TEEKAY CORP
Form 6-K
November 15, 2018

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: November 15, 2018

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 ý 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 ý
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 ý

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Item 1 — Information Contained in this Form 6-K Report

Attached as Exhibit 1 is a copy of an announcement of Teekay Corporation dated November 15, 2018.

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: November 15, 2018	By:	/s/ Vincent Lok
		Vincent Lok Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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TEEKAY CORPORATION REPORTS
THIRD QUARTER 2018 RESULTS

Highlights

- GAAP net loss attributable to shareholders of Teekay of $12.0 million, or $0.12 per share, and adjusted net loss attributable to shareholders of Teekay[1] of $11.4 million, or $0.11 per share, in the third quarter of 2018 (excluding items listed in Appendix A to this release).
- GAAP income from vessel operations of $55.1 million and total cash flow from vessel operations[1] of $196.4 million in the third quarter of 2018.
- Teekay LNG intends to increase quarterly cash distributions on common units by 36 percent in 2019 as part of a balanced capital allocation strategy; and Teekay LNG also intends to amend its U.S. tax structure to elect to be treated as a corporation instead of a partnership, subject to common unitholder approval, which would result in investors receiving Form 1099s instead of Schedule K-1s commencing in taxation year 2019.
- Teekay Tankers completed three previously-announced financings, resulting in approximately $100 million of additional liquidity.
- Teekay Offshore entered into settlement agreements with Petrobras, including a $96 million settlement in favor of Teekay Offshore relating to previously-terminated charter contracts, and entered into a conditional seven-year charter agreement for the Petrojarl Varg FPSO for deployment on the Cheviot field in the North Sea, which is subject to completion of various conditions precedent.

Hamilton, Bermuda, November 15, 2018 - Teekay Corporation (Teekay or the Company) (NYSE:TK) today reported results for the quarter ended September 30, 2018. These results include the Company’s two publicly-listed consolidated subsidiaries Teekay LNG Partners L.P. (Teekay LNG) (NYSE:TGP) and Teekay Tankers Ltd. (Teekay Tankers) (NYSE:TNK) and its equity-accounted investment in publicly-listed Teekay Offshore Partners L.P. (Teekay Offshore) (NYSE:TOO), which was deconsolidated as of September 25, 2017 (collectively, the Daughter Entities) and all remaining subsidiaries and equity-accounted investments. Teekay, together with its subsidiaries other than the Daughter Entities, is referred to in this release as Teekay Parent. Please refer to the third quarter 2018 earnings releases of Teekay LNG, Teekay Tankers and Teekay Offshore, which are available on Teekay's website at www.teekay.com, for additional information on their respective results.

(in thousands of U.S. dollars, except per share amounts)	Three Months Ended September 30, 2018 (unaudited)	June 30, 2018 (unaudited)(1)	September 30, 2017[2] (unaudited)
TEEKAY CORPORATION CONSOLIDATED GAAP FINANCIAL COMPARISON			
Revenues	416,562	405,642	500,781
	55,082	1,921	(189,846)

Income (loss) from vessel operations			
Equity income	13,744	837	1,264
Net loss attributable to shareholders in Teekay	(12,005)	(28,324)	(12,582)
Loss per share attributable to shareholders of Teekay	(0.12)	(0.28)	(0.15)
NON-GAAP FINANCIAL COMPARISON			
Total Cash Flow from Vessel Operations (CFVO)[1][3]	196,397	164,197	238,060
Adjusted Net Loss attributable to shareholders of Teekay[1]	(11,378)	(21,555)	(35,638)
Adjusted Net Loss per share attributable to shareholders of Teekay[1]	(0.11)	(0.21)	(0.41)

TEEKAY PARENT NON-GAAP FINANCIAL COMPARISON

Teekay Parent Adjusted Cash Flow from Vessel Operations[(1)]	19,818	16,641	1,179
Total Teekay Parent Free Cash Flow[(1)]	4,841	798	(11,893)

(1) These are non-GAAP financial measures. Please refer to "Definitions and Non-GAAP Financial Measures" 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).

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(2) For the period up to September 25, 2017, Teekay Offshore was consolidated in the Company’s financial statements. As a result of Teekay Offshore’s transaction with Brookfield Business Partners L.P., together with its institutional partners (collectively Brookfield) on September 25, 2017, the Company deconsolidated Teekay Offshore as of that date. Teekay Offshore is accounted for as an equity-accounted investment, commencing September 25, 2017.

(3) Total cash flow from vessel operations has reduced in the second and third quarter of 2018 primarily as a result of the deconsolidation of Teekay Offshore on September 25, 2017, which Teekay now accounts for using the equity method.

As a reminder, when making year-over-year comparisons of Teekay’s consolidated results, it is important to account for the deconsolidation of Teekay Offshore as of September 25, 2017 and the adoption of the new revenue accounting standard as of January 1, 2018. Please refer to the “Important Notice to Reader” section of this release and footnote (1) of the summary consolidated statement of loss included in this release for further details on the deconsolidation and the adoption of new revenue accounting standards.

CEO Commentary

“In the third quarter of 2018, our total cash flow from vessel operations increased by over $32 million, or 20 percent, compared to the prior quarter, primarily driven by higher cash flows from our directly-owned FPSO units, which have upside exposure to oil prices and production, and the contract start-up of various growth projects across the Teekay Group,” commented Kenneth Hvid, Teekay’s President and Chief Executive Officer.

“During the past quarter, Teekay LNG took delivery of three LNG carrier newbuildings and a floating storage unit, which will trade in the spot market until it delivers to the Bahrain regasification facility early next year. A further seven LNG carriers are still to deliver through 2019, which are expected to provide significant cash flow growth. The current spot LNG shipping market continues to strengthen to new multi-year highs and Teekay LNG has taken advantage of this development, recently securing new charters at higher rates for one vessel and is well-positioned to further benefit as three additional vessels have short-term charters maturing through May 2019."

Mr. Hvid continued, "As discussed under a separate press release, Teekay LNG has carefully assessed its future capital allocation strategy and concluded that a balanced approach that, in the near-term, focuses on both delevering its balance sheet, which creates significant equity value and builds financial strength, and at the same time returning more capital to unitholders from its free cash flow after debt amortization payments, is prudent and will create the most long-term value for its unitholders, including Teekay Parent. With approximately half of Teekay LNG's newbuilding program delivered, and virtually all of its near-term financings completed, Teekay LNG has provided 2019 distribution guidance of $0.76 per common unit on an annualized basis, representing a 36 percent increase from the current distribution, which is expected to increase cash flows to Teekay Parent. As Teekay LNG approaches its targeted leverage level, we believe that a stronger balance sheet will enable Teekay LNG to consider returning additional capital to unitholders, which would benefit Teekay Parent as the largest common unitholder and the General Partner.”

Mr. Hvid added, "Also announced under a separate press release, Teekay LNG plans to amend its tax status to be treated as a corporation instead of a partnership, subject to common unitholder approval, which is expected to provide access to a larger investor base and should not result in Teekay LNG recognizing a gain or loss or change its taxes payable going forward."

“At Teekay Tankers, we are encouraged by the recent strength in crude tanker rates, which we believe is the beginning of a more sustained recovery in the tanker market. As the tanker market improves, Teekay Tankers continues to work on various financing initiatives, including the recent completion of two sale-leaseback transactions and a working capital loan, all of which significantly strengthened Teekay Tankers’ liquidity position and extended its debt maturity profile.”

“Teekay Offshore announced that it reached a constructive settlement agreement with Petrobras relating to previously-terminated charter contracts, which Teekay Offshore expects will result in the recognition of approximately $91 million of revenues in the fourth quarter of 2018. Additionally, as offshore market fundamentals improve, Teekay Offshore continues to successfully secure new charter contracts for its existing assets, with a new conditional seven-year charter agreement with Alpha Petroleum for the Petrojarl Varg FPSO for deployment on the Cheviot oil field, which is one of the largest undeveloped oil fields in the UK sector of the North Sea.”

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Summary of Results

Teekay Corporation Consolidated

The Company's consolidated results during the quarter ended September 30, 2018, compared to the same period of the prior year, were positively impacted primarily by higher cash flows from the Banff and Hummingbird FPSO units due to the commencement of oil price-linked production tariffs in those charter contracts on August 1, 2017 and October 1, 2017, respectively, higher cash flows due to scheduled maintenance for the Foinaven FPSO unit in the third quarter of 2017, higher income and cash flows from Teekay LNG as a result of the deliveries of 11 liquefied natural gas (LNG) and four liquefied petroleum gas (LPG) carrier newbuildings between July 2017 and September 2018 and the commencement of short-term charter contracts for certain of the vessels in Teekay LNG's 52 percent-owned joint venture with Marubeni Corporation (the Teekay LNG-Marubeni Joint Venture), and higher income and cash flows in Teekay Tankers, as a result of higher average spot tanker rates.

These increases were partially offset primarily by lower income and cash flows in Teekay Tankers, as a result of the expiry of time-charter out contracts for various vessels which subsequently traded in the spot market at lower rates, and costs associated with Teekay Tankers' sale-leaseback of six Aframax tankers, and lower income and cash flows in Teekay LNG primarily as a result of a decrease in earnings in 2018 on seven multi-gas carriers upon Teekay LNG’s termination of their previous charter contracts due to non-payment by the charterer.

Teekay Parent

Teekay Parent Adjusted Cash Flow from Vessel Operations[1], which includes distributions and dividends paid to Teekay Parent from the Daughter Entities in the following quarter and cash flow from vessel operations attributable to assets directly-owned by, or chartered-in to, Teekay Parent, less Teekay Parent’s corporate general and administrative expenses, was $19.8 million for the quarter ended September 30, 2018 compared to $1.2 million for the same period of the prior year. This significant improvement was primarily due to: higher revenues from the Banff and Hummingbird Spirit FPSO units due to contractual production tariffs linked to oil prices which commenced in the latter half of 2017, and higher revenues and lower repairs and maintenance costs related to the scheduled maintenance for the Foinaven FPSO unit in the third quarter of 2017; and, as a result of the adoption of the new revenue accounting standard, the recognition of approximately $2 million of additional annual incentive revenue related to the Foinaven FPSO unit that was previously recognized annually in the fourth quarter. These increases were partially offset by the elimination of the minimum dividend payment from Teekay Tankers commencing with the first quarter of 2018 and a reduction in cash distributions from Teekay Offshore as a result of the strategic partnership with Brookfield.

Total Teekay Parent Free Cash Flow[1], which includes Teekay Parent Adjusted Cash Flow from Vessel Operations[1], less net interest expense, was positive $4.8 million during the third quarter of 2018, compared to negative $11.9 million for the same period of the prior year for the reasons mentioned above. This improvement was partially offset by no interest income earned for the three months ended September 30, 2018 on a $200 million loan to Teekay Offshore which Teekay Parent sold to Brookfield at the end of the third quarter of 2017. Please refer to Appendix D of this release for additional information about Teekay Parent Free Cash Flow.

(1) These are non-GAAP financial measures. Please refer to “Definitions and Non-GAAP Financial Measures” 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 GAAP.

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Summary Results of Daughter Entities

Teekay LNG

Teekay LNG's results improved during the quarter ended September 30, 2018, compared to the same quarter of the prior year, primarily due to the deliveries of 11 LNG and four mid-sized LPG carrier newbuildings between July 2017 and September 2018 and the commencement of short-term charter contracts for certain of the vessels in the Teekay LNG-Marubeni Joint Venture. These increases were partially offset by lower earnings for the three months ended September 30, 2018 on seven multi-gas carriers upon the termination by Teekay LNG of their previous charter contracts due to non-payment of charter hire, lower rates earned in the three months ended September 2018 on two conventional tankers upon the expiration of their fixed-rate charter contracts in 2017, and a reduction in earnings due to the sale of a conventional tanker and an LPG carrier in the first quarter of 2018. Teekay LNG's GAAP net income for the third quarter of 2018, compared to the same quarter of the prior year, was also positively impacted by a decrease in write-down of vessels. Please refer to Teekay LNG's third quarter 2018 earnings release for additional information on the financial results for this entity.

Teekay Tankers

Teekay Tankers' results increased during the quarter ended September 30, 2018, compared to the same period of the prior year, primarily due to higher average spot tanker rates, partially offset by the expiry of time-charter out contracts for various vessels, which have subsequently traded in the spot market at lower rates, and costs associated with Teekay Tankers' sale-leaseback of six Aframax tankers. Please refer to Teekay Tankers' third quarter 2018 earnings release for additional information on the financial results for this entity.

Teekay Offshore

Teekay Offshore's results increased during the quarter ended September 30, 2018, compared to the same period of the prior year, primarily as a result of the contract start-up of the Pioneiro de Libra and Petrojarl I FPSO units in late-November 2017 and early-May 2018 and the Randgrid FSO in October 2017, lower operating expenses for the Piranema FPSO unit as a result of repairs incurred in the third quarter of 2017, and lower operating expenses as a result of the lay-up of the Arendal Spirit UMS since the fourth quarter of 2017. These increases were offset by lower earnings from the Voyageur Spirit and Ostras FPSO units operating at reduced rates upon contract extensions in the first and second quarter of 2018, respectively. Please refer to Teekay Offshore's third quarter 2018 earnings release for additional information on the financial results for this entity.

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Summary of Recent Events
Teekay Parent

In July 2018, Teekay Parent secured a one-year contract extension with Canadian Natural Resources (CNR) to extend the employment of the Banff FPSO unit on the Banff and Kyle fields to August 2019. The new one-year extension, which took effect in July 2018, has a slightly lower fixed charter rate and an oil and production tariff, which provides potential upside from a formula based on oil price and production.

During the third quarter of 2018, Teekay Parent repurchased $45.8 million of its 8.5% senior unsecured notes due in January 2020 for total consideration of $47.7 million for an average price of 103.96, which is below the make-whole price for the notes.

In July 2018, Teekay Parent agreed to sell its 43.5 percent interest in Sevan Marine ASA (Sevan) for total consideration of approximately $28 million, which is expected to be completed during the fourth quarter of 2018. The Company expects to record an accounting income/gain on this transaction during the fourth quarter of 2018.
Teekay LNG
LNG Carrier In-charter

In early-September 2018, Teekay LNG agreed to charter-in the Magellan Spirit LNG carrier from its 52%-owned Teekay LNG-Marubeni Joint Venture for a period of two years. The vessel was idle for 29 days in September and early-October while awaiting a suitable charter contract. Since October 3, 2018, the vessel has been chartered in the spot market at rates well in excess of the charter-in rate and is now currently employed under a 5-month charter contract through until late-March 2019, prior to the vessel’s scheduled drydocking in April 2019.
LNG Carrier Newbuilding Deliveries

In July 2018, Teekay LNG’s 20 percent-owned joint venture with China LNG Shipping (Holdings) Limited (China LNG), CETS Investment Management (HK) Co. Ltd. (an affiliate of China National Offshore Oil Corporation (CNOOC)) and BW LNG Investments Pte. Ltd., took delivery of one LNG carrier newbuilding, the Pan Europe, which immediately commenced its 20-year charter contract with Royal Dutch Shell (Shell).

In July 2018, Teekay LNG took delivery of one M-Type, Electronically Controlled, Gas Injection (MEGI) LNG carrier newbuilding, the Megara, which immediately commenced its eight-year charter contract with Shell.

In August 2018, Teekay LNG took delivery of the Bahrain Spirit floating storage unit (FSU), which immediately commenced its 21-year charter contract with Bahrain LNG W.L.L., in which Teekay LNG has a 30 percent ownership interest.

In September 2018, Teekay LNG’s 50 percent-owned joint venture with China LNG took delivery of its second ARC7 LNG carrier newbuilding, the Rudolph Samoylovich, which immediately commenced its 27-year charter contract with the Yamal LNG project two months ahead of the original scheduled delivery date.
Crude Tanker Dispositions

In September 2018, Teekay LNG agreed to sell the 2003-built African Spirit Suezmax tanker, which had been trading in the spot tanker market, for gross proceeds of $13.1 million. The vessel was delivered to the buyers in October 2018.

In November 2018, Teekay LNG agreed to sell the 2003-built European Spirit Suezmax tanker, which had been trading in the spot tanker market, for gross proceeds of $16.0 million. The vessel is expected to be delivered to the buyers in late-2018.

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Teekay Tankers
Completed Financings

In September and November 2018, Teekay Tankers completed sale-leaseback transactions relating to six vessels and four vessels, respectively.

Also in November 2018, Teekay Tankers completed a loan to finance working capital for its Revenue Sharing Agreement (RSA) pool management operations.

These transactions provide a total of approximately $100 million of liquidity after the repayment of outstanding debt related to the ten vessels, of which approximately $40 million of liquidity relates to transactions that closed after September 30, 2018.
Teekay Offshore
Settlement Agreements with Petrobras

In October 2018, Teekay Offshore entered into a settlement agreement with Petróleo Brasileiro S.A. and Petroleo Netherlands B.V. - PNBV S.A. (together Petrobras) with respect to various disputes relating to the previously-terminated charter contracts of the HiLoad DP unit and Arendal Spirit UMS. As part of the settlement agreement, Petrobras has agreed to pay a total of $96 million to Teekay Offshore, which includes $55 million that is payable unconditionally within 30 days. The remaining $41 million is to be paid in two separate instalments of $22 million and $19 million by the end of 2020 and 2021, respectively, subject to certain potential offsets described below.

If in the ordinary course of business and prior to the end of 2021, new charter contracts are entered into with Petrobras in respect of the Arendal Spirit UMS, Ostras FPSO unit and Piranema Spirit FPSO unit, the deferred $41 million (payable in two instalments in 2020 and 2021, respectively) will be reduced by 40 percent of any revenues actually received in this same period from such new contracts (Offset Amounts). There are no contracts in place currently that would result in any Offset Amounts being generated and neither Petrobras nor Teekay Offshore have any obligation to enter into such contracts; in addition, Teekay Offshore is not obligated to hold any of the designated assets available for charter by Petrobras.

In the fourth quarter of 2018, Teekay Offshore expects to recognize the above-mentioned settlement, which is expected to increase Teekay Offshore’s revenues by approximately $91 million, which represents the present value of the future expected settlement amounts.

In addition, in October 2018, Teekay Offshore, through separate subsidiaries, entered into a further settlement agreement with Petrobras with regards to a dispute relating to the charter of the Piranema Spirit FPSO unit. Pursuant to the settlement agreement, Teekay Offshore has agreed to a reduction in charter rate for the FPSO totaling approximately $11 million, which is expected to be credited to Petrobras over the remaining contract term. This amount was accrued in Teekay Offshore's financial statements in prior periods, primarily in 2016 and 2017.

Recontracting of the Petrojarl Varg FPSO

In October 2018, Teekay Offshore entered into an agreement with Alpha Petroleum Resources Limited (Alpha) for the Petrojarl Varg FPSO for their development of the Cheviot oil field on the UK continental shelf. The FPSO contract is for a seven-year fixed term from first oil, which is targeted for the second quarter of 2021, after completion of a life extension and upgrade phase for the Petrojarl Varg FPSO taking place at Sembcorp Marine’s shipyard in Singapore. The life extension and upgrade costs for the Petrojarl Varg FPSO will be funded predominantly by Alpha in advance. The Petrojarl Varg FPSO is intended to be used for the entire expected life of the Cheviot field.

The effectiveness of the agreement remains subject to satisfaction of a number of conditions precedent, including (i) initial funding from Alpha to cover life extension and upgrade costs for the Petrojarl Varg FPSO, which is conditional

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on Alpha finalizing its debt facilities with a consortium of lenders, and (ii) approval by relevant governmental authorities of Alpha's final field development plan for the Cheviot field. There are no assurances that the conditions precedent to the agreement will be met or when they may be met.

The Cheviot field is 100%-owned by Alpha and is one of the largest undeveloped oil fields in the UK sector of the North Sea. Matching the field development requirements of a projected total of 18 wells (including 13 production wells) was a key factor for the Petrojarl Varg FPSO being selected by Alpha Petroleum through a solutions-driven process undertaken with Teekay Offshore.

ALP Contract Award

In October 2018, ALP Maritime, Teekay Offshore's towage subsidiary, was awarded a contract to provide five vessels to perform mobilization and field installation services for Total's Kaombo Sul project. The contract is expected to require approximately 300-350 vessel equivalent days to service the project. This contract was awarded after ALP Maritime's successful completion of a contract of similar scale for Total's Kaombo Norte project earlier this year.

Shuttle Tanker Newbuildings

In late-July 2018, Teekay Offshore entered into shipbuilding contracts with Samsung Heavy Industries Co. Ltd. to construct two LNG-fueled Aframax DP2 shuttle tanker newbuildings, bringing Teekay Offshore's orderbook to a total of six shuttle tankers. These newbuildings will be constructed based on Teekay Offshore's New Shuttle Spirit design which incorporates proven technologies to increase fuel efficiency and reduce emissions, including LNG propulsion technology. Upon expected delivery in late-2020 through early-2021, these vessels will join Teekay Offshore's contract of affreightment (CoA) shuttle tanker portfolio in the North Sea to provide needed capacity to meet its customers' needs.

Financing Update

In July 2018, Teekay Offshore completed an upsized $700 million private placement of 8.5% senior unsecured notes maturing in 2023 (the Notes). Brookfield, the holder of approximately 60% of Teekay Offshore's outstanding common units, purchased $500 million principal amount of the Notes. Teekay Offshore used a portion of the net proceeds from the issuance to (a) repurchase $225.2 million of the $300 million aggregate principal of its outstanding 6% senior notes maturing in 2019, (b) repurchase NOK 914 million of the NOK 1,000 million aggregate principal of its NOK senior notes maturing in 2019 (the NOK notes) and settle $36.5 million of the cross-currency swaps which were an economic hedge to the NOK notes, and (c) repay at par an outstanding $200 million 10% promissory note held by Brookfield maturing in 2022 along with an associated $12 million early termination fee.

Following the Notes private placement, Brookfield exercised its option to acquire an additional 2% ownership interest in Teekay Offshore's general partner (Teekay Offshore GP) from Teekay. As a result, Brookfield now holds a 51% interest in Teekay Offshore GP.

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Liquidity

As at September 30, 2018, Teekay Parent had total liquidity of approximately $389.9 million (consisting of $191.1 million of cash and cash equivalents and $198.8 million of undrawn revolving credit facilities) and, on a consolidated basis, Teekay had consolidated total liquidity (excluding Teekay Offshore) of approximately $789.6 million (consisting of $385.4 million of cash and cash equivalents and $404.2 million of undrawn revolving credit facilities).

Conference Call

The Company plans to host a conference call on Thursday, November 15, 2018 at 2:00 p.m. (ET) to discuss its results for the third quarter of 2018. All shareholders and interested parties are invited to listen to the live conference call by choosing from the following options:

- By dialing (888) 220-8474 or (647) 484-0475, if outside North America, and quoting conference ID code 5738600.
- 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 one year).

An accompanying Third Quarter 2018 Earnings Presentation will also be available at www.teekay.com in advance of the conference call start time.

About Teekay

Teekay Corporation operates in the marine midstream space through its ownership of the general partner and a portion of the outstanding limited partner interests in Teekay LNG Partners L.P. (NYSE:TGP) and an interest in the general partner and a portion of the outstanding limited partner interests in Teekay Offshore Partners L.P. (NYSE:TOO). The general partners own all of the outstanding incentive distribution rights of these entities. 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 operate total assets under management of approximately $17 billion, comprised of approximately 220 liquefied gas, offshore, and conventional tanker assets. With offices in 14 countries and approximately 8,300 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".

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Definitions and Non-GAAP Financial 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, Cash Flow from Vessel Operations - Consolidated, Cash Flow From Vessel Operations - Equity Investments, Adjusted Net Loss Attributable to Shareholders of Teekay, Teekay Parent GPCO Cash Flow, Teekay Parent OPCO Cash Flow, Teekay Parent Adjusted Cash Flow from Vessel Operations, Teekay Parent Free Cash Flow, Net Interest Expense and Adjusted Equity Income, 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 across companies, and therefore 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, as does management.

Non-GAAP Financial Measures

Cash Flow from Vessel Operations (CFVO) represents income (loss) from vessel operations before depreciation and amortization expense, amortization of in-process revenue contracts, write-down and loss on sales 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. The Company does not control its equity-accounted vessels and investments and as a result, the Company does not have the unilateral ability to determine whether the cash generated by its equity-accounted vessels and other investments is retained within the entities in which the Company holds the equity-accounted investment or distributed to the Company and other owners. In addition, the Company does not control the timing of such distributions to the Company and other owners. Consequently, readers are cautioned when using total CFVO as a liquidity measure as the amount contributed from CFVO - Equity Investments may not be available to the Company in the periods such CFVO is generated by its equity-accounted vessels and other investments. CFVO is a non-GAAP financial measure used by certain investors and management to measure the operational financial performance of companies. Please refer to Appendices C and E of this release for reconciliations of these non-GAAP financial measures to income (loss) from vessel operations and income (loss) from vessel operations of equity-accounted vessels, respectively, the most directly comparable GAAP measures reflected in the Company’s consolidated financial statements.

Adjusted Net Loss Attributable to Shareholders of Teekay excludes items of income or loss from GAAP net 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, as does management. Please refer to Appendix A of this release for a reconciliation of this non-GAAP financial measure to net loss, and refer to footnote (4) of the statements of loss for a reconciliation of adjusted equity income to equity income (loss), the most directly comparable GAAP measure reflected in the Company’s consolidated financial statements.

Teekay Parent Financial Measures

Teekay Parent Adjusted Cash Flow from Vessel Operations represents the sum of (a) distributions or dividends (including payments-in-kind) relating to a given quarter (but received by Teekay Parent in the following quarter) as a result of ownership interests in its consolidated publicly-traded subsidiaries (Teekay LNG and Teekay Tankers) and its equity-accounted investment in Teekay Offshore, net of Teekay Parent’s corporate general and administrative expenditures for the given quarter (collectively, Teekay Parent GPCO Cash Flow) plus (b) CFVO attributed to Teekay Parent’s directly-owned and chartered-in assets (Teekay Parent OPCO Cash Flow). Teekay Parent Free Cash Flow represents Teekay Parent Adjusted Cash Flow from Vessel Operations, less Teekay Parent’s net interest expense and dry-dock expenditures for the given quarter. Net Interest Expense includes interest expense, interest income and realized losses on interest rate swaps. Please refer to Appendices B, C, D and E of this release for further details and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures reflected in the Company’s consolidated financial statements.

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Important Notice to Reader

Deconsolidation of Teekay Offshore

On September 25, 2017, Teekay, Teekay Offshore and Brookfield finalized a strategic partnership (the Brookfield Transaction), which resulted in the deconsolidation of Teekay Offshore as of that date. As a result, Teekay Offshore's financial results have not been consolidated by Teekay since September 25, 2017. As a result, items such as revenues and CFVO for the three and nine months ended September 30, 2018 are lower compared to the same periods in the prior year since Teekay Offshore has been accounted for using the equity method since September 25, 2017.

Adoption of New Revenue Accounting Standard

Effective January 1, 2018, the Company adopted the new revenue accounting standard. The following resulting differences had no impact on net loss but a material effect individually on revenues, voyage expenses and vessel operating expenses reported for the three and nine months ended September 30, 2018:

- Teekay Tankers previously presented the net allocation for its vessels participating in revenue sharing arrangements as revenues. Effective January 1, 2018, Teekay Tankers presents the revenue from the voyages these vessels perform in voyage revenues and the difference between this aggregate amount and Teekay Tankers' net allocation from the revenue sharing arrangement as voyage expenses. This had the effect of increasing both revenues and voyage expenses for the three and nine months ended September 30, 2018 by $73.6 million and $202.4 million, respectively.
- Teekay Parent previously presented the reimbursement of costs incurred by Teekay Parent for its seafarers onboard vessels owned by its equity-accounted investments and third parties as a reduction to vessel operating expenses. Effective January 1, 2018, Teekay Parent presents the costs of managing these vessels as vessel operating expenses and the reimbursement of such costs as revenue. This had the effect of increasing both revenues and vessel operating expenses for the three and nine months ended September 30, 2018 by $20.2 million and $61.3 million, respectively.

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Teekay Corporation
Summary Consolidated Statements of Loss[1]
(in thousands of U.S. dollars, except share and per share data)

	Three Months Ended			Nine Months Ended	
	September 30, 2018 (unaudited)	June 30, 2018 (unaudited)	September 30, 2017 (unaudited)	September 30, 2018 (unaudited)	September 30, 2017 (unaudited)
Revenues	416,562	405,642	500,781	1,216,226	1,558,209
Voyage expenses	(90,899)	(94,912)	(42,454)	(271,688)	(133,891)
Vessel operating expenses	(157,585)	(162,537)	(200,456)	(478,057)	(599,500)
Time-charter hire expense	(20,965)	(20,648)	(28,645)	(61,024)	(98,106)
Depreciation and amortization	(69,967)	(67,960)	(136,942)	(205,238)	(422,713)
General and administrative expenses	(19,050)	(23,720)	(27,662)	(66,953)	(88,641)
Write-down and loss on sale of vessels[2]	(2,201)	(32,830)	(251,585)	(53,693)	(270,254)
Restructuring charges	(813)	(1,114)	(2,883)	(4,065)	(5,059)
Income (loss) from vessel operations	55,082	1,921	(189,846)	75,508	(59,955)
Interest expense	(67,343)	(59,526)	(74,499)	(181,494)	(219,237)
Interest income	2,103	2,095	1,900	5,875	4,917
Realized and unrealized (loss) gain on non-designated derivative instruments[3]	(2,168)	10,723	(6,128)	17,981	(43,173)
Equity income (loss)[4]	13,744	837	1,264	41,698	(36,373)
Income tax expense	(4,334)	(8,746)	(5,221)	(17,197)	(11,767)
Foreign exchange gain (loss)	3,553	12,529	(2,642)	16,104	(22,888)
Loss on deconsolidation of Teekay Offshore	—	—	(103,188)	(7,070)	(103,188)
Other (loss) income – net	(2,400)	520	(4,705)	(2,795)	(5,169)
Net loss	(1,763)	(39,647)	(383,065)	(51,390)	(496,833)
Net (income) loss attributable to non-controlling interests	(10,242)	11,323	370,483	(9,494)	358,843
Net loss attributable to the shareholders of Teekay Corporation	(12,005)	(28,324)	(12,582)	(60,884)	(137,990)
Loss per common share of Teekay Corporation - Basic and Diluted	$(0.12)	$ (0.28)	$ (0.15)	$(0.61)	$ (1.60)
Weighted-average number of common shares outstanding - Basic and Diluted	100,435,045	100,434,512	86,261,330	99,412,386	86,232,315

(1) Refer to the "Important Notice to Reader" for details on the deconsolidation of Teekay Offshore and the adoption of the new revenue accounting standard.

(2) Write-down and loss on sale of vessels for the three and nine months ended September 30, 2018 includes the further write-down of two of Teekay LNG's conventional tankers as the estimated fair values of these vessels had decreased. The vessels were classified as held for sale upon the expiration of their time-charter contracts in 2017. Write-down and loss on sale of vessels for the nine months ended September 30, 2018 also includes the

write-downs of four of Teekay LNG's multi-gas carriers. These vessels were written down to their estimated fair values, using appraised values, as a result of Teekay LNG's evaluation of alternative strategies for these assets, combined with the current charter rate environment and the outlook for charter rates for these vessels.

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(3) 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 consolidated statements of loss. The realized (losses) gains relate to the amounts the Company actually 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:

	Three Months Ended			Nine Months Ended	
	September 30, 2018 (unaudited)	June 30, 2018 (unaudited)	September 30, 2017 (unaudited)	September 30, 2018 (unaudited)	September 30, 2017 (unaudited)
Realized (losses) gains relating to:					