

TEEKAY CORP
Form 6-K
August 18, 2015

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

Date of Report: August 6, 2015

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

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(Address of principal executive office)

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

Form 20-F Form 40-F

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

Yes No

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

Yes No

Item 1 Information Contained in this Form 6-K Report

Attached as Exhibit 1 is a copy of an announcement of Teekay Corporation dated August 6, 2015.

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: August 6, 2015

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

TEEKAY CORPORATION REPORTS

SECOND QUARTER 2015 RESULTS

Highlights

Second quarter 2015 total Teekay Parent free cash flow of \$49.5 million, up \$17.9 million, or 57 percent from the first quarter of 2015.

Implemented new dividend policy: increased second quarter 2015 dividend by 75 percent to \$0.55 per share (\$2.20 per share annualized) and linking future dividend increases to the growing cash flows from Teekay's publicly-listed daughter entities.

Targeting 15 to 20 percent average annual dividend growth over the next three years.

On July 1, 2015, completed the dropdown sale of the *Knarr* FPSO to Teekay Offshore for \$1.26 billion.

Hamilton, Bermuda, August 6, 2015 Teekay Corporation (*Teekay* or *the Company*) (NYSE:TK) today reported financial and operating results for the second quarter of 2015. These results include the Company's three publicly-listed subsidiaries (Teekay Offshore Partners L.P. (*Teekay Offshore*) (NYSE:TOO), Teekay LNG Partners L.P. (*Teekay LNG*) (NYSE:TGP), Teekay Tankers Ltd. (*Teekay Tankers*) (NYSE:TNK)) (collectively, the *Daughter Entities*), all of which are consolidated in the Company's financial statements, and all remaining subsidiaries of the Company are referred to in this release as Teekay Parent. Please refer to the second quarter earnings releases of Teekay LNG, Teekay Offshore and Teekay Tankers, which are available on the Company's website at www.teekay.com for additional information on their respective results.

Summary Financial Information

| (in thousands of U.S. dollars, except per share amounts) | Three Months Ended | | |
|---|--------------------|----------------|---------------|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 |
| TEEKAY PARENT | | | |
| Teekay Parent GPCO Cash Flow ⁽¹⁾ | 41,155 | 38,374 | 40,288 |
| Teekay Parent OPCO Cash Flow ⁽¹⁾ | 8,308 | (6,851) | (35,308) |
| Total Teekay Parent Free Cash Flow ⁽¹⁾ | 49,463 | 31,523 | 4,980 |
| Total Teekay Parent Free Cash Flow per share ⁽¹⁾ | 0.68 | 0.43 | 0.07 |
| Declared Dividend per share ⁽¹⁾ | 0.55 | 0.31625 | 0.31625 |
| TEEKAY CORPORATION CONSOLIDATED | | | |
| Cash Flow from Vessel Operations (<i>CFVO</i>) ⁽¹⁾ | 352,201 | 320,855 | 224,426 |
| Adjusted Net Income (Loss) ⁽¹⁾ | 19,706 | 15,730 | (20,094) |
| Adjusted Net Income (Loss) per share ⁽¹⁾ | 0.27 | 0.22 | (0.28) |
| GAAP Net Income (Loss) | 65,912 | (9,764) | (42,987) |
| GAAP Net Income (Loss) per share | 0.91 | (0.13) | (0.60) |

- (1) These are non-GAAP measures. Please refer to Definitions and Non-GAAP Measures on Page 5 and the Appendices to this release for definitions of these terms and reconciliations of these non-GAAP financial measures as used in this release to the most directly comparable financial measures under United States generally accepted accounting principles (*GAAP*). Please refer to Page 7 for a summary of Teekay Parent Free Cash Flow.

Teekay Corporation Investor Relations Tel: +1 604 844-6654 www.teekay.com

4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda

CEO Commentary

Teekay Parent's free cash flow increased significantly during the second quarter, supported by a full quarter contribution from the *Knarr* FPSO prior to its dropdown sale to Teekay Offshore on July 1st, which resulted in a strong coverage ratio for the quarter, commented Peter Evensen, Teekay Corporation's President and Chief Executive Officer. Our daughter entities also performed well during the second quarter, with Teekay Offshore and Teekay LNG both reporting strong distributable cash flow and distribution coverage ratios and Teekay Tankers achieving the highest tanker rates in seven years.

Since reporting first quarter earnings in May, we have achieved key milestones towards the completion of Teekay Parent's transition into a pure-play general partner of two master limited partnerships, most notably the consummation of the *Knarr* FPSO dropdown, our largest dropdown sale ever, and the implementation of Teekay Parent's new dividend policy, continued Mr. Evensen. The *Knarr* FPSO dropdown has resulted in a reduction of Teekay Parent's net debt by nearly \$1 billion, which further strengthens Teekay Parent's balance sheet. Teekay Parent's new dividend policy links our dividend to the growing cash flows we receive from our daughter entities. With an initial increase of approximately 75 percent to \$0.55 per share, or \$2.20 per share annualized, we are targeting Teekay's dividend to further grow by an average of 15 to 20 percent per annum for at least the next three years, based on existing committed growth projects and future growth projects that our daughter entities are pursuing.

Teekay Parent's growing quarterly free cash flow is primarily supported by the stable and growing cash flows of our two master limited partnerships, Mr. Evensen continued. Teekay LNG and Teekay Offshore both have diversified portfolios of fee-based contracts with respective contracted forward revenues of \$11.4 billion and \$8.4 billion, average remaining contract durations of approximately 13 years and 5 years, and no direct commodity price exposure. Despite the current volatility in the energy markets, the long-term fundamentals for both the LNG and offshore markets remain attractive. With a strong pipeline of contracted growth projects directly at our daughter entities and their access to competitive bank financing and multiple capital markets, we believe Teekay Parent is well-positioned to achieve strong free cash flow and dividend growth.

Summary of Results

Teekay Parent

Teekay Parent GPCO Cash Flow, which includes distributions and dividends received on an accrual basis from Teekay's publicly-listed subsidiaries less Teekay Parent's corporate general and administrative expenses, increased to \$41.2 million for the quarter ended June 30, 2015, compared to \$38.4 million for the quarter ended March 31, 2015, primarily due to the recognition of certain employee incentive compensation expenses recorded in the first quarter of 2015. The distributions and dividends received from Teekay's publicly-listed subsidiaries during the quarter ended June 30, 2015 were consistent with the quarter ended March 31, 2015 at \$45.3 million. Please refer to Page 7 for additional information about Teekay Parent GPCO Cash Flow.

Teekay Parent OPCO Cash Flow, which includes cash flow attributable to assets directly-owned by, or chartered-in to, Teekay Parent, net of interest expense and drydock expenditures, increased to \$8.3 million for the quarter ended June 30, 2015, from negative \$6.9 million for the quarter ended March 31, 2015. The increase is primarily due to a full quarter's contribution from the *Petrojarl Knarr (Knarr)* FPSO, which commenced its charter contract at partial rate in mid-March 2015 and achieved full rate in late-June 2015 with BG Norge Limited (*BG*), higher revenues from the

Foinaven FPSO and higher average spot tanker rates. These increases were partially offset by lower revenues from the *Hummingbird Spirit* FPSO. Please refer to Page 7 of this release for additional information about Teekay Parent OPCO Cash Flow.

Total Teekay Parent Free Cash Flow, which is the total of GPCO and OPCO cash flows, was \$49.5 million during the second quarter of 2015, compared to \$31.5 million in the first quarter of 2015. Please refer to Page 7 of this release for additional information about Teekay Parent Free Cash Flow.

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On June 30, 2015, the Company declared a cash dividend on its common stock of \$0.55 per share for the quarter ended June 30, 2015, an increase of approximately 75 percent from the previous quarter. The cash dividend was paid on July 31, 2015 to all shareholders of record on July 17, 2015.

Teekay Corporation Consolidated

The Company's consolidated cash flow from vessel operations (*CFVO*) increased to \$352.2 million for the quarter ended June 30, 2015, compared to \$320.9 million for the quarter ended March 31, 2015, primarily due to a higher contribution from the *Knarr* and *Foinaven* FPSO units and higher average spot tanker rates, partially offset by lower revenues from the shuttle tanker fleet and the *Hummingbird Spirit* FPSO.

The Company's consolidated adjusted net income increased to \$19.7 million, or \$0.27 per share, during the quarter ended June 30, 2015, compared to \$15.7 million, or \$0.22 per share, for the quarter ended March 31, 2015.

On a GAAP basis, the Company's consolidated net income improved significantly to \$65.9 million, or \$0.91 per share, for the quarter ended June 30, 2015, compared to a net loss of \$9.8 million, or \$0.13 per share, for the quarter ended March 31, 2015.

Summary Results of Daughter Entities

Teekay Offshore

Teekay Offshore reported strong distributable cash flow during the quarter ended June 30, 2015; however, results were slightly lower compared to the quarter ended March 31, 2015, primarily due to lower shuttle tanker revenues as a result of the redelivery of one shuttle tanker from its charterer early in the second quarter and the sale of an older shuttle tanker late in the first quarter of 2015. These decreases were partially offset by the commencement of operations of the *Arendal Spirit* Unit for Maintenance and Safety (*UMS*) and the acquisition of five long-haul towage vessels during the first half of 2015. Please refer to Teekay Offshore's second quarter 2015 earnings release for additional information on the financial results for this entity.

Teekay LNG

Teekay LNG's distributable cash flow during the quarter ended June 30, 2015 was relatively consistent with the quarter ended March 31, 2015, with higher earnings from its liquefied petroleum gas (*LPG*) joint venture and Angola LNG joint venture, offset by the termination of the charter contract for its 52 percent-owned LNG carrier, the *Magallen Spirit* in March 2015 (which termination Teekay LNG is currently disputing) and the scheduled expiration of the charter contract for another 52 percent-owned LNG carrier, the *Methane Spirit*. Please refer to Teekay LNG's second quarter 2015 earnings release for additional information on the financial results for this entity.

Teekay Tankers

Teekay Tankers' free cash flow increased during the quarter ended June 30, 2015, compared to the quarter ended March 31, 2015, primarily due to stronger average spot tanker rates earned on its Aframax tankers, LR2 product tankers and MR product tankers, a full quarter contribution from the five modern tankers acquired in the first quarter of 2015, and the addition of two chartered-in vessels which delivered in the first quarter of 2015, partially offset by

slightly lower average spot tankers rates on Teekay Tankers Suezmax tanker fleet. Please refer to Teekay Tankers second quarter 2015 earnings release for additional information on the financial results for this entity.

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Recent Transactions

Teekay Parent

On July 1, 2015, Teekay Parent completed the dropdown sale of the *Knarr* FPSO to Teekay Offshore for a fully built-up cost of approximately \$1.26 billion. Teekay Offshore fully financed the acquisition through the assumption of an existing \$745 million long-term debt facility, \$300 million of common units issued to Teekay Parent, and \$250 million of convertible preferred units issued in a private placement to a group of institutional investors.

Teekay Offshore

Teekay Offshore's first UMS, the *Arendal Spirit*, commenced its three-year charter contract with Petrobras in Brazil in early-June 2015.

During 2015, Teekay Offshore, through its wholly-owned subsidiary ALP Maritime Services B.V. (*ALP*), acquired six, modern on-the-water long-distance towing and offshore installation vessels for approximately \$220 million. The vessels were built between 2006 and 2010 and are all equipped with dynamic-positioning (*DP*) capabilities, allowing them to be used for towage, station-keeping, installation and decommissioning of large floating objects such as FPSO units and floating drilling rigs.

In early-June 2015, Teekay Offshore entered into new long-term contracts with a group of customers to provide shuttle tanker services on the east coast of Canada. These 15-year contracts, plus extension options, are initially being serviced by three chartered-in shuttle tankers currently operating on the east coast of Canada. One of the chartered-in vessels currently servicing this contract is expected to be replaced by an existing Teekay Offshore owned shuttle tanker, the *Navion Hispania*, during the third quarter of 2015. In connection with this project, Teekay Offshore has entered into shipbuilding contracts to construct three Suezmax, DP2 shuttle tanker newbuildings with a South Korean shipyard for a fully built-up cost of approximately \$370 million, with an option to order one additional vessel should a fourth vessel be required. The three ordered vessels are expected to be delivered during the fourth quarter of 2017 and through the first half of 2018.

Teekay LNG

In June 2015, Teekay LNG entered into a 13-year charter contract with BP Shipping Limited (*BP*) for one LNG carrier newbuilding, plus an option exercisable by BP by the end of the third quarter of 2015 for one additional LNG carrier charter under similar terms. The vessels will primarily provide LNG transportation of BP's LNG volumes from the Freeport LNG project located near Freeport, Texas. In connection with the signing of the BP contracts, Teekay LNG ordered two fuel-efficient 174,000 cubic meter LNG carrier newbuildings to be constructed by Hyundai Samho Heavy Industries Co., Ltd. of South Korea for a fully built-up cost of approximately \$425 million. These vessels are scheduled for delivery in the first quarter of 2019.

Teekay Tankers

In early-August 2015, Teekay Tankers agreed to acquire 12 modern on-the-water Suezmax tankers from Principal Maritime Tankers for an aggregate purchase price of \$662 million. The vessels are all scheduled to deliver by the end of October 2015 and are expected to operate in the spot tanker market upon or soon after delivery. All of the necessary

financing for this acquisition has been secured, including a \$30 million investment by Teekay Parent in Teekay Tankers Class A shares.

In late-July 2015, Teekay Tankers acquired SPT Inc. (*SPT*) from Teekay Parent and I.M. Skaugen SE for a purchase price of \$45.5 million. SPT provides a full suite of ship-to-ship (*STS*) transfer services in the oil, gas and dry bulk industries. SPT owns and operates a fleet of six STS support vessels and has one chartered-in Aframax tanker. Teekay Tankers issued \$45.5 million of its Class B shares to Teekay Parent to fund the acquisition.

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Liquidity

As at June 30, 2015, Teekay Parent had total liquidity of \$330.0 million (consisting of \$275.0 million cash and cash equivalents and \$55.0 million of undrawn revolving credit facilities) and, on a consolidated basis, Teekay Corporation had total liquidity of \$1.0 billion (consisting of \$707.9 million of cash and cash equivalents and \$338.6 million of undrawn revolving credit facilities).

Definitions and Non-GAAP Measures

This release includes various financial measures that are non-GAAP financial measures as defined under the rules of the U.S. Securities and Exchange Commission. These non-GAAP financial measures, which include Cash Flow From Vessel Operations, Adjusted Net Income, Teekay Parent Free Cash Flow, and Net Interest Expense, are intended to provide additional information and should not be considered a substitute for measures of performance prepared in accordance with GAAP. In addition, these measures do not have standardized meanings, and may not be comparable to similar measures presented by other companies. The Company believes that certain investors use this information to evaluate the Company's financial performance.

Teekay Parent Financial Measures

Teekay Parent Free Cash Flow represents the sum of (a) distributions received as a result of ownership interests in its publicly-traded subsidiaries (Teekay LNG, Teekay Offshore, and Teekay Tankers) net of Teekay Parent's corporate general and administrative expenditures in the respective period (collectively, *GPCO*) plus (b) CFVO attributed to Teekay Parent's directly-owned and chartered-in assets, less net interest expense and drydock expenditures in the respective period (collectively, *OPCO*). Net interest expense includes interest expense, interest income and realized gains and losses on interest rate swaps. Please refer to Page 7 and *Appendices B, C and D* of this release for further details and reconciliations of these non-GAAP measures to the most directly comparable GAAP measures reflected in the Company's consolidated financial statements.

Consolidated Financial Measures

Cash flow from vessel operations (CFVO) represents income from vessel operations before depreciation and amortization expense, amortization of in-process revenue contracts, vessel write-downs, gains or losses on the sale of vessels and adjustments for direct financing leases to a cash basis, but includes realized gains or losses on the settlement of foreign currency forward contracts and a derivative charter contract. *CFVO - Consolidated* represents CFVO from vessels that are consolidated on the Company's financial statements. *CFVO - Equity Investments* represents the Company's proportionate share of CFVO from its equity-accounted vessels and other investments. CFVO is a non-GAAP financial measure used by certain investors to measure the financial performance of companies. Please refer to *Appendices C and D* of this release for reconciliations of these non-GAAP measures to the most directly comparable GAAP measures reflected in the Company's consolidated financial statements.

Adjusted net income excludes from net income items of income or loss that are typically excluded by securities analysts in their published estimates of the Company's financial results. The Company believes that certain investors use this information to evaluate the Company's financial performance. Please refer to *Appendix A* of this release for a reconciliation of this non-GAAP measure to the most directly comparable GAAP measure reflected in the Company's consolidated financial statements.

Conference Call

The Company plans to host a conference call on Friday, August 7, 2015 at 11:00 a.m. (ET) to discuss its results for the second quarter of 2015. An accompanying investor presentation will be available on Teekay's website at www.teekay.com prior to the start of the call. All shareholders and interested parties are invited to listen to the live conference call by choosing from the following options:

By dialing (800) 505-9573 or (416) 204-9498, if outside North America, and quoting conference ID code 2199253.

By accessing the webcast, which will be available on Teekay's website at www.teekay.com (the archive will remain on the website for a period of 30 days).

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The conference call will be recorded and available until Friday, August 21, 2015. This recording can be accessed following the live call by dialing (888) 203-1112 or (647) 436-0148, if outside North America, and entering access code 2199253.

About Teekay

Teekay Corporation operates in the marine midstream space through its ownership of the general partners and a portion of the outstanding limited partner interests in Teekay LNG Partners L.P. (NYSE:TGP) and Teekay Offshore Partners L.P. (NYSE:TOO). The general partners own all of the outstanding incentive distribution rights. In addition, Teekay has a controlling ownership interest in Teekay Tankers Ltd. (NYSE:TNK) and directly owns a fleet of vessels. The combined Teekay entities manage and operate consolidated assets of approximately \$12.5 billion, comprised of over 220 liquefied gas, offshore, and conventional tanker assets. With offices in 15 countries and approximately 6,700 seagoing and shore-based employees, Teekay provides a comprehensive set of marine services to the world's leading oil and gas companies.

Teekay's common stock is listed on the New York Stock Exchange where it trades under the symbol **TK**.

For Investor Relations

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Website: www.teekay.com

Teekay Parent Free Cash Flow

(in thousands of U.S. dollars, except share and per share data)

(unaudited)

| | Three Months Ended | | | | |
|---|---------------------------|------------------|---------------------|----------------------|-----------------|
| | June 30, | March 31, | December 31, | September 30, | June 30, |
| | 2015 | 2015 | 2014 | 2014 | 2014 |
| TEEKAY PARENT GPCO CASH FLOW | | | | | |
| Daughter entities distributions to Teekay Parent⁽¹⁾ | | | | | |
| Limited Partner interests ⁽²⁾ | | | | | |
| Teekay LNG Partners | 17,646 | 17,646 | 17,646 | 17,439 | 17,439 |
| Teekay Offshore Partners | 12,819 | 12,819 | 12,819 | 12,819 | 12,819 |
| General partner interests | | | | | |
| Teekay LNG Partners | 8,684 | 8,653 | 8,650 | 7,883 | 7,883 |
| Teekay Offshore Partners | 5,264 | 5,264 | 5,262 | 4,880 | 4,880 |
| Other Dividends | | | | | |
| Teekay Tankers ⁽²⁾⁽³⁾ | 881 | 881 | 881 | 756 | 629 |
| Total Daughter Distributions | 45,294 | 45,263 | 45,258 | 43,777 | 43,650 |
| Less: | | | | | |
| Less: Corporate general and administrative expenses | (4,139) | (6,889) | (3,767) | (4,068) | (3,362) |
| Total Parent GPCO Cash Flow | 41,155 | 38,374 | 41,491 | 39,709 | 40,288 |
| TEEKAY PARENT OPCO CASH FLOW | | | | | |
| Teekay Parent cash flow from vessel operations ⁽⁴⁾ | | | | | |
| Owned Conventional Tankers | 4,628 | 4,291 | 1,549 | 277 | 855 |
| In-Chartered Conventional Tankers | (1,501) | (2,476) | (5,067) | (4,441) | (4,818) |
| FPSOs | 31,698 | 7,487 | 18,077 | (10,027) | (25,700) |
| Other ⁽⁵⁾ | 2,326 | 1,381 | 7,679 | 5,021 | 9,748 |
| Total ⁽⁶⁾ | 37,151 | 10,683 | 22,238 | (9,170) | (19,915) |
| Less: | | | | | |
| Net interest expense ⁽⁷⁾ | (28,635) | (17,534) | (15,056) | (13,000) | (15,015) |

| | | | | | |
|---|---------------|----------------|---------------|-----------------|-----------------|
| Dry docking expenditures | (208) | | (3,652) | (2,673) | (378) |
| Teekay Parent OPCO Cash Flow | 8,308 | (6,851) | 3,530 | (24,843) | (35,308) |
| TOTAL TEEKAY PARENT FREE CASH FLOW | 49,463 | 31,523 | 45,021 | 14,866 | 4,980 |
| Total Teekay Parent Free Cash Flow per share | 0.68 | 0.43 | 0.62 | 0.21 | 0.07 |
| Declared dividend per share | 0.55 | 0.31625 | 0.31625 | 0.31625 | 0.31625 |
| Coverage Ratio⁽⁸⁾ | 1.24x | 1.36x | 1.96x | 0.66x | 0.22x |
| Weighted-average number of common shares Basic | 72,697,121 | 72,549,068 | 72,498,974 | 72,393,072 | 72,036,526 |

- (1) Cash dividend and distribution cash flows are shown on an accrual basis for dividends and distributions declared for the respective period.
- (2) Common share/unit dividend/distribution cash flows to Teekay Parent are based on Teekay Parent's ownership on the ex-dividend date for the respective publicly-traded subsidiary and period as follows:

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| | Three Months Ended | | | | |
|--|--------------------|-------------------|----------------------|-----------------------|------------------|
| | June 30, 2015 | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 |
| Teekay LNG Partners | | | | | |
| Distribution per common unit | \$ 0.7000 | \$ 0.7000 | \$ 0.7000 | \$ 0.6918 | \$ 0.6918 |
| Common units owned by Teekay Parent | 25,208,274 | 25,208,274 | 25,208,274 | 25,208,274 | 25,208,274 |
| Total distribution | \$ 17,645,792 | \$ 17,645,792 | \$ 17,645,792 | \$ 17,439,084 | \$ 17,439,084 |
| Teekay Offshore Partners | | | | | |
| Distribution per common unit | \$ 0.5384 | \$ 0.5384 | \$ 0.5384 | \$ 0.5384 | \$ 0.5384 |
| Common units owned by Teekay Parent | 23,809,468 | 23,809,468 | 23,809,468 | 23,809,468 | 23,809,468 |
| Total distribution | \$ 12,819,018 | \$ 12,819,018 | \$ 12,819,018 | \$ 12,819,018 | \$ 12,819,018 |
| Teekay Tankers Ltd. | | | | | |
| Dividend per share | \$ 0.03 | \$ 0.03 | \$ 0.03 | \$ 0.03 | \$ 0.03 |
| Shares owned by Teekay Parent ⁽³⁾ | 29,364,141 | 29,364,141 | 29,364,141 | 25,197,475 | 20,976,530 |
| Total dividend | \$ 880,924 | \$ 880,924 | \$ 880,924 | \$ 755,924 | \$ 629,296 |

(3) Includes Class A and Class B shareholdings.

(4) Please refer to *Appendix C* for additional financial information on Teekay Parent's cash flow from vessel operations.

(5) Includes \$1.0 million for the three months ended June 30, 2015, \$0.5 million for the three months ended December 31, 2014 and \$0.8 million for the three months ended September 30, 2014 relating to 50 percent of the CFVO from Teekay Parent's conventional tanker commercial management and technical management operations (*Tanker Operations*).

(6) Excludes corporate general and administrative expenses relating to GPCO.

(7) Excludes realized losses on an interest rate swap related to the debt facility secured by the *Knarr* FPSO unit up to commencement of operations on March 9, 2015 of \$3.3 million, \$5.3 million and \$4.1 million for the three months ended March 31, 2015, December 31, 2014 and September 30, 2014, respectively. Please see *Appendix D* to this release for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable GAAP financial measure.

(8) Coverage ratio is the Total Teekay Parent free cash flow per share divided by the declared dividend per share.

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Teekay Corporation**Summary Consolidated Statements of Income (Loss)**

(in thousands of U.S. dollars, except share and per share data)

| | Three Months Ended | | | Six Months Ended | |
|--|---------------------------------|----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | June 30, 2015 (unaudited) | March 31, 2015 (unaudited) | June 30, 2014 (unaudited) | June 30, 2015 (unaudited) | June 30, 2014 (unaudited) |
| Revenues ⁽¹⁾ | 592,797 | 545,862 | 452,254 | 1,138,659 | 958,748 |
| Voyage expenses | (23,890) | (25,670) | (33,439) | (49,560) | (68,451) |
| Vessel operating expenses ⁽¹⁾⁽²⁾ | (201,370) | (184,203) | (201,714) | (385,573) | (402,900) |
| Time-charter hire expense | (30,333) | (24,927) | (9,714) | (55,260) | (26,006) |
| Depreciation and amortization | (128,199) | (112,704) | (103,373) | (240,903) | (206,831) |
| General and administrative ⁽²⁾ | (33,730) | (37,954) | (36,945) | (71,684) | (74,823) |
| Asset impairments ⁽³⁾ | (500) | (15,496) | | (15,996) | |
| Loan loss recoveries ⁽⁴⁾ | | | 2,521 | | 2,521 |
| Gain on sale of vessels and equipment | | 1,643 | 9,615 | 1,643 | 9,453 |
| Restructuring reversals (charges) | 742 | (9,126) | 244 | (8,384) | (395) |
| Income from vessel operations | 175,517 | 137,425 | 79,449 | 312,942 | 191,316 |
| Interest expense ⁽²⁾ | (62,388) | (51,346) | (49,656) | (113,734) | (98,989) |
| Interest income ⁽²⁾ | 1,199 | 1,530 | 793 | 2,729 | 2,576 |
| Realized and unrealized gain (loss) on derivative instruments ⁽²⁾ | 63,752 | (83,386) | (75,331) | (19,634) | (122,579) |
| Equity income ⁽⁵⁾ | 39,901 | 20,749 | 35,271 | 60,650 | 62,765 |
| Income tax (expense) recovery | (752) | 995 | (3,193) | 243 | (5,991) |
| Foreign exchange (loss) gain | (1,604) | 17,510 | (2,046) | 15,906 | (2,940) |
| Other (loss) income | (389) | 375 | (734) | (14) | 7,517 |
| Net income (loss) | 215,236 | 43,852 | (15,447) | 259,088 | 33,675 |
| Less: Net income attributable to non-controlling interests | (149,324) | (53,616) | (27,540) | (202,940) | (77,150) |
| Net income (loss) attributable to stockholders of Teekay Corporation | 65,912 | (9,764) | (42,987) | 56,148 | (43,475) |

Income (loss) per common share
of Teekay

| | | | | | | | | | | |
|---------|----|------|----|--------|----|--------|----|------|----|--------|
| Basic | \$ | 0.91 | \$ | (0.13) | \$ | (0.60) | \$ | 0.77 | \$ | (0.61) |
| Diluted | \$ | 0.90 | \$ | (0.13) | \$ | (0.60) | \$ | 0.77 | \$ | (0.61) |

Weighted-average number of
common shares outstanding

| | | | | | |
|---------|------------|------------|------------|------------|------------|
| Basic | 72,697,121 | 72,549,068 | 72,036,526 | 72,623,503 | 71,687,549 |
| Diluted | 73,477,680 | 72,549,068 | 72,036,526 | 73,379,228 | 71,687,549 |

- (1) The costs of business development and engineering studies relating to North Sea FPSO and FSO projects the Company is pursuing are substantially reimbursable from customers upon completion. As a result, \$2.8 million of revenues and \$2.6 million of costs were recognized in the six months ended June 30, 2014 upon completion of one FPSO study.
- (2) Realized and unrealized gains (losses) 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 the Company actually received or paid to settle such derivative instruments and the unrealized gains (losses) relate to the change in fair value of such derivative instruments, as detailed in the table below:

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| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| Realized (losses) gains relating to: | | | | | |
| Interest rate swaps | (27,205) | (27,889) | (30,755) | (55,094) | (60,245) |
| Termination of interest rate swap agreements | | | | | 1,000 |
| Foreign currency forward contracts | (4,232) | (5,428) | 110 | (9,660) | (1,175) |
| | (31,437) | (33,317) | (30,645) | (64,754) | (60,420) |
| Unrealized gains (losses) relating to: | | | | | |
| Interest rate swaps | 83,986 | (43,660) | (39,096) | 40,326 | (64,494) |
| Foreign currency forward contracts | 9,386 | (6,329) | (1,926) | 3,057 | 1,125 |
| Stock purchase warrants | 1,817 | (80) | (3,664) | 1,737 | 1,210 |
| | 95,189 | (50,069) | (44,686) | 45,120 | (62,159) |
| Total realized and unrealized gains (losses) on non-designated derivative instruments | 63,752 | (83,386) | (75,331) | (19,634) | (122,579) |

- (3) The Company recognized asset impairments of \$0.5 million for the three months ended June 30, 2015 relating to the expiration of one of Teekay Offshore's UMS newbuilding options. The Company recognized asset impairments of \$15.5 million for the three months ended March 31, 2015 related to the impairment of two shuttle tankers owned by Teekay Offshore. The impairment for the shuttle tankers was the result of a recent change in the operating plan for one shuttle tanker and the expected sale of the other shuttle tanker.
- (4) The Company recovered \$2.5 million during the three and six months ended June 30, 2014 related to a receivable for an FPSO front-end engineering and design study (*FEED*) completed in 2013, which was previously provided for.
- (5) The Company's proportionate share of items within equity income as identified in *Appendix A* of this release is detailed in the table below. By excluding these items from equity income, the Company believes the resulting adjusted equity income is a normalized amount that can be used to evaluate the financial performance of the Company's equity accounted investments. Adjusted equity income is a non-GAAP measure.

| | Three Months Ended | | | Six Months Ended | |
|--|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| Equity income | 39,901 | 20,749 | 35,271 | 60,650 | 62,765 |
| Proportionate share of unrealized (gains) losses on derivative instruments | (15,423) | 2,422 | 1,990 | (13,001) | 2,899 |
| Dilution gain on share issuance by TIL | | | | | (4,108) |
| Other ⁽ⁱ⁾ | (1,365) | 4,788 | (9,772) | 3,423 | (8,806) |

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Equity income adjusted for items in <i>Appendix A</i> | 23,113 | 27,959 | 27,489 | 51,072 | 52,750 |
|---|--------|--------|--------|--------|--------|

- (i) Includes unrealized foreign exchange losses and restructuring charges in Sevan Marine AS and cumulative cost pass-through adjustments in Teekay LNG's Angola LNG project for the three months ended June 30, 2015. Includes de-recognition of a deferred tax asset and unrealized foreign exchange losses in Sevan Marine AS for the three months ended March 31, 2015. Includes (gain) loss on sale of vessels in Teekay LNG's Exmar LPG BVBA joint venture for the three and six months ended June 30, 2014.

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Teekay Corporation**Summary Consolidated Balance Sheets**

(in thousands of U.S. dollars)

| | As at June 30, 2015 (unaudited) | As at March 31, 2015 (unaudited) | As at December 31 2014 (unaudited) |
|--|--|---|---|
| ASSETS | | | |
| Cash and cash equivalents Teekay Parent | 275,048 | 258,742 | 232,330 |
| Cash and cash equivalents Teekay LNG | 106,991 | 106,410 | 159,639 |
| Cash and cash equivalents Teekay Offshore | 242,764 | 278,846 | 252,138 |
| Cash and cash equivalents Teekay Tankers | 83,082 | 40,513 | 162,797 |
| Other current assets | 481,697 | 468,439 | 473,872 |
| Restricted cash Teekay Parent | 27,514 | 29,186 | 26,594 |
| Restricted cash Teekay LNG | 55,222 | 56,632 | 45,997 |
| Restricted cash Teekay Offshore | 73,700 | 69,972 | 46,760 |
| Assets held for sale ⁽¹⁾ | 5,000 | 5,000 | |
| Vessels and equipment Teekay Parent | 2,115,665 | 2,133,883 | 809,184 |
| Vessels and equipment Teekay LNG | 1,712,341 | 1,731,727 | 1,751,583 |
| Vessels and equipment Teekay Offshore | 3,274,888 | 3,076,643 | 3,010,689 |
| Vessels and equipment Teekay Tankers | 1,035,311 | 1,047,231 | 828,291 |
| Advances on newbuilding contracts and conversion costs | 629,266 | 693,329 | 1,706,500 |
| Derivative assets | 18,464 | 10,967 | 14,415 |
| Investment in equity accounted investees | 890,351 | 847,408 | 873,421 |
| Investment in direct financing leases | 693,532 | 702,426 | 704,953 |
| Other assets | 511,373 | 485,899 | 501,812 |
| Intangible assets | 89,228 | 91,697 | 94,666 |
| Goodwill | 168,571 | 168,571 | 168,571 |
| Total assets | 12,490,008 | 12,303,521 | 11,864,212 |
| LIABILITIES AND EQUITY | | | |
| Accounts payable and accrued liabilities | 444,967 | 454,552 | 480,049 |
| Current portion of long-term debt Teekay Parent | 226,714 | 189,824 | 196,926 |
| Current portion of long-term debt Teekay LNG | 215,985 | 180,133 | 161,657 |
| Current portion of long-term debt Teekay Offshore | 466,952 | 395,008 | 258,014 |
| Current portion of long-term debt Teekay Tankers | 144,453 | 147,004 | 41,959 |
| Long-term debt Teekay Parent | 1,621,277 | 1,656,749 | 1,523,362 |
| Long-term debt Teekay LNG | 1,805,778 | 1,735,394 | 1,826,017 |
| Long-term debt Teekay Offshore | 2,195,010 | 2,311,922 | 2,178,009 |

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| | | | |
|---|-------------------|-------------------|-------------------|
| Long-term debt Teekay Tankers | 530,219 | 564,912 | 614,104 |
| Derivative liabilities | 627,217 | 728,412 | 626,139 |
| In-process revenue contracts | 161,798 | 167,721 | 173,412 |
| Other long-term liabilities | 404,332 | 409,641 | 383,089 |
| Redeemable non-controlling interest | 10,481 | 12,059 | 12,842 |
| Equity: Non-controlling interests | 2,520,361 | 2,283,434 | 2,290,305 |
| Stockholders of Teekay | 1,114,464 | 1,066,756 | 1,098,328 |
| Total liabilities and equity | 12,490,008 | 12,303,521 | 11,864,212 |
| Net Debt Teekay Parent ⁽¹⁾ | 1,545,429 | 1,558,645 | 1,461,364 |
| Net Debt Teekay LNG ⁽²⁾ | 1,859,550 | 1,752,485 | 1,782,038 |
| Net Debt Teekay Offshore ⁽²⁾ | 2,345,498 | 2,358,112 | 2,137,125 |
| Net Debt Teekay Tankers ⁽²⁾ | 591,590 | 671,403 | 493,266 |

- (1) In connection with the expected sale of an older shuttle tanker by Teekay Offshore, the vessel and related equipment were classified as Assets held for sale as at June 30, 2015 and March 31, 2015.
- (2) Net debt is a non-GAAP measure and represents current and long-term debt less cash and cash equivalents and, if applicable, restricted cash.

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Teekay Corporation**Summary Consolidated Statements of Cash Flows**

(in thousands of U.S. dollars)

| | Six Months Ended June 30 | |
|---|-------------------------------------|--------------------|
| | 2015 | 2014 |
| | (unaudited) | (unaudited) |
| Cash and cash equivalents provided by (used for) | | |
| OPERATING ACTIVITIES | | |
| Net operating cash flow | 336,314 | 201,529 |
| FINANCING ACTIVITIES | | |
| Net proceeds from long-term debt | 1,143,442 | 1,872,259 |
| Prepayments of long-term debt | (395,199) | (613,516) |
| Scheduled repayments of long-term debt | (282,391) | (669,413) |
| Decrease (increase) in restricted cash | 4,296 | (385) |
| Net proceeds from equity issuances of subsidiaries | 187,576 | 7,475 |
| Equity contribution by joint venture partner | 5,500 | 22,017 |
| Issuance of common stock upon exercise of stock options | 1,158 | 44,372 |
| Distribution from subsidiaries to non-controlling interests | (164,808) | (155,567) |
| Cash dividends paid | (45,910) | (45,188) |
| Other | (5,878) | (3,396) |
| Net financing cash flow | 447,786 | 458,658 |
| INVESTING ACTIVITIES | | |
| Expenditures for vessels and equipment | (873,274) | (602,257) |
| Proceeds from sale of vessels and equipment | 8,918 | 165,055 |
| Investment in equity accounted investments | (8,604) | (50,648) |
| Repayments from equity accounted investees | 16,768 | 6,175 |
| Investment in direct financing lease assets | | (54,800) |
| Increase in restricted cash | (42,048) | |
| Other | 15,121 | 10,528 |
| Net investing cash flow | (883,119) | (525,947) |
| (Decrease) increase in cash and cash equivalents | (99,019) | 134,240 |
| Cash and cash equivalents, beginning of the period | 806,904 | 614,660 |

| | | |
|---|---------|---------|
| Cash and cash equivalents, end of the period | 707,885 | 748,900 |
|---|---------|---------|

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Teekay Corporation**Appendix A Specific Items Affecting Net Income**

(in thousands of U.S. dollars, except per share data)

| | Three Months Ended | | | | | |
|--|-----------------------------|---------------|-----------------------------|---------------|-----------------------------|---------------|
| | June 30, 2015 | | March 31, 2015 | | June 30, 2014 | |
| | (unaudited) | | (unaudited) | | (unaudited) | |
| | \$ Per Share ⁽¹⁾ | | \$ Per Share ⁽¹⁾ | | \$ Per Share ⁽¹⁾ | |
| | \$ | | \$ | | \$ | |
| Net income (loss) GAAP basis | 215,236 | | 43,852 | | (15,447) | |
| Adjust for: Net income attributable to non-controlling interests | (149,324) | | (53,616) | | (27,540) | |
| Net income (loss) attributable to stockholders of Teekay | 65,912 | 0.91 | (9,764) | (0.13) | (42,987) | (0.60) |
| Add (subtract) specific items affecting net income: | | | | | | |
| Unrealized (gains) losses from derivative instruments ⁽²⁾ | (110,612) | (1.52) | 52,491 | 0.72 | 46,676 | 0.65 |
| Foreign exchange (gain) loss ⁽³⁾ | (2,167) | (0.03) | (21,673) | (0.30) | 1,903 | 0.03 |
| Net gain on sale of vessels and loan loss recoveries ⁽⁴⁾ | | | (1,643) | (0.02) | (12,136) | (0.17) |
| Asset impairments ⁽⁵⁾ | 500 | 0.01 | 15,496 | 0.21 | | |
| Restructuring charges (reversals) ⁽⁶⁾ | 137 | | 3,802 | 0.05 | (244) | |
| Pre-operational costs ⁽⁷⁾ | | | 3,598 | 0.05 | 6,356 | 0.09 |
| Other ⁽⁸⁾ | 175 | | 5,348 | 0.08 | (8,472) | (0.12) |
| Non-controlling interests share of items above ⁽⁹⁾ | 65,761 | 0.90 | (31,925) | (0.44) | (11,190) | (0.16) |
| Total adjustments | (46,206) | (0.64) | 25,494 | 0.35 | 22,893 | 0.32 |
| Adjusted net income (loss) attributable to stockholders of Teekay | 19,706 | 0.27 | 15,730 | 0.22 | (20,094) | (0.28) |

(1) Basic per share amounts.

(2) Reflects the unrealized (gains) losses relating to the change in the mark-to-market value of derivative instruments that are not designated as hedges for accounting purposes, including those included in equity income from joint ventures.

(3) Foreign currency exchange (gains) losses primarily relate to the Company's debt denominated in Euros and Norwegian Kroner (NOK) in addition to the unrealized (gains) losses on cross currency swaps used to economically hedge the principal and interest on the NOK bonds. Nearly all of the Company's foreign currency

- exchange gains and losses are unrealized.
- (4) Net gain on sale of vessels for the three months ended March 31, 2015 includes the gain on sale of an older shuttle tanker. Net gain on sale of vessels and loan loss recoveries for the three months ended June 30, 2014 includes the net gain on sale of two vessels to Tanker Investments Ltd. (*TIL*) and the recovery of FPSO FEED study costs previously provided for.
 - (5) Includes the impairment relating to the expiration of one of Teekay Offshore's UMS newbuilding options for the three months ended June 30, 2015 and the impairment of two shuttle tankers to their estimated fair values for the three months ended March 31, 2015.
 - (6) Restructuring charges primarily relate to crew redundancy costs for the three months ended June 30, 2015, the reorganization of the Company's marine operations and corporate shared services for the three months ended March 31, 2015 and the reorganization of the Company's marine operations for the three months ended June 30, 2014.
 - (7) Relates to pre-operational costs and realized losses on interest rate swaps for the *Knarr* FPSO unit for the three months ended March 31, 2015 and realized losses on interest rate swaps for the *Knarr* FPSO for the three months ended June 30, 2014.
 - (8) Other for the three months ended June 30, 2015 primarily relates to realized loss on derivatives relating to assets in pre-operational phase, write down of an investment and unrealized foreign exchange and restructuring charge in Sevan Marine AS. Other for the three months ended March 31, 2015 primarily relates to de-recognition of a deferred tax asset and unrealized foreign exchange losses in Sevan Marine AS and realized losses on foreign exchange forward contracts related to the upgrade costs of an FPSO. Other for the three months ended June 30, 2014 relates to the Company's share of (gain) loss on sale of vessels in Teekay LNG's Exmar LPG BVBA joint venture.
 - (9) Items affecting net income include items from the Company's wholly-owned subsidiaries, its consolidated non-wholly-owned subsidiaries and its proportionate share of items from equity accounted for investments. The specific items affecting net income are analyzed to determine whether any of the amounts originated from a consolidated non-wholly-owned subsidiary is multiplied by the non-controlling interests' percentage share in this subsidiary to arrive at the non-controlling interests' share of the amount. The amount identified as Non-controlling interests' share of items above in the table above is the cumulative amount of the non-controlling interests' proportionate share of items listed in the table.

Teekay Corporation

Appendix B Supplemental Financial Information

Summary Statement of Income for the Three Months Ended June 30, 2015

(in thousands of U.S. dollars)

(unaudited)

| | Teekay Offshore | Teekay LNG | Teekay Tankers | Teekay Parent | Consolidation Adjustments ⁽¹⁾ | Total |
|--|--------------------|---------------|-------------------|------------------|---|----------------|
| Revenues | 255,758 | 98,608 | 107,594 | 157,436 | (26,599) | 592,797 |
| Voyage expenses | (20,716) | (373) | (3,545) | (315) | 1,059 | (23,890) |
| Vessel operating expenses | (77,935) | (24,102) | (26,201) | (73,132) | | (201,370) |
| Time-charter hire expense | (10,762) | | (16,793) | (30,016) | 27,238 | (30,333) |
| Depreciation and amortization | (53,864) | (23,209) | (15,227) | (35,899) | | (128,199) |
| General and administrative | (14,202) | (7,068) | (3,039) | (9,642) | 221 | (33,730) |
| Asset impairments | (500) | | | | | (500) |
| Restructuring charges (reversals) | (135) | | 879 | | (2) | 742 |
| Income from vessel operations | 77,644 | 43,856 | 43,668 | 8,432 | 1,917 | 175,517 |
| Interest expense | (24,741) | (11,153) | (3,075) | (23,419) | | (62,388) |
| Interest income | 135 | 611 | 8 | 445 | | 1,199 |
| Realized and unrealized gains on derivative instruments | 42,282 | 10,888 | 523 | 10,059 | | 63,752 |
| Equity income (loss) | 9,720 | 29,002 | 3,587 | (468) | (1,940) | 39,901 |
| Equity in earnings of subsidiaries ⁽²⁾ | | | | 66,517 | (66,517) | |
| Income tax (expense) recovery | (353) | (258) | (410) | 269 | | (752) |
| Foreign exchange gain (loss) | 2,789 | (9,546) | (59) | 5,218 | (6) | (1,604) |
| Other income (loss) | 388 | 335 | | (1,141) | 29 | (389) |
| Net income | 107,864 | 63,735 | 44,242 | 65,912 | (66,517) | 215,236 |
| Less: Net income attributable to non-controlling interests ⁽³⁾ | (3,638) | (5,642) | | | (140,044) | (149,324) |
| Net income attributable to stockholders/unitholders of publicly-listed entities | 104,226 | 58,093 | 44,242 | 65,912 | (206,561) | 65,912 |

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- (1) Consolidation Adjustments column includes adjustments which eliminates transactions between subsidiaries Teekay Offshore, Teekay LNG and Teekay Tankers and Teekay Parent and results from Tanker Operations.
- (2) Teekay Corporation's proportionate share of the net earnings of its publicly-traded subsidiaries.
- (3) Net income attributable to non-controlling interests in the Teekay Offshore and Teekay LNG columns represent the joint venture partners' share of the net income or loss of their respective joint ventures. Net income attributable to non-controlling interest in the Consolidation Adjustments column represents the public's share of the net income of Teekay's publicly-traded subsidiaries.

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Teekay Corporation

Appendix C Supplemental Financial Information

Teekay Parent Summary Operating Results

For the three months ended June 30, 2015

(in thousands of U.S. dollars)

(unaudited)

| | Owned Conventional Tankers | In-Chartered Conventional Tankers | FPSOs | Other ⁽¹⁾ | Corporate G&A | Teekay Parent Total |
|---|----------------------------------|---|----------------|----------------------|------------------|------------------------|
| Revenues | 5,600 | 12,813 | 121,870 | 17,153 | | 157,436 |
| Voyage expenses | | (169) | (133) | (13) | | (315) |
| Vessel operating expenses | (870) | (3,322) | (63,689) | (5,251) | | (73,132) |
| Time-charter hire expense | | (10,375) | (7,119) | (12,522) | | (30,016) |
| Depreciation and amortization | (713) | | (35,298) | 112 | | (35,899) |
| General and administrative | (102) | (448) | (6,954) | 2,001 | (4,139) | (9,642) |
| Income (loss) from vessel operations | 3,915 | (1,501) | 8,677 | 1,480 | (4,139) | 8,432 |
| Reconciliation of income (loss) from vessel operations to cash flow from vessel operations | | | | | | |
| Income (loss) from vessel operations | 3,915 | (1,501) | 8,677 | 1,480 | (4,139) | 8,432 |
| Depreciation and amortization | 713 | | 35,298 | (112) | | 35,899 |
| Amortization of in-process revenue contracts and other | | | (10,619) | | | (10,619) |
| Realized losses from the settlements of non-designated derivative instruments | | | (1,658) | | | (1,658) |
| CFVO Consolidated⁽²⁾ | 4,628 | (1,501) | 31,698 | 1,368 | (4,139) | 32,054 |
| CFVO Equity⁽³⁾ | 3,473 | | (2,221) | 925 | | 2,177 |
| CFVO Total | 8,101 | (1,501) | 29,477 | 2,293 | (4,139) | 34,231 |

- (1) Includes results of two chartered-in LNG carriers owned by Teekay LNG and two chartered-in FSO units owned by Teekay Offshore.
- (2) In addition to the CFVO generated by its directly owned and chartered-in assets, Teekay Parent also receives cash dividends and distributions from its publicly-traded subsidiaries. For the three months ended June 30, 2015, Teekay Parent received cash dividends and distributions from these subsidiaries totaling \$45.3 million. The dividends and distributions received by Teekay Parent include, among others, those made with respect to its general partner interests in Teekay Offshore and Teekay LNG. Please refer to Teekay Parent's free cash flow summary on Page 7 of this release for further details.
- (3) Please see *Appendix D* to this release for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable GAAP financial measure.

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Teekay Corporation**Appendix D Reconciliation of Non-GAAP Financial Measures****Cash Flow from Vessel Operations Consolidated**

(in thousands of U.S. dollars)

(unaudited)

| | Three Months Ended | | |
|--|---------------------------|---------------------------|--------------------------|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 |
| Income from vessel operations | 175,517 | 137,425 | 79,449 |
| Depreciation and amortization | 128,199 | 112,704 | 103,373 |
| Amortization of in process revenue contracts and other | (13,570) | (6,391) | (11,945) |
| Realized (gains) losses from the settlements of non-designated derivative instruments | (4,019) | (4,870) | 110 |
| Loan loss recoveries | | | (2,521) |
| Asset impairments, net of gain on sale of vessels and equipment | 500 | 13,853 | (9,615) |
| Cash flow from time-charter contracts, net of revenue accounted for as direct finance leases | 5,676 | 5,547 | 5,257 |
| Cash flow from vessel operations Consolidated | 292,303 | 258,268 | 164,108 |
| Cash flow from vessel operations Equity Accounted Vessels (see <i>Appendix D</i>) | 59,898 | 62,587 | 60,318 |
| Cash flow from vessel operations Total | 352,201 | 320,855 | 224,426 |

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Teekay Corporation

Appendix D Reconciliation of Non-GAAP Financial Measures

Cash Flow from Vessel Operations – Equity Accounted Vessels

(in thousands of U.S. dollars)

(unaudited)

| | Three Months Ended | | | | | |
|--|--------------------|-------------------------------------|----------------|-------------------------------------|----------------|-----------------------------------|
| | June 30, 2015 | | March 31, 2015 | | June 30, 2014 | |
| | At 100% | Company s Portion ⁽¹⁾ | At 100% | Company s Portion ⁽¹⁾ | At 100% | Company Portion ⁽²⁾ |
| Revenues | 260,425 | 106,817 | 263,322 | 109,287 | 237,518 | 104,804 |
| Vessel and other operating expenses | (109,073) | (46,119) | (110,981) | (47,848) | (109,616) | (45,244) |
| Depreciation and amortization | (36,284) | (15,971) | (36,572) | (16,207) | (33,902) | (15,805) |
| Gain on sale of vessels | | | | | 19,543 | 9,772 |
| Income from vessel operations of equity accounted vessels | 115,068 | 44,727 | 115,769 | 45,232 | 113,543 | 53,527 |
| Interest expense | (27,273) | (11,122) | (28,591) | (12,205) | (23,839) | (10,547) |
| Realized and unrealized gain (loss) on derivative instruments | 22,497 | 9,483 | (19,784) | (6,997) | (20,239) | (7,237) |
| Other income – net | (2,405) | (958) | (10,541) | (4,748) | (815) | (472) |
| Net income of equity accounted vessels | 107,887 | 42,130 | 56,853 | 21,282 | 68,650 | 35,271 |
| Pro forma equity loss from Teekay Operations | | (2,229) | | (533) | | |
| Equity income of equity accounted vessels | 107,887 | 39,901 | 56,853 | 20,749 | 68,650 | 35,271 |
| Income from vessel operations of equity accounted vessels | 115,068 | 44,727 | 115,769 | 45,232 | 113,543 | 53,527 |
| Depreciation and amortization | 36,284 | 15,971 | 36,572 | 16,207 | 33,902 | 15,805 |
| Gain on sale of vessels | | | | | (19,543) | (9,772) |
| Cash flow from time-charter contracts net of revenue accounted for as direct finance lease | 8,296 | 3,010 | 8,584 | 3,134 | 7,697 | 2,792 |
| Amortization of in-process revenue contracts and other | (3,719) | (1,894) | (3,959) | (2,013) | (4,002) | (2,034) |
| Cash flow from vessel operations of equity accounted vessels ⁽³⁾ | 155,929 | 61,814 | 156,966 | 62,560 | 131,597 | 60,318 |
| Pro forma CFVO from Tanker Operations ⁽⁴⁾ | | (1,916) | | 27 | | |
| Cash flow from vessel operations of equity accounted vessels⁽³⁾ | 155,929 | 59,898 | 156,966 | 62,587 | 131,597 | 60,318 |

- (1) The Company's proportionate share of its equity accounted vessels and other investments ranges from 16 percent to 52 percent.
- (2) The Company's proportionate share of its equity accounted vessels and other investments ranges from 13 percent to 52 percent.
- (3) CFVO from equity accounted vessels represents the Company's proportionate share of CFVO from its equity accounted vessels and other investments.
- (4) Pro forma CFVO from Tanker Operations represents the Company's 100 percent CFVO from Tanker Operations as Teekay Parent and Teekay Tankers each account for their 50 percent interest in Tanker Operations as an equity-accounted investment. Upon consolidation of Teekay Tankers into Teekay, the results of Tanker Operations are accounted for on a consolidated basis.

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Teekay Corporation**Appendix D Reconciliation of Non-GAAP Financial Measures****Cash Flow from Vessel Operations Teekay Parent**

(in thousands of U.S. dollars)

(unaudited)

**Three Months Ended March 31, 2015
(unaudited)**

| | Owned Conventional Tankers | In-chartered Conventional Tankers | FPSOs | Other | Corporate G&A | Teekay Parent Total |
|--|---|--|----------------|--------------|------------------------------|--------------------------------|
| Teekay Parent income (loss) from vessel operations | 3,578 | (2,476) | (8,139) | 937 | (6,889) | (12,989) |
| Depreciation and amortization | 713 | | 21,259 | (113) | | 21,859 |
| Amortization of in process revenue contracts and other | | | (3,457) | 570 | | (2,887) |
| Realized losses from the settlements of non-designated foreign currency derivative instruments | | | (2,176) | | | (2,176) |
| Cash flow from vessel operations Teekay Parent | 4,291 | (2,476) | (7,487) | 1,394 | (6,889) | 3,807 |

**Three Months Ended December 31, 2014
(unaudited)**

| | Owned Conventional Tankers | In-chartered Conventional Tankers | FPSOs | Other | Corporate G&A | Teekay Parent Total |
|--|---|--|--------------|--------------|------------------------------|--------------------------------|
| Teekay Parent income (loss) from vessel operations | 836 | (5,067) | 4,381 | 7,272 | (3,767) | 3,655 |
| Depreciation and amortization | 713 | | 20,854 | (113) | | 21,454 |
| Loss on sale of vessels and equipment | | | 282 | | | 282 |
| Amortization of in-process revenue contracts and other | | | (5,943) | | | (5,943) |

| | | | | | | | |
|--|--|--|--|--|--|---------|---------|
| Realized losses from the settlements of non-designated foreign currency derivative instruments | | | | | | (1,497) | (1,497) |
|--|--|--|--|--|--|---------|---------|

| | | | | | | | |
|---|---------------|--------------|----------------|---------------|--------------|----------------|---------------|
| Cash flow from vessel operations | Teekay | | | | | | |
| Parent | | 1,549 | (5,067) | 18,077 | 7,159 | (3,767) | 17,951 |

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Three Months Ended September 30, 2014
(unaudited)

| | Owned Conventional Tankers | In-chartered Conventional Tankers | FPSOs | Other | Corporate G&A | Teekay Parent Total |
|--|---|--|-----------------|--------------|------------------------------|--------------------------------|
| Teekay Parent (loss) income from vessel operations | (447) | (4,441) | (23,208) | 12,083 | (4,068) | (20,081) |
| Depreciation and amortization | 713 | | 21,145 | (542) | | 21,316 |
| Gain on sale of vessels and equipment | | | (1,217) | (7,285) | | (8,802) |
| Amortization of in process revenue contracts and other | | | (6,580) | | | (6,580) |
| Realized gains (losses) from the settlements of non-designated foreign currency derivative instruments | 11 | | (167) | | | (156) |
| Cash flow from vessel operations | | | | | | |
| Teekay Parent | 277 | (4,441) | (10,027) | 4,256 | (4,068) | (14,003) |

Three Months Ended June 30, 2014
(unaudited)

| | Owned Conventional Tankers | In-chartered Conventional Tankers | FPSOs | Other | Corporate G&A | Teekay Parent Total |
|--|---|--|-----------------|--------------|------------------------------|--------------------------------|
| Teekay Parent (loss) income from vessel operations | (161) | (4,818) | (34,843) | 9,810 | (3,362) | (33,374) |
| Depreciation and amortization | 710 | | 18,296 | (62) | | 18,944 |
| Loan loss recoveries | | | (2,521) | | | (2,521) |
| Loss on sale of vessels and equipment | 340 | | | | | 340 |
| Amortization of in process revenue contracts and other | | | (6,580) | | | (6,580) |
| Realized losses from the settlements of non-designated foreign currency derivative instruments | (34) | | (52) | | | (86) |
| Cash flow from vessel operations | | | | | | |
| Teekay Parent | 855 | (4,818) | (25,700) | 9,748 | (3,362) | (23,277) |

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Teekay Corporation**Appendix D Reconciliation of Non-GAAP Financial Measures****Net Interest Expense Teekay Parent**

(in thousands of U.S. dollars)

(unaudited)

| | Three Months Ended | | | | |
|---|---------------------------|---------------------------|------------------------------|-------------------------------|--------------------------|
| | June 30, 2015 | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 |
| Interest expense | (62,388) | (51,346) | (57,334) | (52,206) | (49,656) |
| Interest income | 1,199 | 1,530 | 1,465 | 2,786 | 793 |
| Net interest expense consolidated | (61,189) | (49,816) | (55,869) | (49,420) | (48,863) |
| Less: | | | | | |
| Non-Teekay Parent net interest expense | (38,215) | (34,753) | (42,279) | (37,944) | (38,088) |
| Interest expense net of interest income Teekay Parent | (22,974) | (15,063) | (13,590) | (11,476) | (10,775) |
| Add: | | | | | |
| Teekay Parent realized losses on interest rate swaps ⁽¹⁾ | (5,661) | (2,471) | (1,466) | (1,524) | (4,240) |
| Net interest expense Teekay Parent | (28,635) | (17,534) | (15,056) | (13,000) | (15,015) |

(1) Realized losses on interest rate swaps exclude realized losses of \$3.3 million, \$5.3 million and \$4.1 million for the three months ended March 31, 2015, December 31, 2014 and September 30, 2014, respectively, on the interest rate swap related to the debt facility secured by the *Knarr* FPSO unit up to commencement of operations on March 9, 2015.

Forward Looking Statements

This release contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: expectations for future dividend increases by Teekay Parent and distribution increases by its daughter entities; the impact of the *Knarr* FPSO dropdown on Teekay Parent's balance sheet and results of operations; Teekay LNG and Teekay Offshore's expected future revenues and remaining average contract durations; fundamentals in the liquefied natural gas and offshore industry; the Company's daughter entities' access to competitive bank financing and multiple capital markets; the outcome of Teekay LNG's dispute over the *Magellan Spirit* offhire incident and claimed charter contract termination; the total cost and timing for the delivery of newbuilding projects and timing of commencement of associated time-charter contracts; the timing, certainty and purchase price of pending acquisitions; and the daughter entities' current and future growth projects, including the impact of these projects on Teekay Parent's cash flows and dividend. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: changes in production of, or demand for oil, petroleum products, LNG and LPG, either generally or in particular regions; greater or less than anticipated levels of newbuilding orders or greater or less than anticipated rates of vessel scrapping; changes in trading patterns significantly affecting overall vessel tonnage requirements; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; changes in the typical seasonal variations in tanker charter rates; changes in the offshore production of oil or demand for shuttle tankers, FSOs, FPSOs, UMS, and towage vessels; changes in oil production and the impact on the Company's tankers and offshore units; fluctuations in global oil prices; trends in prevailing charter rates for the Company's vessels and offshore unit contract renewals; the potential for early termination of long-term contracts and inability of the Company to renew or replace long-term contracts or complete existing contract negotiations; delays in commencement of operations of FPSO and FSO units at designated fields; changes in the Company's expenses; the Company and its publicly-traded subsidiaries' future capital expenditure requirements and the inability to secure financing for such requirements; the amount of future cash distributions by the Company's daughter entities to the Company; factors affecting the outcome of Teekay LNG's dispute over the *Magellan Spirit*; timely completion of the Freeport LNG project as currently designed; failure by Teekay Tankers to complete its vessel acquisitions; successful integration of vessels or companies acquired by Teekay or its daughter entities; failure of the respective Board of Directors of the general partners of Teekay Offshore and Teekay LNG to approve future cash distribution increases; failure by the Company's Board of Directors to approve future dividend increases; conditions in the United States capital markets; and other factors discussed in Teekay's filings from time to time with the SEC, including its Report on Form 20-F for the fiscal year ended December 31, 2014. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.