petrobras*), for a purchase price of approximately $158 million.

Petrojarl Cidade de Itajai FPSO Contract

In October 2010, we announced that we had signed a contract with Petrobras to provide a FPSO unit for the Tiro and Sidon fields located in the Santos Basin offshore Brazil. The contract with Petrobras will be serviced by a newly converted FPSO unit, to be named the *Petrojarl Cidade de Itajai*, which is currently under conversion from an existing Aframax tanker, for a total estimated cost of approximately $370 million. The new FPSO is scheduled to deliver in the second quarter of 2012 when it will commence operations under a nine-year, fixed-rate time-charter contract to Petrobras with six additional one-year extension options. We are in discussions with a third party to potentially take a 50% interest in this project. Pursuant to the omnibus agreement, we are obligated to offer to Teekay Offshore our interest in this FPSO project at our fully built-up cost within 365 days after the commencement of the charter to Petrobras.

New Master Agreement with Statoil and the Sales of Newbuilding Shuttle Tankers to OPCO

In August 2010, Teekay Offshore Operating L.P. (or *OPCO*), a subsidiary of Teekay Offshore signed a life-of-field master agreement with Statoil ASA (or *Statoil*) that replaces its existing volume-dependent contract of affreightment (or *CoA*), and covers fixed-rate, annual renewable time-charter contracts initially for seven dedicated shuttle tankers. This new master agreement became effective September 1, 2010. Under the terms of the master agreement, the vessels are chartered under individual fixed-rate annual renewable time-charter contracts to service the Tampen and Haltenbanken fields on the Norwegian Continental Shelf for the remaining life of field. The number of shuttle tankers covered by the master agreement may be adjusted annually based on the requirements of the fields serviced under the master agreement. The fixed-rate nature of time-charter contracts under the master agreement are expected to provide OPCO with more seasonally stable and predictable cash flows compared to the CoA arrangement. The vessels chartered under this agreement include the newbuilding shuttle tanker that OPCO acquired from us and will include the two newbuilding shuttle tankers that OPCO agreed to acquire during October 2010, as discussed below.

We took delivery of two Aframax shuttle tanker newbuildings in July 2010 and October 2010, respectively, and have two additional Aframax shuttle tanker newbuildings under construction, scheduled for delivery in the first half of 2011, for a total delivered cost of approximately $500 million. Pursuant to the omnibus agreement, we are obligated to offer to OPCO our interest in these vessels within 365 days of their delivery provided the vessels are servicing charter contracts in excess of three years in length. On August 31, 2010, we offered OPCO to acquire three of the four newbuilding shuttle tankers at their fully built-up cost, which would be used to service the new master agreement with Statoil. In October 2010, OPCO acquired the newbuilding shuttle tanker, the *Amundsen Spirit*, from us for approximately $128 million, and agreed to acquire two additional newbuilding shuttle tankers, the *Nansen Spirit* and the *Peary Spirit*, from us for a total purchase price of $260 million. The acquisitions of these two newbuilding shuttle tankers are expected to coincide with the commencement of their time-charter contracts under the master agreement with Statoil in December 2010 and July 2011, respectively.

OTHER SIGNIFICANT PROJECTS

Angola LNG Project

We have a 33% interest in a joint venture that will charter four newbuilding 160,400-cubic meter LNG carriers for a period of 20 years to the Angola LNG Project, which is being developed by subsidiaries of Chevron Corporation, Sociedade Nacional de Combustiveis de Angola EP, BP Plc, Total S.A., and Eni SpA. Final award of the charter 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 joint venture, 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. Please read Item 1 Financial

Statements: Note 11(b) Commitments and Contingencies Joint Ventures.

RESULTS OF OPERATIONS

We use a variety of financial and operational terms and concepts when analyzing our results of operations. In addition, you should consider certain factors when evaluating our historical financial performance and assessing our future prospects. These items can be found in Item 5 Operating and Financial Review and Prospects in our Annual Report on Form 20-F for the year ended December 31, 2009.

In accordance with generally accepted accounting principles in the United States (or *GAAP*), we report gross revenues in our income statements and include voyage expenses among our operating expenses. However, ship-owners base economic decisions regarding the deployment of their vessels upon anticipated time-charter equivalent (or *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 reportable segments where applicable.

We manage our business and analyze and report our results of operations on the basis of four reportable 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 sub-segment and the spot tanker sub-segment. Please read Item 1 Financial Statements: Note 2 Segment Reporting.

Table of Contents

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 three shuttle tankers under construction as at September 30, 2010. One shuttle tanker delivered in October 2010 and the remaining two shuttle tankers are scheduled for delivery between April 2011 and July 2011. Please read Item 1 Financial Statements: Note 11(a) Commitments and Contingencies Vessels Under Construction. We use these vessels to provide transportation and storage services to oil companies operating offshore oil field installations. All of these shuttle tankers provide transportation services to energy companies, primarily in the North Sea and Brazil. Our shuttle tankers service the conventional spot market from time to time.

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. 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:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	**2009**	**% Change**	**2010**	**2009**	**% Change**
Revenues	146,745	144,182	1.8	470,196	432,371	8.7
Voyage expenses	23,525	23,652	(0.5)	88,589	58,227	52.1
Net revenues	123,220	120,530	2.2	381,607	374,144	2.0
Vessel operating expenses	43,588	39,720	9.7	128,403	129,051	(0.5)
Time-charter hire expense	20,314	27,772	(26.9)	68,785	85,645	(19.7)
Depreciation and amortization	31,228	30,014	4.0	95,242	88,003	8.2
General and administrative (1)	12,322	12,875	(4.3)	38,612	38,266	0.9
Loss on sale of vessels and equipment, net of write-downs	10,775	961	1,021.2	10,039	1,902	427.8
Restructuring charge	(46)	693	(106.6)	628	5,991	(89.5)
Income from vessel operations	5,039	8,495	(40.7)	39,898	25,286	57.8
Calendar-Ship-Days						
Owned Vessels	2,671	2,667	0.1	8,403	7,917	6.1
Chartered-in Vessels	577	764	(24.5)	1,877	2,328	(19.4)
Total	3,248	3,431	(5.3)	10,280	10,245	0.3

(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 further discussion, please read Other Operating Results General and Administrative Expenses.

The average fleet size of our shuttle tanker and FSO segment (including vessels chartered-in), as measured by calendar-ship-days, decreased for the three months ended September 30, 2010 and increased for the nine months ended September 30, 2010, compared to the same periods last year, due to the inclusion of an FSO unit commencing December 2009, the acquisition of a shuttle tanker in February 2010 and a decrease in the number of chartered-in shuttle tankers.

Net Revenues. Net revenues increased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

- an increase of $2.8 million for the nine months ended September 30, 2010, due to increased rates on certain bareboat and time-charter contracts, partially offset by a decrease in rates on certain contracts of affreightment;

- increases of $2.7 million and $7.9 million, respectively, for the three and nine months ended September 30, 2010, due to the inclusion of the *Falcon Spirit* FSO unit commencing in December 2009;

- an increase of $0.8 million for the nine months ended September 30, 2010, due to a payment made to us by our joint venture partner as the number of drydock days for their vessel exceeded the maximum allowed under our agreement with this joint venture partner; and

- increases of $0.4 million and $3.5 million, respectively, for the three and nine months ended September 30, 2010, due to foreign currency exchange differences as compared to the same periods last year;

partially offset by

- a decrease of $6.3 million for the nine months ended September 30, 2010, due to the redelivery of one in-chartered vessel in June 2009 as it completed its time-charter contract;

- a decrease of $1.3 million for the nine months ended September 30, 2010, from a reduction in the number of cargo liftings due to declining oil production at the *Heidrun* field, a mature oil field in the North Sea that is serviced by certain shuttle tankers on contracts of affreightment;

- net decreases of $0.5 million and $0.2 million, respectively, for the three and nine months ended September 30, 2010, from fewer shuttle tanker revenue days due to declining oil production at mature oil fields in the North Sea, partially offset by an increase in revenue days in the conventional spot market from increased demand for conventional crude transportation; and

- a decrease of $0.3 million for the three months ended September 30, 2010, primarily due to decreased rates on certain contracts of affreightment.

Table of Contents

Vessel Operating Expenses. Vessel operating expenses increased for the three months ended September 30, 2010, compared to the same period last year, primarily due to:

- an increase of $1.5 million due to an increase in maintenance activities performed for certain vessels and the cost of services, spares and consumables during 2010, partially offset by lower maintenance costs from drydockings compared to the same period last year;
- an increase of $1.4 million due to the acquisition of a shuttle tanker in February 2010;
- an increase of $0.8 million due to the inclusion of the *Falcon Spirit* FSO unit in December 2009; and
- an increase of $0.4 million relating to crew training costs;

partially offset by

- a decrease of $0.7 million in crew and manning costs resulting primarily from cost saving initiatives that commenced in 2009, as described below under restructuring charges; and
- a decrease of $0.7 million relating to the net realized and unrealized changes in fair value of our foreign currency forward contracts that are or have been designated as hedges for accounting purposes.

Vessel Operating Expenses. Vessel operating expenses decreased for the nine months ended September 30, 2010, compared to the same period last year, primarily due to:

- a decrease of $6.3 million relating to the net realized and unrealized changes in fair value of our foreign currency forward contracts that are or have been designated as hedges for accounting purposes;
- a decrease of $2.0 million due to the redelivery of one in-chartered vessel in June 2009 as it completed its time-charter agreement;
- a decrease of $1.6 million in crew and manning costs resulting primarily from cost saving initiatives that commenced in 2009, as described below under restructuring charges; and
- a decrease of $1.6 million due to decreases in the cost of services, spares and consumables, and port costs during 2010;

partially offset by

- an increase of $5.0 million due to the acquisition of a shuttle tanker in February 2010;
- an increase of $2.5 million due to the inclusion of the *Falcon Spirit* FSO unit in December 2009;
- an increase of $1.8 million relating to repairs and maintenance performed in 2010 on certain vessels; and
- an increase of $1.6 million due to weakening of the U.S. Dollar against the Australian Dollar compared to the same period last year.

Time-Charter Hire Expense. Time-charter hire expense decreased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

- decreases of $5.0 million and $19.3 million, respectively, for the three and nine months ended September 30, 2010, resulting from the redelivery of three in-chartered shuttles to their owners in June 2009, November 2009 and February 2010, upon expiration of their in-charter contracts; and
- decreases of $3.6 million and $8.9 million, respectively, for the three and nine months ended September 30, 2010, due to the acquisition of a previously in-chartered shuttle tanker in February 2010;

partially offset by

increases of $0.7 million and $9.8 million, respectively, for the three and nine months ended September 30, 2010, due primarily to less offhire in the in-chartered fleet and an increase in spot in-chartering of vessels;

increases of $0.2 million and $1.1 million, respectively, for the three and nine months ended September 30, 2010, due to higher drydocking amortization relating to one of our in-chartered vessels; and

increases of $0.2 million and $0.5 million, respectively, for the three and nine months ended September 30, 2010, due to increased rates on certain time-charter contracts.

Loss on Sale of Vessels and Equipment, Net of Write-downs. Loss on sale of vessels and equipment for the three and nine months ended September 30, 2010, related primarily to a $10.0 million write-down for impairment of certain shuttle tanker equipment as carrying values exceeded estimated fair values.

Depreciation and Amortization. Depreciation and amortization expense increased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to capitalized drydock and vessel upgrade costs incurred in the second half of 2009 and depreciation on a shuttle tanker acquired in February 2010, partially offset by lower amortization on our FSO units as certain conversion costs were fully depreciated at the end of a fixed term contract in April 2010.

Restructuring Charges. During the nine months ended September 30, 2010, we incurred restructuring charges of $0.6 million, primarily resulting from the completion of the reflagging of certain vessels and a change in the nationality mix of our crews. We expect the restructuring will result in a reduction in future crewing costs for these vessels.

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, contracts of affreightment 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 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:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	% Change	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	% Change
Revenues	86,966	100,327	(13.3)	343,187	289,825	18.4
Vessel operating expenses	54,176	49,917	8.5	152,574	143,104	6.6
Depreciation and amortization	23,751	25,344	(6.3)	71,253	76,869	(7.3)
General and administrative (1)	7,071	7,918	(10.7)	20,418	23,520	(13.2)
Income from vessel operations	1,968	17,148	(88.5)	98,942	46,332	113.5
Calendar-Ship-Days						
Owned Vessels	736	736		2,184	2,365	(7.7)

(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). For further discussion, please read Other Operating Results General and Administrative Expenses.

The average fleet size of our FPSO segment (including vessels chartered-in), as measured by calendar-ship-days, decreased for the nine months ended September 30, 2010, compared to the same period last year. This was the result of one shuttle tanker that was converted to a FSO unit and transferred to the shuttle tanker and FSO segment in the fourth quarter of 2009.

Revenues. Revenues decreased for the three months ended September 30, 2010, compared to the same period last year, primarily due to:

- a decrease of $7.2 million from the decrease in amortization of contract value liabilities relating to FPSO service contracts (as discussed below) due to extensions to the duration of the firm periods of certain contracts;
- a decrease of $6.5 million from lower oil production primarily from scheduled maintenance shutdowns on the *Petrojarl Foinaven* FPSO and the *Petrojarl Varg* FPSO in the third quarter of 2010; and
- a decrease of $3.1 million from decreased daily rates on the *Rio das Ostras* FPSO;

partially offset by

- an increase of $2.2 million from increased daily rates, performance incentive payments on the *Petrojarl 1* FPSO and *Petrojarl Banff* FPSO units and from the *Petrojarl Banff* being shutdown for 20 days for electrical equipment repairs in the same period of the prior year; and
- an increase of $1.5 million due to supplemental efficiency payments made under the amended *Foinaven* FPSO contract.

Revenues. Revenues increased for the nine months ended September 30, 2010, compared to the same period last year, primarily due to:

- an increase of $59.2 million for the nine months ended September 30, 2010, from payments under the amended operating contract for our *Foinaven* FPSO unit related to operations in previous years;
- an increase of $7.3 million due to supplemental efficiency payments made under the amended *Foinaven* FPSO contract; and
- a net increase of $4.8 million from the *Petrojarl Varg* FPSO unit commencing operations under a new four-year fixed-rate contract extension beginning in the third quarter of 2009, partially offset by a decrease in revenues resulting from a planned maintenance shutdown of the unit in the third quarter of 2010;

partially offset by

- a decrease of $17.5 million from the decrease in amortization of contract value liabilities relating to FPSO service contracts (as discussed below).

Table of Contents

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 initially 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 three and nine months ended September 30, 2010, was $11.5 million (2009 $18.7 million) and $35.8 million (2009 $53.3 million), respectively. The decrease for the three and nine months ended September 30, 2010, compared to the same periods last year was due to increases in the amortization periods resulting from operating contract amendments for the *Petrojarl 1* and the *Foinaven* FPSO units. Please read Item 1 Financial Statements: Note 6 Intangible Assets and In-Process Revenue Contracts.

Vessel Operating Expenses. Vessel operating expenses increased during the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to increases in crewing costs related to changes in crew classifications and wage increases and an increase in services and repairs due to the timing of certain projects, which were incurred during the scheduled maintenance shutdowns during the three months ended September 30, 2010.

Depreciation and Amortization. Depreciation and amortization expense decreased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to a reassessment of the residual value of the units in 2010.

Liquefied Gas Segment

Our liquefied gas segment (which includes our *Teekay Gas Services* business unit) consists of LNG and LPG carriers subject to long-term, fixed-rate time-charter contracts. At September 30, 2010, we had one LPG carrier and two multi-gas carriers under construction, which are scheduled for delivery in 2011. In addition, we have a 33% interest in four LNG carriers under construction that are scheduled for delivery between August 2011 and January 2012, and will be accounted for under the equity basis. Upon delivery, all of these vessels will commence operation under long-term, fixed-rate time-charters. Please read Item 1 Financial Statements: Note 11(a) Commitments and Contingencies Vessels Under Construction and Note 11(b) Commitments and Contingencies Joint Ventures.

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. The following table also provides a summary of the changes in calendar-ship-days by owned vessels and vessels under direct financing lease for our liquefied gas segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Three Months Ended September 30, 2010	2009	% Change	Nine Months Ended September 30, 2010	2009	% Change
Revenues	62,131	61,435	1.1	185,462	176,283	5.2
Voyage expenses	(50)	465	(110.8)	45	723	(93.8)
Net revenues	62,181	60,970	2.0	185,417	175,560	5.6
Vessel operating expenses	10,982	12,620	(13.0)	35,582	37,079	(4.0)
Depreciation and amortization	15,702	14,188	10.7	47,114	44,257	6.5
General and administrative [(1)]	4,841	5,059	(4.3)	15,170	15,034	0.9
Restructuring charge	48	590	(91.9)	362	3,802	(90.5)
Income from vessel operations	30,608	28,513	7.3	87,189	75,388	15.7

Calendar-Ship-Days

Owned Vessels and Vessels under Direct Financing Lease	1,288	1,196	7.7	3,822	3,383	13.0

(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 further discussion, please read Other Operating Results General and Administrative Expenses.

The increase in the average fleet size of our liquefied gas segment, as measured by calendar-ship-days, was primarily due to the deliveries of one LNG carrier in March 2009 (the *Tangguh LNG Delivery*) and two new LPG carriers in April 2009 and November 2009, respectively (the *LPG Deliveries)*.

During the nine months ended September 30, 2010 two of our vessels, the *Arctic Spirit* and *Dania Spirit*, were offhire for a total of 288 days, of which approximately 44 days were related to scheduled drydockings of the two vessels, with the remainder due to the *Arctic Spirit* being offhire with no charter contract. The *Arctic Spirit* has recently commenced a new time-charter contract effective during the fourth quarter of 2010.

Net Revenues. Net revenues increased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

- an increase of $4.0 million for the three and nine months ended September 30, 2010, respectively, due to the decrease in offhire days relating to *Galacia Spirit* and *Madrid Spirit* of 53 days in 2009 compared to no offhire days in 2010; and
- increases of $3.4 million and $17.9 million, respectively, for the three and nine months ended September 30, 2010, due to the commencement of the time-charters relating to the Tangguh LNG Delivery and the LPG Deliveries;

partially offset by

- decreases of $4.3 million and $9.6 million, respectively, for the three and nine months ended September 30, 2010, due to the *Arctic Spirit* being offhire during the first nine months of 2010 primarily due to the completion of its time-charter contract in December 2009 and in part due to a scheduled drydocking;
- decreases of $1.1 million and $1.4 million, respectively, for the three and nine months ended September 30, 2010, due to the effect on our Euro-denominated revenues from the weakening of the Euro against the U.S. Dollar compared to the same periods last year;
- a decrease of $0.2 million for the three and nine months ended September 30, 2010, due to the *Hispania Spirit* being offhire for two days in the third quarter of 2010 for a scheduled in-water survey; and
- decreases of $0.1 million and $0.6 million, respectively, for the three and nine months ended September 30, 2010, due to a decrease in the hire rate for the *Polar Spirit* as compared to the same periods last year as a result of crewing rate adjustments.

Vessel Operating Expenses. Vessel operating expenses decreased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

- decreases of $0.8 million and $1.0 million, respectively, for the three and nine months ended September 30, 2010, due to the effect on our Euro-denominated expenses from the weakening of the Euro against the U.S. Dollar compared to the same periods last year;
- decreases of $0.6 million and $1.3 million, respectively, for the three and nine months ended September 30, 2010, due to the *Arctic Spirit* being laid up and as a result, operating with a reduced number of crew on board and with reduced repair and maintenance activities; and
- decreases of $0.6 million and $1.7 million, respectively, for the three and nine months ended September 30, 2010, due to our electing to cancel our loss-of-hire insurance in 2009 and a reduction in crew manning levels for certain of our LNG carriers;

partially offset by

- an increase of $1.1 million for the nine months ended September 30, 2010, due to additional crew training expenses relating to the *Al Marrouna,* the *Al Areesh* and the *Al Daayen*;
- an increase of $0.7 million for the three and nine months ended September 30, 2010, due to additional crew training expenses and from the delivery of the *Tangguh Sago* in March 2009; and
- an increase of $0.3 million for the nine months ended September 30, 2010, due to additional repairs and maintenance on the *Dania Spirit*.

Depreciation and Amortization. Depreciation and amortization expense increased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

- increases of $0.7 million and $2.3 million, respectively, for the three and nine months ended September 30, 2010, relating to amortization of capitalized drydocking expenditures incurred during the third and fourth quarters of 2009 and the first quarter of 2010; and
- increases of $0.3 million and $1.0 million, respectively, for the three and nine months ended September 30, 2010, from the LPG Deliveries;

partially offset by

- a decrease of $1.0 million for the nine months ended September 30, 2010, 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.

Conventional Tankers Segment

Our conventional tanker segment consists of conventional crude oil and product tankers that are: subject to long-term, fixed-rate time-charter contracts, which have an original term of one year or more; operate in the spot tanker market; or are subject to time-charters or contracts of affreightment that are priced on a spot-market basis or are short-term, fixed-rate contracts, which have an original term of less than one year.

Effective January 1, 2010, the operating results of vessels that were employed on fixed rate time-charters and contracts of affreightment that had an original duration of more than one year but less than three years have been included in the fixed-rate tanker sub-segment of the conventional tankers segment. Previously, these operating results were included in our spot tanker sub-segment. The following operating results, TCE rates and related period-to-period

comparisons have been retroactively adjusted to reflect this change as if it had been made on January 1, 2009.

Table of Contents

a) Fixed-Rate Tanker Sub-Segment

Our fixed-rate tanker sub-segment, a subset of our conventional tanker segment (which includes our *Teekay Tankers Services* business unit), includes conventional crude oil and product tankers on fixed-rate time charters with an original duration of more than one year. In addition, we have a 50% interest in a VLCC under construction that is scheduled for delivery in 2013, which will be accounted for under the equity basis. Upon delivery, this vessel will commence operation under a time-charter for a term of five years. Please read Item 1 Financial Statements: Note 11(b) Commitments and Contingencies Joint Ventures.

The following table presents our fixed-rate tanker sub-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 sub-segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	**Three Months Ended September 30,**			**Nine Months Ended September 30,**		
	2010	**2009**	**% Change**	**2010**	**2009**	**% Change**
Revenues	99,009	96,149	3.0	288,181	290,687	(0.9)
Voyage expenses	2,054	1,552	32.3	4,131	4,614	(10.5)
Net revenues	96,955	94,597	2.5	284,050	286,073	(0.7)
Vessel operating expenses	31,075	24,354	27.6	86,198	67,970	26.8
Time-charter hire expense	14,212	20,690	(31.3)	43,415	62,169	(30.2)
Depreciation and amortization	21,575	16,579	30.1	61,862	48,525	27.5
General and administrative [(1)]	14,316	10,800	32.6	32,167	29,492	9.1
(Gain) loss on sale of vessels and equipment, net of write-downs	(676)	680	(199.4)	490	3,960	(87.6)
Restructuring charge	154	108	42.6	265	613	(56.8)
Income from vessel operations	16,299	21,386	(23.8)	59,653	73,344	(18.7)
Calendar-Ship-Days						
Owned Vessels	3,113	2,782	11.9	8,969	7,992	12.2
Chartered-in Vessels	653	859	(24.0)	2,052	2,634	(22.1)
Total	3,766	3,641	3.4	11,021	10,626	3.7

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the

fixed-rate tanker sub-segment based on estimated use of corporate resources). For further discussion, please read Other Operating Results General and Administrative Expenses.

The average fleet size of our fixed-rate tanker sub-segment (including vessels chartered-in), as measured by calendar-ship-days, increased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

- the delivery of two new Suezmax tankers in June 2009 (the *Suezmax Deliveries*);
- the purchase of a 2007-built product tanker which commenced a 10-year fixed-rate time-charter contract to Caltex Australia Petroleum Pty Ltd. in September 2009;
- the transfer of five Suezmax tankers from the spot tanker sub-segment between September 2009 and April 2010 (the *Suezmax Transfers*); and
- the transfer of two Aframax tankers, on a net basis, from the spot tanker sub-segment in 2009 and 2010 upon commencement of long-term time-charters, which have an original term of one year or more (the *Aframax Transfers*);

partially offset by

- the transfer of two product tankers to the spot tanker sub-segment in July 2009 and January 2010 (the *Product Tanker Transfers*);
- the sale of one product tanker in October 2009 and two Aframax tankers in November 2009 and January 2010 (the *Vessel Sales*); and
- an overall decrease in the number of in-chartered vessels.

The Aframax Transfers, discussed above, consist of the transfer of four owned vessels and two in-chartered vessels from the spot tanker sub-segment, and the transfer of two owned vessels and two in-chartered vessels to the spot tanker sub-segment. The effect of the transactions are to increase the fixed tanker sub-segment s net revenues, time-charter hire expense, vessel operating expenses, and depreciation and amortization.

Net Revenues. Net revenues increased for the three months ended September 30, 2010, compared to the same period last year, primarily due to:

- an increase of $10.6 million from the Aframax Transfers and the Suezmax Transfers;
- an increase of $2.6 million from the purchase of the product tanker; and
- an increase of $2.4 million resulting from interest income from an investment in term loans, as discussed below;

partially offset by

- a decrease of $7.5 million from the Vessel Sales;
- a decrease of $4.7 million from the redelivery of in-chartered vessels to their owners upon the expiration of the related in-charter contracts; and
- a decrease of $2.1 million due to the *Tenerife Spirit, Algeciras Spirit* and the *Toledo Spirit* being offhire during the third quarter of 2010 for scheduled drydockings.

Net Revenues. Net revenues decreased for the nine months ended September 30, 2010, compared to the same period last year, primarily due to:

- a decrease of $26.9 million from the Vessel Sales;
- a decrease of $24.7 million from the redelivery of in-chartered vessels to their owners upon the expiration of the related in-charter contracts;
- a decrease of $5.6 million from the Product Tanker Transfers;
- a decrease of $3.3 million due to the *Tenerife Spirit, Algeciras Spirit* and the *Toledo Spirit* being offhire for 73, 41 and 15 days during the second and third quarters of 2010 for scheduled drydockings; and
- a decrease of $0.3 million due to interest-rate adjustments to the daily charter rates under the time-charter contracts for five of our Suezmax tankers (however, under the terms for 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 income);

partially offset by

- an increase of $39.2 million from the Aframax Transfers and the Suezmax Transfers;
- an increase of $8.8 million from the purchase of the product tanker;
- an increase of $8.7 million from the Suezmax Deliveries; and
- an increase of $2.4 million resulting from interest income from an investment in term loans, as discussed below.

We earned interest income from an investment in term loans of $115 million. This investment earns a total yield of approximately 10%. Our subsidiary Teekay Tankers entered into this transaction in July 2010. Please read Item 1 Financial Statements: Note 3 Investment in Term Loans.

Vessel Operating Expenses. Vessel operating expenses increased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

- increases of $7.3 million and $15.4 million, respectively, for the three and nine months ended September 30, 2010, from the Aframax Transfers and Suezmax Transfers;
- an increase of $2.2 million for the nine months ended September 30, 2010, relating to higher crewing costs, higher insurance renewal rates upon annual renewal, and timing of repairs and maintenance costs;
- increases of $1.5 million and $5.1 million, respectively, for the three and nine months ended September 30, 2010, from the purchase of a product tanker;
- an increase of $1.5 million for the nine months ended September 30, 2010, from the Suezmax Deliveries; and
- increases of $1.2 million and $2.4 million, respectively, for the three and nine months ended September 30, 2010, from the increased costs associated with certain vessels being changed over to Australian crewing as part of new time-charter contacts with a customer in Australia;

partially offset by

- decreases of $2.9 million and $9.0 million, respectively, for the three and nine months ended September 30, 2010, from the Vessel Sales.

Time-Charter Hire Expense. Time-charter hire expense decreased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to a decrease in the number of in-chartered vessel days as vessels were redelivered to their owners upon expiration of in-charter contracts.

Depreciation and Amortization. Depreciation and amortization expense increased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

increases of $6.1 million and $15.7 million, respectively, for the three and nine months ended September 30, 2010, from the Aframax and Suezmax Transfers;

an increase of $2.8 million for the nine months ended September 30, 2010, from the Suezmax Deliveries; and

increases of $1.6 million and $2.8 million, respectively, for the three and nine months ended September 30, 2010, from an increase in capitalized drydocking expenditures incurred;

partially offset by

decreases of $1.9 million and $2.9 million, respectively, for the three and nine months ended September 30, 2010, due to certain intangible assets related to time-charter contracts being fully amortized in 2009; and

decreases of $0.6 million and $5.6 million, respectively, for the three and nine months ended September 30, 2010, from the Vessel Sales and Product Tanker Transfers.

b) Spot Tanker Sub-Segment

Our spot tanker sub-segment, a subset of our conventional tanker segment (which includes our *Teekay Tankers Services* business unit), 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 one year in duration to be short-term. Our conventional Aframax, Suezmax, and large and medium product tankers are among the vessels included in the spot tanker sub-segment.

Our spot tanker market operations contribute to the volatility of our revenues, cash flow from operations and net income (loss). 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.

The following table presents our spot tanker sub-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 sub-segment:

(in thousands of U.S. dollars, except calendar-ship-days and percentages)	Three Months Ended September 30, 2010	2009	% Change	Nine Months Ended September 30, 2010	2009	% Change
Revenues	67,266	98,275	(31.6)	284,576	460,226	(38.2)
Voyage expenses	28,190	45,990	(38.7)	99,871	161,689	(38.2)
Net revenues	39,076	52,285	(25.3)	184,705	298,537	(38.1)
Vessel operating expenses	19,749	23,179	(14.8)	62,140	69,350	(10.4)
Time-charter hire expense	27,663	46,502	(40.5)	89,008	200,429	(55.6)
Depreciation and amortization	16,938	20,986	(19.3)	53,187	64,202	(17.2)
General and administrative [1]	8,360	13,238	(36.8)	38,890	40,506	(4.0)
Loss (gain) on sale of vessels and equipment, net of write-downs of intangible assets and vessels and equipment	14,074	(726)	(2,038.6)	14,426	(15,072)	(195.7)
Restructuring charge	3,084	65	4,644.6	9,963	1,611	518.4

Loss from vessel operations	(50,792)	(50,959)	(0.3)	(82,909)	(62,489)	32.7
Calendar-Ship-Days						
Owned Vessels	1,859	2,523	(26.3)	6,259	7,650	(18.2)
Chartered-in Vessels	1,135	2,032	(44.2)	3,993	7,425	(46.2)
Total	2,994	4,555	(34.3)	10,252	15,075	(32.0)

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to the spot tanker sub-segment based on estimated use of corporate resources). For further discussion, please read Other Operating Results General and Administrative Expenses.

The average size of our spot tanker fleet (including vessels chartered-in), as measured by calendar-ship-days, decreased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

- the sale of two product tankers in May 2009 and two Aframax tankers in April 2010 and August 2010 (the *Spot Vessel Sales*);
- the transfer of five Suezmax tankers to the fixed-rate tanker sub-segment between September 2009 and April 2010 (the *Spot Suezmax Transfers*);
- the net transfer of two Aframax tankers to the fixed-rate tanker sub-segment in 2009 and 2010 (the *Spot Aframax Tanker Transfers*); and
- an overall decrease in the number of in-chartered vessels;

Table of Contents

partially offset by

- the delivery of five new Suezmax tankers between January 2009 to December 2009 (the *Spot Suezmax Deliveries*); and
- the transfer of two product tankers from the fixed-rate tanker sub-segment in July 2009 and January 2010 (the *Product Tanker Transfers*).

Tanker Market and TCE Rates

The average freight rates for crude oil tankers declined during the third quarter of 2010 due to an increase in the fleet supply coupled with a reduction in long-haul crude oil movements and seasonal factors. Available tanker supply rose due to a combination of existing vessels returning to the active fleet from temporary floating storage contracts and an influx of tanker newbuilding deliveries. Crude oil imports into China remained strong, although the imports were increasingly sourced from Middle East locations as opposed to Atlantic Basin producers which led to a decline in tonne-mile demand. A seasonal reduction in North Sea oil production due to field maintenance, the start of the autumn refinery maintenance programs and high global oil inventories also put pressure on spot tanker rates. Average spot tanker rates have remained weak during the fourth quarter due primarily to an over-supply of vessels, though rates in the Atlantic have seen some support during December due to an increase in weather related transit delays.

The world tanker fleet grew by approximately 15 million deadweight tonnes (or *mdwt*), or approximately 3.5%, in the first nine months of 2010. Fleet growth has been compounded by the return of approximately 9.0 mdwt of tankers from floating storage employment since the beginning of the year, the equivalent of an additional 2% fleet supply. Tanker removals totaled 17.7 mdwt in the first nine months of 2010, an increase of approximately 30% from the same period last year due primarily to the regulatory phase-out of single-hull tankers. The phase-out of the world s remaining single-hull tankers should continue to marginally dampen tanker fleet growth in the near- to medium-term.

In November 2010, the International Energy Agency (or *IEA*) raised its forecast for 2010 global oil demand growth to 87.3 million barrels per day (*mb/d*), an increase of 2.3 mb/d, or 2.8% from 2009 levels. With this new forecast, 2010 oil demand is expected to surpass the previous record of 86.7 mb/d set in 2007. In 2011, according to the IEA, global oil demand is expected to grow by a further 1.2 mb/d, or 1.4%, to 88.5 mb/d with the entire growth originating from non-OECD regions.

The following table outlines the TCE rates earned by the vessels in our spot tanker sub-segment for the three and nine months ended September 30, 2010 and 2009, and excludes 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.

	Three Months Ended					
	September 30, 2010			**September 30, 2009**		
Vessel Type	Net Revenues ($000 s)	Revenue Days	TCE Rate $	Net Revenues ($000 s)	Revenue Days	TCE Rate $
Spot Fleet (1)						
Suezmax Tankers	16,777	921	18,217	15,904	1,185	13,421
Aframax Tankers	17,220	1,437	11,986	28,599	2,629	10,878
Large/Medium Product Tankers	5,997	368	16,296	7,897	640	12,339
Other (2)	(918)			(115)		
Totals	39,076	2,726	14,337	52,285	4,454	11,739

	Nine Months Ended	
	September 30, 2010	**September 30, 2009**

Vessel Type	Net Revenues ($000 s)	Revenue Days	TCE Rate $	Net Revenues ($000 s)	Revenue Days	TCE Rate $
Spot Fleet [1]						
Suezmax Tankers	76,050	2,866	26,536	83,814	3,296	25,429
Aframax Tankers	91,712	5,418	16,928	174,778	9,356	18,681
Large/Medium Product Tankers	20,352	1,374	14,812	38,849	2,180	17,821
Other [2]	(3,409)			1,096		
Totals	184,705	9,658	19,125	298,537	14,832	20,128

(1) Spot fleet includes short-term time-charters and fixed-rate contracts of affreightment less than 1 year.

(2) Includes the cost of spot in-charter vessels servicing fixed-rate contract of affreightment cargoes, the amortization of in-process revenue contracts and the cost of fuel while offhire.

Table of Contents

Spot tanker rates increased for the three months ended September 30, 2010 and declined for the nine months ended September 30, 2010, compared to the same periods last year. The TCE rates for the three and nine months ended September 30, 2010 generally reflect continued weak global oil demand caused by the global economic slowdown. Partially in response to this slowdown, we reduced our exposure to the spot tanker market through the sale of certain vessels that were trading on the spot market, entered into fixed-rate time charters for certain tankers that were previously trading in the spot market, and re-delivered in-chartered vessels. This shift away from our spot tanker employment to fixed-rate employment provided increased cash flow stability through a volatile spot tanker market.

Net Revenues. Net revenues decreased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

- a decrease of $25.5 million for the nine months ended September 30, 2010, primarily from decreases in our average spot tanker TCE rates due to the relative weakening of the spot tanker market, a decrease in the amortization of contract value liabilities relating to certain spot tanker contracts and an increase in the cost of fuel for offhire vessels;
- decreases of $19.3 million and $62.4 million, respectively, for the three and nine months ended September 30, 2010, from a decrease in the number of in-chartered vessels, as we continued to reduce our exposure to the spot tanker market by redelivering in-chartered vessels to their owners upon the expiration of in-charter contracts;
- decreases of $7.9 million and $37.6 million, respectively, for the three and nine months ended September 30, 2010, from the Spot Aframax and Spot Suezmax Transfers;
- decreases of $3.3 million and $6.1 million, respectively, for the three and nine months ended September 30, 2010, from a change in the number of days our vessels were offhire due to regularly scheduled maintenance; and
- decreases of $0.8 million and $9.0 million, respectively, for the three and nine months ended September 30, 2010, from the Spot Vessel Sales;

partially offset by

- an increase of $12.5 million for the three months ended September 30, 2010, primarily from increases in our average spot tanker TCE rates;
- increases of $4.4 million and $21.6 million, respectively, for the three and nine months ended September 30, 2010, from the Spot Suezmax Deliveries; and
- increases of $1.2 million and $5.2 million, respectively, for the three and nine months ended September 30, 2010, from the Product Tanker Transfers.

Vessel Operating Expenses. Vessel operating expenses decreased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

- decreases of $3.0 million and $4.8 million, respectively, for the three and nine months ended September 30, 2010, from lower crewing costs due to the positive impact of foreign currency exchange rate fluctuations, a reduction in the number of crew on some vessels, as well as lower repairs and maintenance and consumable costs resulting from the review and renegotiation of several key supplier contracts during 2009;
- decreases of $2.8 million and $8.4 million, respectively, for the three and nine months ended September 30, 2010, from the Spot Aframax Transfers and Suezmax Transfers; and
- decreases of $1.1 million and $3.7 million, respectively, for the three and nine months ended September 30, 2010, from the Spot Vessel Sales;

partially offset by

- increases of $2.1 million and $4.3 million, respectively, for the three and nine months ended September 30, 2010, from the Product Tanker Transfers; and
- increases of $1.3 million and $5.3 million, respectively, for the three and nine months ended September 30, 2010, from the Spot Suezmax Deliveries.

Time-Charter Hire Expense. Time-charter hire expense decreased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to the decrease in the number of in-chartered vessels due to redelivery of these vessels to their owners upon expiration of in-charter contracts.

Depreciation and Amortization. Depreciation and amortization expense decreased for the three and nine months ended September 30, 2010, compared to the same periods last year, primarily due to:

- decreases of $6.8 million and $16.3 million, respectively, for the three and nine months ended September 30, 2010, from the Spot Aframax and Spot Suezmax Transfers; and
- decreases of $0.4 million and $2.0 million, respectively, for the three and nine months ended September 30, 2010, from the Spot Vessel Sales;

Table of Contents

partially offset by

increases of $1.3 million and $5.3 million, respectively, for the three and nine months ended September 30, 2010, from the Spot Suezmax Tanker Deliveries;

increases of $1.0 million and $1.2 million, respectively, for the three and nine months ended September 30, 2010, from capitalized drydocking expenditures incurred during the first nine months of 2010; and

increases of $0.4 million and $2.3 million, respectively, for the three and nine months ended September 30, 2010, from the Product Tanker Transfers.

Loss on Sale of Vessels and Equipment, Net of Write-downs of Intangible Assets and Vessels and Equipment. Loss on sale of vessels and equipment for the three and nine months ended September 30, 2010, is primarily due to a $12.3 million write-down of a vessel purchase option as the option expired unexercised, and a $1.9 million loss on sale of a 1995-built Aframax tanker in August 2010.

Restructuring Charges. During the three and nine months ended September 30, 2010, we incurred restructuring charges of $3.1 million and $10.0 million, respectively, primarily relating to costs incurred for certain vessel crew changes relating to three of our vessels. We changed the crew operations being managed by an external management company to our own international seafarers in order to reduce future crewing costs.

Other Operating Results

The following table compares our other operating results for the three and nine months ended September 30, 2010 and 2009:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in thousands of U.S. dollars, except percentages)	2010	2009	% Change	2010	2009	% Change
General and administrative	(46,910)	(49,890)	(6.0)	(145,257)	(146,818)	(1.1)
Interest expense	(34,852)	(30,035)	16.0	(100,930)	(111,505)	(9.5)
Interest income	3,467	4,193	(17.3)	9,949	15,894	(37.4)
Realized and unrealized (losses) gains on non-designated derivative instruments	(133,241)	(121,664)	9.5	(440,313)	83,066	(630.1)
Equity (loss) income from joint ventures	(16,010)	(8,945)	79.0	(40,503)	29,857	(235.7)
Foreign exchange (loss) gain	(28,717)	(26,047)	10.3	27,797	(39,900)	(169.7)
Loss on bond repurchase				(12,645)		
Other income	2,042	2,938	(30.5)	5,742	9,419	(39.0)
Income tax (expense) recovery	(8,572)	(10,904)	(21.4)	3,882	(12,174)	(131.9)

General and Administrative. General and administrative expenses decreased to $46.9 million and $145.3 million, respectively, for the three and nine months ended September 30, 2010, from $49.9 million and $146.8 million, respectively, for the same periods last year, primarily due to:

decreases of $5.2 million and $7.6 million, respectively, for the three and nine months ended September 30, 2010, in corporate-related expenses, which includes our office expenses, rent, utilities, and information systems; and

a decrease of $2.0 million for the nine months ended September 30, 2010, in unrealized and realized losses on foreign currency forward contracts;

partially offset by

increases of $1.0 million and $4.1 million, respectively, for the three and nine months ended September 30, 2010, associated with our equity-based compensation for management and our short-term incentive program for employees and management;

increases of $0.8 million and $2.5 million, respectively, for the three and nine months ended September 30, 2010, in compensation for shore-based employees and other personnel expenses primarily due to the weakening of the U.S. dollar against the Canadian dollar and the increase in the number of personnel,

compared to the same periods last year; and

increases of $0.5 million and $1.4 million, respectively, for the three and nine months ended September 30, 2010, from timing of travel costs.

During 2009, we initiated a company-wide review of our general and administrative expenses. We implemented various cost reduction initiatives, including the relocation of shore-based positions to lower cost jurisdictions. These initiatives, as well as a reduction in business development activities, also contributed to the decreases in corporate-related expenses compared to the prior periods.

Interest Expense. Interest expense increased to $34.9 million for the three months ended September 30, 2010, from $30.0 million for the same period last year, primarily due to:

- an increase of $5.7 million due to the effect of the public offering of the 8.5% senior unsecured notes due January 2020, with a principal amount of $450 million, partially offset by the repurchase of a majority of our 8.875% senior notes due July 2011 in January 2010;

partially offset by

- a decrease of $0.8 million from the scheduled loan payments on the LNG carrier, the *Catalunya Spirit*, and scheduled capital lease repayments on the LNG carrier, the *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); and
- a decrease of $0.2 million from declining interest rates on our five Suezmax tanker capital lease obligations.

Interest Expense. Interest expense decreased to $100.9 million for the nine months ended September 30, 2010, from $111.5 million for the same period last year, primarily due to:

- a decrease of $21.9 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, which is explained in further detail below;
- a decrease of $4.2 million from the scheduled loan payments on the LNG carrier, the *Catalunya Spirit*, and scheduled capital lease repayments on the LNG carrier, the *Madrid Spirit*; and
- a decrease of $0.5 million from declining interest rates on our five Suezmax tanker capital lease obligations;

partially offset by

- an increase of $16.0 million due to the effect of the public offering of the 8.5% senior unsecured notes due January 2020, with a principal amount of $450 million, partially offset by the repurchase of a majority of our 8.875% senior notes due July 2011 in January 2010.

The debt repayments under long-term revolving credit facilities that contributed to our decreased interest expense for the nine months ended September 30, 2010, were primarily funded with net proceeds from the issuance of equity securities by our publicly-listed subsidiaries and from the sale of assets to third parties. When one of our publicly-listed subsidiaries acquires an asset from us, a significant portion of the acquisition typically has been financed through the issuance to the public of equity securities by the subsidiary. To the extent that there are no immediate investment opportunities, we have generally applied the proceeds from the issuance of these equity offerings and from the sale of assets to third parties towards debt reduction or increasing our cash balances.

Interest Income. Interest income decreased to $3.5 million and $9.9 million, respectively, for the three and nine months ended September 30, 2010, from $4.2 million and $15.9 million, respectively, for the same periods last year, primarily due to:

- decreases of $0.2 million and $2.4 million, respectively, for the three and nine months ended September 30, 2010, due to decreases in LIBOR rates relating to the restricted cash in Teekay Nakilat Corporation that is used to fund capital lease payments for its three LNG carriers;
- decreases of $0.6 million and $2.9 million, respectively, for the three and nine months ended September 30, 2010, primarily from scheduled capital lease repayments on one of our LNG carriers which was funded from restricted cash deposits; and
- a decrease of $0.7 million for the nine months ended September 30, 2010, primarily relating to lower interest income earned on our cash account balances.

Realized and unrealized (losses) gains on non-designated derivative instruments. Realized and unrealized (losses) gains related to derivative instruments that are not designated as hedges for accounting purposes are included as a separate line item in the statements of income (loss). The realized (losses) gains relate to the amounts we actually received or paid to settle such derivative instruments and the unrealized (losses) gains relate to the change in fair value of such derivative instruments.

Table of Contents

Net realized and unrealized (losses) gains on non-designated derivatives were losses of $(133.2) million and $(440.3) million, respectively, for the three and nine months ended September 30, 2010, compared to net realized and unrealized (losses) gains on non-designated derivatives of $(121.7) million and $83.1 million, respectively, for the same periods last year, as detailed in the table below:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in thousands of U.S. Dollars)	**2010**	**2009**	**2010**	**2009**
Realized (losses) gains relating to:				
Interest rate swaps	(37,197)	(41,321)	(116,417)	(91,737)
Foreign currency forward contracts	(818)	(981)	(2,163)	(8,926)
Forward freight agreements and bunker fuel swap contracts	3,000	2,655	(1,356)	4,660
	(35,015)	(39,647)	(119,936)	(96,003)
Unrealized (losses) gains relating to:				
Interest rate swaps	(116,045)	(81,114)	(325,883)	164,333
Foreign currency forward contracts	17,837	2,060	5,784	15,227
Forward freight agreements and bunker fuel swap contracts and other	(18)	(2,963)	(278)	(491)
	(98,226)	(82,017)	(320,377)	179,069
Total realized and unrealized (losses) gains on non-designated derivative instruments	(133,241)	(121,664)	(440,313)	83,066

Foreign Exchange (Loss) Gain. Foreign currency exchange (loss) gain was $(28.7) million and $27.8 million, respectively, for the three and nine months ended September 30, 2010, compared to foreign currency exchange losses of $(26.0) million and $(39.9) million, respectively, for the same periods last year. The changes in foreign exchange gain or loss were 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 (loss) income from joint ventures were losses of $(16.0) million and $(40.5) million, respectively, for the three and nine months ended September 30, 2010, compared to (loss) income of $(8.9) million and $29.9 million for the same periods last year. 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. Please read Item 1 Financial Statements: Note 11(b) Commitment and Contingencies Joint Ventures. For the three and nine months ended September 30, 2010, $(18.2) million and $(49.8) million, respectively, of the equity loss relates to our share of unrealized losses on interest rate swaps, compared to unrealized (losses) gains on interest rate swaps of $(10.2) million and $23.1 million, respectively, included in equity (loss) income for the same periods last year.

Income Tax (Expense) Recovery. Income tax (expense) recovery was $(8.6) million and $3.9 million, respectively, for the three and nine months ended September 30, 2010, compared to expenses of $(10.9) million and $(12.2) million, respectively, for the same periods last year. The decreases to income tax expense of $2.3 million and of $16.1 million, respectively, were primarily due to an increase in deferred income tax recovery relating to unrealized foreign

exchange translation losses.

Other Income. Other income of $2.0 million and $5.7 million, respectively, for the three and nine months ended September 30, 2010, was primarily comprised of leasing income from our volatile organic compound emissions equipment.

Net (Loss) Income. As a result of the foregoing factors, net loss amounted to $(212.8) million and $(344.2) million, respectively, for the three and nine months ended September 30, 2010, compared to net (loss) income of $(165.9) million and $132.5 million, for the same periods last year.

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, proceeds from the sale of vessels, and capital raised through equity offerings by our subsidiaries. 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, 2010, our total cash and cash equivalents totaled $692.5 million, compared to $422.5 million as at December 31, 2009. Our total liquidity, including cash and undrawn credit facilities, was $2.3 billion as at September 30, 2010 and $1.9 billion at December 31, 2009.

Our spot tanker market operations contribute to the volatility of our net operating cash flow. 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.

As at September 30, 2010, we had $303.4 million of scheduled debt repayments and $44.8 million of capital lease obligations coming due within the next 12 months. We believe that our existing cash and cash equivalents and undrawn long-term borrowings, in addition to other sources of cash such as cash from operations, will be sufficient to meet our existing liquidity needs for at least the next 12 months.

In March 2010, we amended our operating contract with the operator (*Britoil plc*) of the Foinaven FPSO unit and Foinaven co-venturers (*Britoil plc* and certain of its affiliates and *Marathon Petroleum*). Based on current crude oil prices at the time the amended agreement was signed, we expect that under the amended contract the *Foinaven* FPSO unit will generate incremental operating cash flow of approximately $30 million to $40 million per annum over the anticipated life of the contract period.

Table of Contents

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 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. As of September 30, 2010, pre-arranged debt facilities were in place for substantially all of our then 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, or the issuance of additional debt or equity securities or any combination thereof.

As at September 30, 2010, our revolving credit facilities provided for borrowings of up to $3.4 billion, of which $1.6 billion was undrawn. The amount available under these revolving credit facilities reduces by $86.3 million (remainder of 2010), $243.2 million (2011), $353.3 million (2012), $760.2 million (2013), $789.1 million (2014) and $1.2 billion (thereafter). The revolving credit facilities are collateralized by first-priority mortgages granted on 63 of our vessels, together with other related security, and are guaranteed by Teekay or our subsidiaries.

Our outstanding term loans reduce in monthly, quarterly or semi-annual payments with varying maturities through 2023. Some of the term loans also have bullet or balloon repayments at maturity and are collateralized by first-priority mortgages granted on 31 of our vessels, together with other related security, and are generally guaranteed by Teekay or our subsidiaries. Our unsecured 8.875% Senior Notes, amounting to $16.2 million at September 30, 2010, are due July 15, 2011. In January 2010, we completed a public offering of senior unsecured notes due January 2020, with a principal amount of $450 million and which bear interest at a rate of 8.5% per year. We used the offering proceeds to repurchase $160.5 million of our then outstanding 8.875% Senior Notes due July 15, 2011, $150 million of the proceeds to repay amounts under a term loan and the remainder of the offering proceeds to repay a portion of our outstanding debt under one of our revolving credit facilities.

Among other matters, our long-term debt agreements generally provide for the maintenance of certain vessel market value-to-loan ratios and minimum consolidated financial covenants and prepayment privileges, in some cases with penalties. Certain of the loan agreements require that we maintain a minimum level of free cash and as at September 30, 2010, this amount was $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 and as at September 30, 2010, this amount was $238.8 million. We were in compliance with all our loan covenants at September 30, 2010.

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 Australian Dollars, British Pounds, Canadian Dollars, Euros, Japanese Yen, Norwegian Kroner and Singapore Dollars.

We are exposed to market risk from foreign currency fluctuations and changes in interest rates, spot tanker market rates for vessels and bunker fuel prices. We use forward foreign currency contracts, interest rate swaps, forward freight agreements and bunker fuel swap contracts to manage currency, interest rate, spot tanker rates and bunker fuel price risks. With the exception of some of our forward freight agreements, we do not use these financial instruments for trading or speculative purposes. Please read Item 3 Quantitative and Qualitative Disclosures About Market Risk.

The passage of any climate control legislation or other regulatory initiatives that restrict emissions of greenhouse gases could have a significant financial and operational impact on our business, which we cannot predict with certainty at this time. Such regulatory measures could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions, or administer and manage a greenhouse gas emissions program. In addition, increased regulation of greenhouse gases may, in the long term, lead to reduced demand for oil and reduced demand for our services.

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,	
(in thousands of U.S. Dollars)	**2010**	**2009**
Net operating cash flows	346,903	298,300
Net financing cash flows	148,365	(400,743)
Net investing cash flows	(225,324)	(216,320)

Table of Contents

Operating Cash Flows

Our net cash flow from operating activities fluctuates primarily as a result of tanker utilization and TCE rates, changes in interest rates, fluctuations in working capital balances, the timing and amount of drydocking expenditures, repairs and maintenance activities, vessel additions and dispositions, and foreign currency rates. Our exposure to the spot tanker market contributes significantly to fluctuations in operating cash flows historically as a result of highly cyclical spot tanker rates and more recently as a result of the reduction in global oil demand that was caused by a slow-down in global economic activity that began in the latter part of 2008.

Net cash flow from operating activities increased to $346.9 million for the nine months ended September 30, 2010, from $298.3 million for the nine months ended September 30, 2009. This increase was primarily due to an increase in the net cash flow generated by our FPSO and fixed-rate tanker segment and partially offset by the reduction in net cash flow from our spot tanker sub-segment and an increase in interest expense.

The net cash flow increase includes two payments made during the first nine months of 2010 totaling $59.2 million pursuant to the Foinaven FPSO contract amendment and relating to prior periods, and a decrease in drydocking expenditures due to the timing of scheduled vessel drydocks. An increase in net cash flow from operating activities from our FPSO and fixed-rate tanker sub-segment was partially offset by the decrease in net cash flow generated by our spot tanker sub-segment and an increase in interest expense paid. Net cash flow from our spot tanker sub-segment decreased due to a reduction in the size of our spot tanker sub-segment fleet and a reduction in the average TCE rate earned by these vessels during the nine months ended September 30, 2010, compared to the same period last year. Our interest expense paid increased as a result of an increase in realized losses on our interest rate swaps and the effect of the public offering of the senior unsecured notes in January 2010, with a principal amount of $450 million, partially offset by a decrease in interest expense paid due to a reduction in the outstanding balances on our revolving credit facilities and lower interest rates.

The results of our four reportable segments, and the reduction in interest costs are explained in further detail in Results of Operations . Our current financial resources, together with cash anticipated to be generated from operations, are expected to be adequate to meet requirements in the next year.

Financing Cash Flows

During the nine months ended September 30, 2010, our net proceeds from long-term debt net of debt issuance costs were $1.1 billion. Our repayments and prepayments of long-term debt were $1.1 billion during the same period.

During March 2010, Teekay Offshore completed a public offering of approximately 5.1 million common units (including 660,000 units issued upon the exercise of the underwriter s overallotment option) at a price of $19.48 per unit, for gross proceeds of $100.6 million (including the general partner s $2.0 million proportionate capital contribution). Please read Item 1 Financial Statements: Note 5 Equity Offerings by Subsidiaries.

During April 2010, Teekay Tankers completed a public offering of approximately 8.8 million common shares of its Class A Common Stock (including 1,079,500 common shares issued upon the partial exercise of the underwriter s overallotment option) at a price of $12.25 per share, for gross proceeds of $107.5 million. Teekay Tankers concurrently issued to us, as partial consideration for vessel acquisitions from us, 2.6 million of unregistered shares of Class A Common Stock valued on a per-share basis at the public offering price of $12.25 per share. Please read Item 1 Financial Statements: Note 5 Equity Offerings by Subsidiaries.

During July 2010, Teekay LNG completed a direct equity placement of approximately 1.7 million common units at the price of $29.18 per unit, for gross proceeds of $51.0 million (including the general partner s $1.0 proportionate capital contribution). Please read Item 1 Financial Statements: Note 5 Equity Offerings by Subsidiaries.

During August 2010, Teekay Offshore completed a public offering of approximately 6.0 million common units (including 787,500 units issued upon the exercise of the underwriter s overallotment option) at the price of $22.15 per unit, for gross proceeds of $136.5 million (including the general partner s $2.7 million proportionate capital contribution). Please read Item 1 Financial Statements: Note 5 Equity Offerings by Subsidiaries.

During October 2010, Teekay Tankers completed a public offering of approximately 8.6 million common shares of its Class A Common Stock (including 395,000 common shares issued upon the partial exercise of the underwriter s overallotment option) at a price of $12.15 per share, for gross proceeds of $104.4 million. Please read Item 1 Financial Statements: Note 21(a) Subsequent Events.

In October 2010, Teekay announced that management intends to commence repurchasing shares under our $200 million share repurchase authorization. We intend that shares will be repurchased in the open market at times and prices considered appropriate by us. The timing of any purchases and the exact number of shares to be purchased will be dependent on market conditions.

In November 2010, Teekay Offshore issued 600 million Norwegian Kroner in senior unsecured bonds that mature in November 2013. The aggregate principal amount of the bonds is equivalent to approximately $100 million U.S. dollars and bears interest at NIBOR plus 4.75% per annum. Please read Item 1 Financial Statements: Note 21(d) Subsequent Events.

During December 2010, Teekay Offshore completed a public offering of approximately 6.4 million common units (including 840,000 units issued upon the exercise of the underwriter s overallotment option) at a price of $27.84 per unit, for gross proceeds of $182.9 million (including the general partner s $3.7 million proportionate capital contribution). Please read Item 1 Financial Statements: Note 21(e) Subsequent Events.

Dividends paid during the nine months ended September 30, 2010, were $69.6 million, or $0.94875 per share. Subject to financial results and declaration by the 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. We have paid a quarterly dividend since 1995.

Distributions from subsidiaries to non-controlling interests during the nine months ended September 30, 2010, were $113.6 million.

Table of Contents

Investing Cash Flows

During the nine months ended September 30, 2010, we:

- incurred capital expenditures for vessels and equipment of $176.2 million, primarily for capitalized vessel modifications and shipyard construction installment payments on our newbuilding shuttle tankers;
- invested in two term loans by Teekay Tankers for $115.6 million; and
- received net proceeds of $49.4 million from the sale of three Aframax tankers and one product tanker.

Commitments and Contingencies

The following table summarizes our long-term contractual obligations as at September 30, 2010:

In millions of U.S. Dollars	Total	Remainder of 2010	2011 and 2012	2013 and 2014	Beyond 2014
U.S. Dollar-Denominated Obligations:					
Long-term debt [1]	4,073.1	66.8	629.9	1,243.2	2,133.2
Chartered-in vessels (operating leases)	469.2	54.6	281.5	90.3	42.8
Commitments under capital leases [2]	203.8	5.9	197.9		
Commitments under capital leases [3]	1,031.3	6.0	48.0	48.0	929.3
Commitments under operating leases [4]	464.0	6.3	50.1	50.2	357.4
Newbuilding installments [5] [6]	606.1	150.4	436.1	19.6	
Asset retirement obligation	22.8				22.8
Total U.S. Dollar-denominated obligations	6,870.3	290.0	1,643.5	1,451.3	3,485.5
Euro-Denominated Obligations: [7]					
Long-term debt [8]	383.4	3.2	223.4	15.4	141.4
Commitments under capital leases [2] [9]	125.1	36.7	88.4		
Total Euro-denominated obligations	508.5	39.9	311.8	15.4	141.4
Total	7,378.8	329.9	1,955.3	1,466.7	3,626.9

(1) Excludes expected interest payments of $23.6 million (remainder of 2010), $182.1 million (2011 and

2012), $155.3 million (2013 and 2014) and $306.7 million (beyond 2014). 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, 2010 (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) 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 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. Please read Item 1 Financial Statements: Note 9 Capital Lease Obligations and Restricted Cash.

(3) Existing restricted cash deposits of $477.9 million,

together with the interest earned on the deposits, are expected to be sufficient to repay the remaining amounts we currently owe under the lease arrangements.

(4) We have corresponding leases whereby we are the lessor and expect to receive approximately $426.4 million for these leases from 2010 to 2029.

(5) Represents remaining construction costs (excluding capitalized interest and miscellaneous construction costs) for one LPG carrier, two multi-gas carriers and three shuttle tankers as of September 30, 2010. Please read Item 1 Financial Statements: Note 11(a) Commitments and Contingencies Vessels Under Construction.

(6) We have a 33% interest in a joint venture that has entered into agreements for the construction of

four LNG carriers and a 50% interest in a joint venture that has entered into an agreement for the construction of a VLCC. As at September 30, 2010, the remaining commitments on these vessels, excluding capitalized interest and other miscellaneous construction costs, totaled $800.1 million of which our share is $280.7 million. Please read Item 1 Financial Statements: Note 11(b) Commitments and Contingencies Joint Ventures.

(7) Euro-denominated obligations are presented in U.S. Dollars and have been converted using the prevailing exchange rate as at September 30, 2010.

(8) Excludes expected interest payments of $1.2 million (remainder of 2010), $8.0 million (2011 and 2012), $3.8 million (2013 and 2014)

and $10.6 million (beyond 2014). Expected interest payments are based on EURIBOR at September 30, 2010, plus margins that ranged up to 0.66%, as well as the prevailing U.S. Dollar/Euro exchange rate as of September 30, 2010. 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 $119.3 million, together with the interest earned on these deposits, will be 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.

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 that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties, are described in Item 5 Operating and Financial Review and Prospects in our Annual Report on Form 20-F for the year ended December 31, 2009.

As at September 30, 2010, we had an investment in two term loans collateralized by first priority mortgages on two 2010-built Very Large Crude Carriers. We regularly monitor the collectability of the amounts due under the term loans, including monitoring the value of the collateral, which, in management s view, is significantly in excess of the loan amounts receivable as at September 30, 2010.

As of September 30, 2010, we had four reporting units with goodwill attributable to them. As of the date of this filing, we do not believe that there is a reasonable possibility that the goodwill attributable to our four reporting units with goodwill attributable to them might be impaired within the next year. 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. These are discussed in more detail in the following section entitled Forward-Looking Statements.

FORWARD-LOOKING STATEMENTS

This Report on Form 6-K for the nine months ended September 30, 2010, contains certain forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended) concerning future events and our operations, performance and financial condition, including, in particular, statements regarding:

- our future growth prospects;
- tanker market fundamentals, including the balance of supply and demand in the tanker market and spot tanker charter rates;
- the impact of the *Foinaven* amended contract on our future operating results;
- the expected return on our investment in first priority ship mortgage loans;
- our belief that the master time charter arrangement with Statoil will provide more seasonally stable cash flows and predictability and the use of the Aframax newbuilding shuttle tankers under the new arrangement;
- the sufficiency of 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 contracts;
- potential newbuilding order cancellations;
- the expected timing and costs of upgrades to any vessels;
- the future valuation of goodwill;
- our compliance with covenants under our credit facilities;
- our hedging activities relating to foreign currency exchange and interest rate risks;
- the adequacy of restricted cash deposits to fund capital lease obligations;
- the effectiveness of our risk management policies and procedures and the ability of the counter-parties to our derivative contracts to fulfill their contractual obligations;

- the condition of financial and economic markets, including the recent credit crisis, interest rate volatility and the availability and cost of capital; and
- the growth of global oil demand.

Table of Contents

Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words believe , anticipate , expect , estimate , pr will be , will continue , will likely result , or words or phrases of similar meanings. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially include, but are not limited to: changes in production of oil from offshore oil fields; changes in the demand for offshore oil transportation, processing and storage services; changes in demand for LNG and LPG; greater or less than anticipated levels of vessel newbuilding orders or greater or less than anticipated rates of vessel scrapping; changes in trading patterns; changes in volumes of oil purchased under the *Foinaven* contract and the related price of oil; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; potential inability to implement our growth strategy; competitive factors in the markets in which we operate; potential for early termination of long-term contracts and our potential inability to renew or replace long-term contracts; loss of any customer, time-charter or vessel; shipyard production or vessel delivery delays; our potential inability to raise financing to purchase additional vessels; our exposure to foreign currency exchange, interest rate and tanker spot market rate fluctuations; conditions in the public equity markets; and other factors detailed from time to time in our periodic reports filed with the SEC, including our Annual Report on Form 20-F for the year ended December 31, 2009. We do not intend to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

Table of Contents

TEEKAY CORPORATION AND SUBSIDIARIES
SEPTEMBER 30, 2010
PART I FINANCIAL INFORMATION

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from foreign currency fluctuations and changes in interest rates, bunker fuel prices and spot tanker market rates for vessels. We use foreign currency forward contracts, interest rate swaps, bunker fuel swap contracts and forward freight agreements to manage currency, interest rate, bunker fuel price and spot tanker market rate risks but do not use these financial instruments for trading or speculative purposes, except as noted below under Spot Tanker Market Rate Risk. Please read Item 1 Financial Statements: Note 16 Derivative Instruments and Hedging Activities.

Foreign Currency Fluctuation Risk

Our primary economic environment is the international shipping market. Transactions in this market utilize the U.S. Dollar. 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 Australian Dollar, British Pound, Canadian Dollar, Euro, Norwegian Kroner and Singapore Dollar. There is a risk that currency fluctuations will have a negative effect on the value of cash flows.

We reduce our exposure 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, 2010, we were committed to the following foreign currency forward contracts:

	Expected Maturity Date				
	Remainder of 2010 Contract Amount (1)	2011 Contract Amount (1)	2012 Contract Amount (1)	Total Contract Amount (1)	Total Fair Value (1) Asset (Liability)
Norwegian Kroner:	$ 39.2	$ 119.4	$ 49.9	$ 208.5	$ 7.3
Average contractual exchange rate(2)	6.02	6.13	6.32	6.17	
Euro:	$ 15.8	$ 45.1	$ 14.2	$ 75.1	$ (0.3)
Average contractual exchange rate(2)	0.70	0.73	0.76	0.73	
Canadian Dollar:	$ 10.2	$ 16.5	$ 0.30	$ 27.0	$ 0.9
Average contractual exchange rate(2)	1.10	1.05	1.06	1.07	
British Pounds:	$ 12.4	$ 38.3	$ 11.4	$ 62.1	$ 2.2
Average contractual exchange rate(2)	0.68	0.65	0.67	0.66	

(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, 2010, we had Euro-denominated term loans of 281.2 million Euros ($383.4 million) included in long-term debt and Norwegian Kroner-denominated deferred income taxes of approximately 76.4 million ($13.0 million). We receive 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 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, 2010, 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.

Table of Contents

	Balance of 2010	Expected Maturity Date 2011	2012	2013	2014	Thereafter	Total	Fair Value Asset / (Liability)	Rate [1]
	(in millions of U.S. dollars, except percentages)								
Long-Term Debt:									
Variable Rate ($U.S.) [2]	55.3	270.6	250.7	296.1	854.7	1,428.0	3,155.4	(2,887.3)	1.1%
Variable Rate (Euro) [3] [4]	3.2	13.3	210.2	7.4	8.0	141.4	383.4	(351.9)	1.3%
Fixed-Rate Debt ($U.S.)	11.5	62.4	46.2	46.2	46.2	705.2	917.7	(961.9)	6.9%
Average Interest Rate	5.2%	6.1%	5.2%	5.2%	5.2%	7.3%	6.9%		
Capital Lease Obligations [5] [6]									
Fixed-Rate ($U.S.) [7]	2.4	185.5					187.9	(187.9)	7.4%
Average Interest Rate [8]	7.5%	7.4%					7.4%		
Interest Rate Swaps:									
Contract Amount ($U.S.) [6] [9][10]	65.1	170.2	276.3	82.5	96.4	2,857.2	3,547.7	(649.6)	4.6%
Average Fixed Pay Rate [2]	2.9%	3.5%	3.0%	4.9%	4.8%	5.8%	4.6%		
Contract Amount (Euro) [4]	3.2	13.2	190.1	15.2	16.4	145.3	383.4	(44.4)	3.8%
Average Fixed Pay Rate [3]	3.8%	3.8%	3.8%	3.8%	3.8%	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, which as of September 30, 2010, ranged from 0.3% to 3.25%. 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.

(2) Interest payments on U.S. Dollar-denominated debt and interest rate swaps are based on LIBOR. The average fixed pay rate for our interest rate swaps excludes the margin we pay on our floating-rate debt.

(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, 2010.

(5) Excludes capital lease obligations (present value of minimum lease payments) of 83.1 million Euros ($113.4 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 5.1%, 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, 2010, this amount was 87.5 million Euros ($119.3 million). Consequently, we are not subject to interest rate risk from these obligations or deposits.

(6) Under the terms of the capital leases for the RasGas II LNG Carriers (see Item 1 Financial Statements: Note 9 Capital Lease Obligations and Restricted Cash), 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 variable-rate leases. The deposits, which as at September 30, 2010, totaled $477.9 million, and the lease obligations, which as at September 30, 2010, totaled $470.6 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, 2010, the contract amount, fair value and fixed interest rates of these interest rate swaps related to the RasGas II LNG Carriers capital lease obligations and restricted cash deposits were $441.3 million and $472.0 million, ($101.7) million and $124.8 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 (see Item 1 Financial Statements: Note 9 Capital Lease Obligations and Restricted Cash).

(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 $200 million that commence in 2011.

Table of Contents

Commodity Price Risk

From time to time we use bunker fuel swap contracts as economic hedges to protect against changes in forecasted bunker fuel costs for certain vessels being time-chartered-out and for vessels servicing certain contracts of affreightment. As at September 30, 2010, we were committed to contracts totaling 13,635 metric tonnes with a weighted-average price of $455.65 per tonne, and a net fair value liability of $0.3 million. The bunker fuel swap contracts expire between October 2010 and December 2010. We have not designated these contracts as cash flow hedges for accounting purposes.

Spot Tanker Market Rate Risk

We use forward freight agreements (or *FFA*s) as economic hedges to protect against changes in spot tanker market rates earned by some of our vessels in our spot tanker segment. FFAs involve contracts to move a theoretical volume of freight at fixed-rates. As at September 30, 2010, the FFAs had an aggregate notional value of $13.1 million, which is an aggregate of both long and short positions, and a net fair value asset of $2.3 million. The FFAs expire between October 2010 and December 2010. We have not designated these contracts as cash flow hedges for accounting purposes.

We use FFAs in speculative transactions to increase or decrease our exposure to spot tanker market rates within strictly defined limits. Historically, we have used a number of different tools, including the sale/purchase of vessels and the in-charter/out-charter of vessels, to increase or decrease this exposure. We believe that we can capture some of the value from the volatility of the spot tanker market and from market imbalances by utilizing FFAs. As at September 30, 2010, we were not committed to any speculative related FFAs.

Table of Contents

TEEKAY CORPORATION AND SUBSIDIARIES
SEPTEMBER 30, 2010
PART II OTHER INFORMATION

Item 1 Legal Proceedings

None

Item 1A Risk Factors

In addition to the other information set forth in this Report on Form 6-K, you should carefully consider the risk factors discussed in Part I, Item 3. Key Information Risk Factors in our Annual Report on Form 20-F for the year ended December 31, 2009, which could materially affect our business, financial condition or results of operations.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3 Defaults Upon Senior Securities

None

Item 4 Reserved

None

Item 5 Other Information

None

Item 6 Exhibits

None

THIS REPORT ON FORM 6-K IS HEREBY INCORPORATED BY REFERENCE INTO THE FOLLOWING REGISTRATION STATEMENTS OF THE COMPANY.

REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 33-97746) FILED WITH THE SEC ON OCTOBER 4, 1995;

REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-42434) FILED WITH THE SEC ON JULY 28, 2000;

REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-119564) FILED WITH THE SEC ON OCTOBER 6, 2004;

REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-147683) FILED WITH THE SEC ON NOVEMBER 28, 2007;

REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-166523) FILED WITH THE SEC ON MAY 5, 2010; AND

REGISTRATION STATEMENT ON FORM 8-A/A (FILE NO. 001-12874) FILED WITH THE SEC ON JULY 2, 2010.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEEKAY CORPORATION

Date: December 9, 2010

By: /s/ Vincent Lok
Vincent Lok
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)