



# Second Quarter 2014 Earnings Presentation

August 7, 2014



TEEKAY CORPORATION

# Forward Looking Statements

This presentation 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: future growth opportunities and market conditions; the timing and certainty of the sale of assets from Teekay Parent to its daughter entities and the impact on the cash flows received by Teekay Parent and on Teekay Parent's balance sheet as a result of such transactions; expected growth of Teekay Offshore and Teekay LNG and its impact on Teekay Parent; the total cost and timing for the delivery of newbuilding and conversion projects and the commencement of associated time-charter contracts; the timing and certainty of entering into charter contracts for the FAU newbuildings prior to their deliveries; Teekay Offshore's intention to exercise its option on the third FAU unit; Teekay LNG's agreement to provide, through a new 50/50 joint venture with China LNG, six icebreaker LNG carriers for the Yamal LNG project; the timing of the start-up of the Yamal LNG project and the expected total LNG production capacity of the project, if completed; the timing and certainty of Teekay Offshore's joint venture with Odebrecht completing final contract negotiations for the Libra FPSO project with Petrobras; and the completion and terms of the proposed agreement between Teekay and CarVal relating to a new dry bulk shipping company. 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 tanker newbuilding orders or greater or less than anticipated rates of tanker 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, FSO and FPSO units; decreases in oil production by or increased operating expenses for FPSO units; trends in prevailing charter rates for shuttle tanker and FPSO 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; failure by Teekay Offshore to secure charter contracts for FAU newbuildings; failure by Teekay Offshore to complete documentation related to the third FAU unit; potential failure of the Yamal LNG Project to be completed for any reason, including due to lack of funding as a result of existing or future sanctions against Russian entities and individuals, which may affect partners in the project; potential delays or cancellation of the Yamal LNG project; failure by Teekay Offshore's joint venture with Odebrecht to complete final contract negotiations with Petrobras for the Libra FPSO project; failure of Teekay and CarVal to reach agreement on the formation and management relating to a new dry bulk shipping company; potential delays in the commencement of operations of the *Petrojarl Knarr* FPSO unit; the inability of the Company to complete vessel sale transactions to its public-traded subsidiaries or to third parties; failure of the respective Board of Directors of the general partners of Teekay Offshore and Teekay LNG to approve future distribution 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, 2013. 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.

# Recent Highlights – Teekay Corporation



## TEEKAY CORPORATION (PARENT)

- Generated \$224m of total CFVO<sup>1</sup> in Q2-14, compared to \$184m in Q2-13, an increase of 22%
- Reported Q2-14 consolidated adjusted net loss<sup>2</sup> of \$20.1m, or \$0.28 per share, compared to Q2-13 consolidated adjusted net loss<sup>3</sup> of \$33.3m, or \$0.47 per share
- Took delivery of the *Knarr* FPSO at the end of June 2014 and the unit is currently on its way to the North Sea
- In July 2014, the *Banff* FPSO recommenced operations under its charter contract; repairs to the *Foinaven* FPSO were completed and is gradually increasing its production throughput

1) Total cash flow from vessel operations (CFVO) is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. Includes both CFVO from vessels that are consolidated and CFVO from vessels that are equity-accounted for on the Company's financial statements. Please see appendices in the Q2-14 earnings release for a reconciliation of this non-GAAP measure as used in this presentation to the most directly comparable GAAP financial measure.

2) Adjusted net loss attributable to stockholders of Teekay for Q2-14 excludes specific items which increased GAAP net loss by \$22.9m, or \$0.32 per share, as detailed in Appendix A of the Q2-14 earnings release.

3) Adjusted net loss attributable to stockholders of Teekay for Q2-13 excludes specific items which increased GAAP net income by \$44.7m, or \$0.63 per share, as detailed in Appendix A of the Q2-14 earnings release.

# Recent Highlights – Daughter Companies

## TEEKAY LNG PARTNERS

- Declared Q2-14 distribution of \$0.6918 per unit - **\$25.3m to Teekay Parent**
- TGP, through a new 50/50 JV, finalized the agreements to provide six icebreaker LNG carriers for the Yamal LNG project – **TGP's investment \$1.0 billion**
- Acquired ownership interests in four LNG carrier newbuilds from BG Group – **TGP's investment \$250 million**
- Exmar LPG JV took delivery of two of its 12 mid-size LPG carrier newbuilds; sold two LPG vessels for a \$9.8 million gain

## TEEKAY OFFSHORE PARTNERS

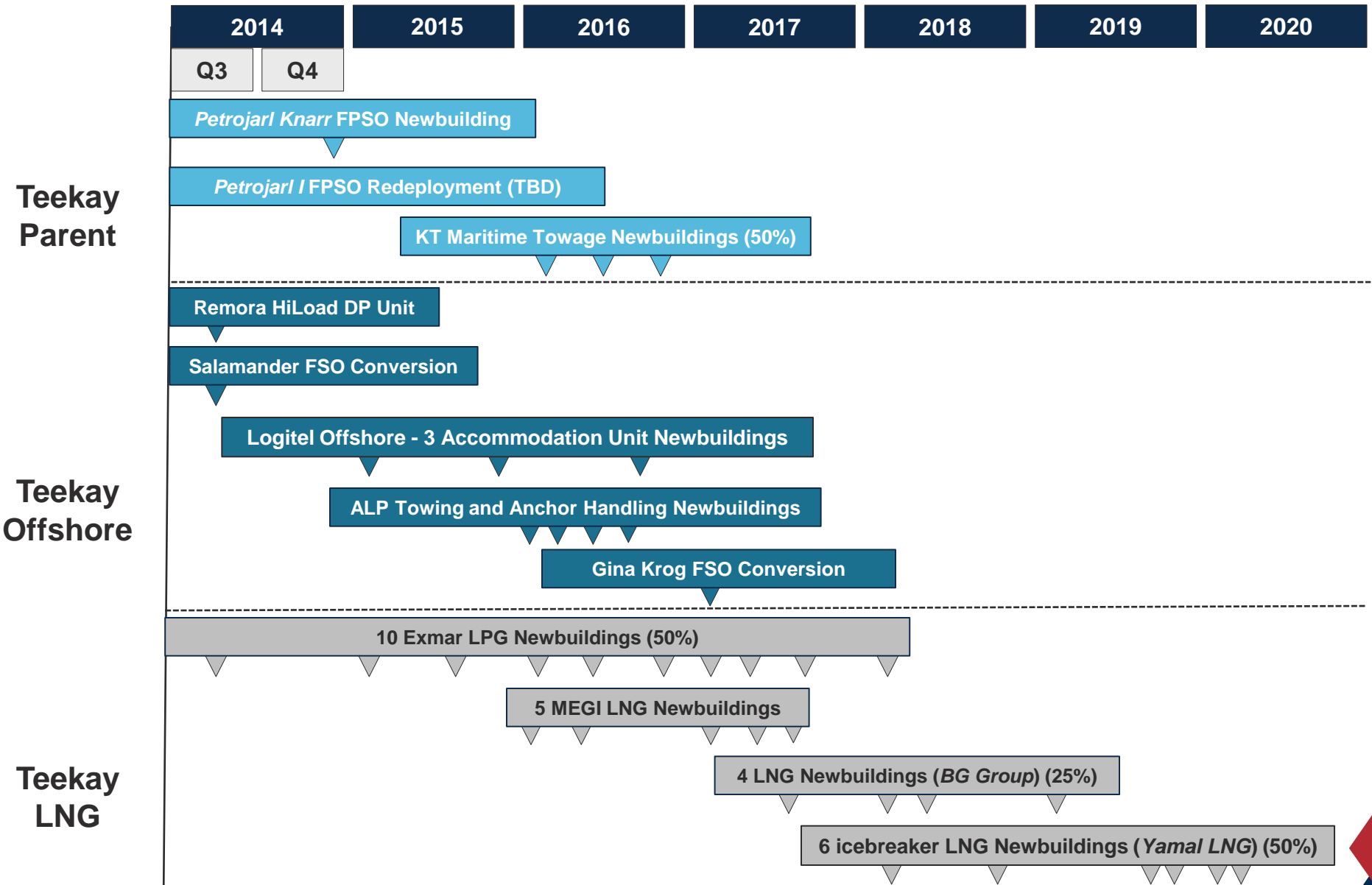
- Declared Q2-14 distribution of \$0.5384 per unit - **\$17.7m to Teekay Parent**
- Entered floating accommodation market through acquisition of Logitel Offshore
- Completed the Salamander FSO conversion; expected to commence charter in Aug 2014
- Remora HiLoad completing commissioning; expected to commence charter in Aug 2014
- TOO's 50/50 JV nominated by Petrobras as lead commercial bidder on Libra FPSO project in Brazil

## TEEKAY TANKERS LTD.

- Declared Q2-14 dividend of \$0.03 per share - **\$0.6m to Teekay Parent**
- Generated Q2-14 CAD<sup>1</sup> of \$0.11 per share
- Secured six new in-charter contracts
- Experienced the highest Suezmax and Aframax spot tanker rates for the month of July since 2008
- Sold two VLCC tankers for a \$10 million gain
- Acquired a 50% interest in Teekay Parent's conventional tanker commercial and technical management operations

1) Cash Available for Distribution (CAD) represents net income (loss), plus depreciation and amortization, unrealized losses from derivatives, non-cash items and any write-offs of other non-recurring items, less unrealized gains from derivatives. Please see appendices in the Teekay Tankers Q2-14 earnings release for a reconciliation of this non-GAAP measure as used in this presentation to the most directly comparable GAAP financial measure.

# Continued Focus on Project Execution





# Knarr FPSO Update

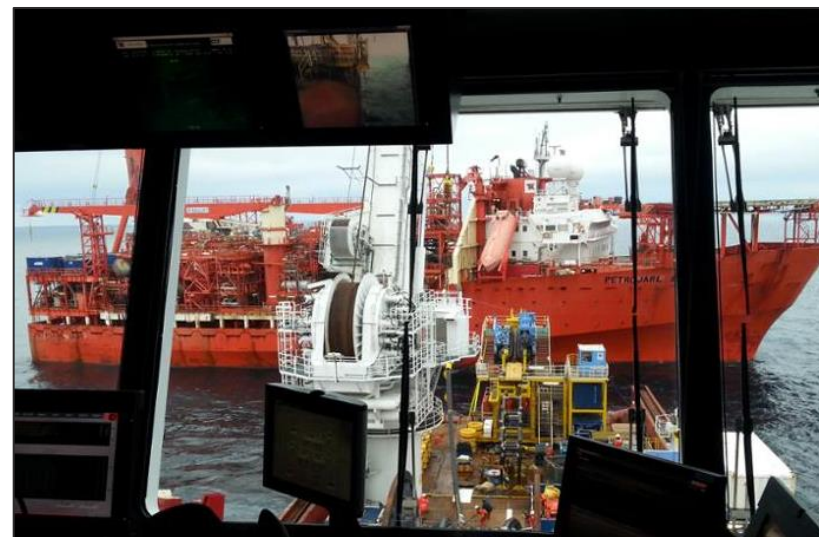
- Took delivery of the FPSO and the unit is currently in transit to the North Sea
- Following installation and offshore testing, the unit is expected to commence its 10-year charter with BG Group in late Q4-14
- Unit will be eligible for sale to Teekay Offshore



# Banff and Foinaven FPSOs Update

## Banff FPSO

- Recommenced operations under its charter contract with CNR in mid-July 2014
- Expected to increase TK Parent CFVO<sup>1</sup> by ~\$9.5 million in Q3-14 vs Q2-14



Picture of the Banff FPSO during riser installation in June 2014

## Foinaven FPSO

- Both gas compressors are operational after repairs to the second gas compressor were completed in mid-July 2014
- Expected to increase TK Parent CFVO<sup>1</sup> by ~\$8.0 million in Q3-14 vs Q2-14



1) Cash flow from vessel operations (CFVO) represents income from vessel operations before depreciation and amortization expense, write-down of vessels and amortization of deferred gains, includes the realized gains (losses) on the settlement of foreign exchange forward contracts. CFVO is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies.

# Strategic Partnership with CarVal

- Signed a letter of intent (*LOI*) with CarVal Investors, a leading global alternative investment manager, to participate in the development of a dry bulk shipping company
  - Teekay Parent plans to invest up to \$25 million and generate fees by providing operational and corporate services
- Strategic Rationale:
  - Strategic Partnership with CarVal / Cargill
  - Counter cyclical drybulk investment
  - Earn fee income from management services
- CarVal's drybulk carrier fleet currently includes 16 modern vessels (incl. 6 newbuildings)
- The new company will seek to opportunistically acquire additional modern dry bulk vessels at current cyclical low vessel prices
- The vessels are expected to be chartered to Cargill Ocean Transportation, one of the world's largest cargo traders, at a guaranteed minimum floor rate for a period of 2 years from delivery



# Q2 2014 Consolidated Adjusted Statement of (Loss) Income

	Three Months Ended June 30, 2014			Three Months Ended March 31, 2014	
	As Reported	Appendix A Items (1)	Reclass for Realized Gains/ Losses on Derivatives (2)	As Adjusted	As Adjusted
<b>NET REVENUES</b>					
Revenues	452,254	-	-	452,254	506,494
Voyage expenses	33,439	-	-	33,439	35,012
Net revenues	418,815	-	-	418,815	471,482
<b>OPERATING EXPENSES</b>					
Vessel operating expenses	201,714	(4,906)	(84)	196,724	199,647
Time charter hire expense	9,714	-	-	9,714	16,292
Depreciation and amortization	103,373	-	-	103,373	103,458
General and administrative	36,945	(1,300)	(26)	35,619	36,415
Loan loss recoveries	(2,521)	2,521	-	-	-
Gain on sale of vessels	(9,615)	9,615	-	-	-
Restructuring charges	(244)	244	-	-	-
Total operating expenses	339,366	6,174	(110)	345,430	355,812
Income from vessel operations	79,449	(6,174)	110	73,385	115,670
<b>OTHER ITEMS</b>					
Interest expense	(49,656)	-	(29,448)	(79,104)	(78,968)
Interest income	793	-	-	793	1,783
Realized and unrealized loss on derivative instruments	(75,331)	46,136	29,195	-	-
Equity income	35,271	(7,782)	-	27,489	25,261
Income tax expense	(3,193)	-	-	(3,193)	(2,798)
Foreign exchange loss	(2,046)	1,903	143	-	-
Other - net	(734)	-	-	(734)	1,411
Total other items	(94,896)	40,257	(110)	(54,749)	(53,311)
<b>Net (loss) income</b>	<b>(15,447)</b>	<b>34,083</b>	<b>-</b>	<b>18,636</b>	<b>62,359</b>
Less: Net income attributable to non-controlling interest	(27,540)	(11,190)	-	(38,730)	(58,883)
<b>NET (LOSS) INCOME ATTRIBUTABLE TO STOCKHOLDERS OF TEEKAY CORP.</b>	<b>(42,987)</b>	<b>22,893</b>	<b>-</b>	<b>(20,094)</b>	<b>3,476</b>
<b>Fully diluted (loss) income per share</b>	<b>(0.60)</b>			<b>(0.28)</b>	<b>0.05</b>

1 See Appendix to this presentation for description of Appendix A items.

2 Please refer to footnotes (2) and (4) to the Summary Consolidated Statements of (Loss) Income in the Q2-14 earnings release.

# Q3 2014 Outlook – Teekay Consolidated

Income Statement Item	Q3-2014 Outlook
Net Revenues	<ul style="list-style-type: none"> <li>» <u>Fixed-Rate Fleet (expected changes from Q2-14):</u> <ul style="list-style-type: none"> <li>• \$12m increase from Banff FPSO returning to production on July 14<sup>th</sup>;</li> <li>• \$10m increase from HiLoad unit direct finance lease retroactive to April 11<sup>th</sup>;</li> <li>• \$4m increase from Foinaven FPSO returning to operations in early July and gradually increasing production over the course of the third quarter;</li> <li>• \$4m increase from the remaining FPSO fleet primarily due to higher expected production;</li> <li>• \$3m increase from the Salamander FSO achieving first oil in mid-August;</li> <li>• \$4m decrease as Q2-14 included S&amp;P fees relating to vessel acquisitions by TIL;</li> <li>• \$2m decrease from conventional tanker sales and out-charter redeliveries;</li> </ul> </li> <li>» <u>Spot-Rate Fleet (expected changes from Q2-14):</u> <ul style="list-style-type: none"> <li>• Increase of 165 net revenue days from new TNK in-charters, partially offset by drydockings and vessel sales</li> <li>• Approximately 43% of Q3-14 spot revenue days for Aframaxes and Suezmaxes fixed at \$18,600/day and \$19,600/day, respectively, compared to \$15,500/day and \$16,100/day, respectively, in Q2-14</li> </ul> </li> </ul>
Vessel Operating Expenses (OPEX)	» Expected to be consistent with Q2-14 as increases from Banff FPSO, Salamander FSO and HiLoad unit offset decreases from the Foinaven FPSO and sales of conventional tankers
Time-charter Hire Expense	» Increase of \$6m due to five additional TNK in-chartered conventional tankers delivering during Q3 and scheduled drydockings of in-chartered shuttle tankers in Q2-14
Depreciation & Amortization	» Increase of \$2m due to the Salamander FSO commencing operations in Q3-14 and additional drydocking costs
General & Administrative	» Expected range of \$36m - \$37m
Net Interest Expense	» Increase of \$2m from Q2-14 due to TOO bonds and Salamander FSO
Equity Income	» Expected to be consistent with Q2-14 at \$27m - \$28m
Income Tax Expense	» Expected to be consistent with Q2-14 at \$3m
Non-controlling Interest Expense	» Expected range: \$50m to \$52m, increase primarily due to higher income in TOO and TNK

# 2014 Investor Day



## SAVE THE DATE Teekay Group 2014 Investor Day New York



**WHEN** September 30, 2014

**WHERE** The St. Regis New York

### **SCHEDULE OF EVENTS**

**7:30 - 8:00 am** Breakfast

**8:00 - 11:30 am** Presentations  
(1x1s to follow)

*Live webcasting will be available on the respective websites.*

### **CONTACT**

For more information, or to schedule a one-on-one meeting, contact Emily Yee at + 1 604 609 6437  
emily.yee@teekay.com  
No RSVP required.

NYSE: TK | NYSE: TOO | NYSE: TGP | NYSE: TNK

[www.teekay.com](http://www.teekay.com)

# Appendix



# Q2 2014 Appendix A Item Descriptions

(in thousands of US dollars)	Q2 - 2014	
	<u>Appendix A Items</u>	<u>Explanation of Items</u>
<b>NET VOYAGE REVENUES</b>		
Revenues	-	
Voyage expenses	-	
Net revenues	-	
<b>OPERATING EXPENSES</b>		
Vessel operating expense	(4,906)	Pre-operational costs incurred in respect of Knarr FPSO unit
Time charter hire expense	-	
Depreciation and amortization	-	
General and administrative	(1,300)	Non-recurring item
Loan loss recoveries	2,521	Recovery of receivable from a FEED study
Gain on sale of vessels	9,615	Sale of two conventional tankers to TIL and adjustment to loss on sale of four conventional tankers in Q1
Restructuring charges	244	Restructuring costs related to Glasgow office, and reversal of accrual relating to shuttle tanker operations restructuring
Total operating expenses	6,174	
Income from vessel operations	(6,174)	
<b>OTHER ITEMS</b>		
Interest expense	-	
Interest income	-	
Realized and unrealized loss on derivative instruments	46,136	Unrealized losses on derivative instruments and realized interest rate swap losses incurred in respect of Knarr FPSO unit during the pre-operational phase
Equity income	(7,782)	Unrealized losses on derivative instruments in joint ventures and gain on sale of vessels in joint venture
Income tax expense	-	
Foreign exchange loss	1,903	Foreign exchange losses
Other - net	-	
Total other items	40,257	
<b>Net loss</b>	<b>34,083</b>	
Less: Amount attributable to non-controlling interest	(11,190)	Non-controlling interest on applicable items noted above
<b>NET AMOUNT ATTRIBUTABLE TO STOCKHOLDERS OF TEEKAY CORP.</b>	<b>22,893</b>	



# Q1 2014 Consolidated Adjusted Statement of (Loss) Income

Three Months Ended  
March 31, 2014

(in thousands of US dollars, except per share amounts)

	As Reported	Appendix A Items (1)	Reclass for Realized Gains/ Losses on Derivatives (2)	As Adjusted
<b>NET REVENUES</b>				
Revenues	506,494	-	-	506,494
Voyage expenses	35,012	-	-	35,012
Net revenues	471,482	-	-	471,482
<b>OPERATING EXPENSES</b>				
Vessel operating expenses	201,186	(2,230)	691	199,647
Time charter hire expense	16,292	-	-	16,292
Depreciation and amortization	103,458	-	-	103,458
General and administrative	37,878	(2,057)	594	36,415
Loss on sale of vessels and equipment	162	(162)	-	-
Restructuring charges	639	(639)	-	-
Total operating expenses	359,615	(5,088)	1,285	355,812
Income from vessel operations	111,867	5,088	(1,285)	115,670
<b>OTHER ITEMS</b>				
Interest expense	(49,333)	-	(29,635)	(78,968)
Interest income	1,783	-	-	1,783
Realized and unrealized loss on derivative instruments	(47,248)	16,473	30,775	-
Equity income	27,494	(2,233)	-	25,261
Income tax (expense) recovery	(2,798)	-	-	(2,798)
Foreign exchange loss	(894)	749	145	-
Other - net	8,251	(6,840)	-	1,411
Total other items	(62,745)	8,149	1,285	(53,311)
<b>Net income</b>	<b>49,122</b>	<b>13,237</b>	<b>-</b>	<b>62,359</b>
Less: Net income attributable to non-controlling interest	(49,610)	(9,273)	-	(58,883)
<b>NET (LOSS) INCOME ATTRIBUTABLE TO STOCKHOLDERS OF TEEKAY CORP.</b>	<b>(488)</b>	<b>3,964</b>	<b>-</b>	<b>3,476</b>
<b>Fully diluted (loss) income per share</b>	<b>(0.01)</b>	<b>-</b>	<b>-</b>	<b>0.05</b>

1 See Appendix to this presentation for description of Appendix A items.

2 Please refer to footnotes (2) and (4) to the Summary Consolidated Statements of (Loss) Income in the Q1-14 earnings release.

# Q1 2014 Appendix A Item Descriptions

(in thousands of US dollars)	Q1 - 2014	
	<u>Appendix A Items</u>	<u>Explanation of Items</u>
<b>NET VOYAGE REVENUES</b>		
Revenues	-	
Voyage expenses	-	
Net revenues	<u>-</u>	
<b>OPERATING EXPENSES</b>		
Vessel operating expense	(2,230)	Pre-operational costs incurred in respect of Knarr FPSO unit.
Time charter hire expense	-	
Depreciation and amortization	-	
General and administrative	(2,057)	External transaction fee in connection with acquisition of ALP and other non-recurring items
Asset impairments and provisions	-	
Loss on sale of vessels and equipment	(162)	Sale on four conventional tankers
Restructuring charges	(639)	Restructuring costs related to Teekay Tanker Services and certain administrative activities, and reflagging of one shuttle tanker
Total operating expenses	<u>(5,088)</u>	
Income from vessel operations	5,088	
<b>OTHER ITEMS</b>		
Interest expense	-	
Interest income	-	
Realized and unrealized loss on derivative instruments	16,473	Unrealized losses on derivative instruments and realized gain on early termination of interest rate swap.
Equity income	(2,233)	Unrealized losses on derivative instruments in joint ventures and dilution gain on TIL IPO
Income tax expense	-	
Foreign exchange loss	749	Unrealized foreign exchange losses
Other - net	(6,840)	Initial unrealized gain on TIL stock purchase warrants
Total other items	<u>8,149</u>	
<b>Net income</b>	<b>13,237</b>	
Less: Amount attributable to non-controlling interest	(9,273)	Non-controlling interest on applicable items noted above
NET AMOUNT ATTRIBUTABLE TO STOCKHOLDERS OF TEEKAY CORP.	<u>3,964</u>	

# Teekay Group Capital Commitments

- Teekay Group's remaining capital commitments relating to its portion of acquisitions and newbuildings as at June 30, 2014, including recent transactions announced after June 30, 2014:

(in Millions)	2014	2015	2016	2017	2018	2019	2020	Total
Teekay Offshore <sup>(1)</sup>	\$67	\$549	\$385	\$4	-	-	-	\$1,005
Teekay LNG <sup>(2)</sup>	\$207	\$180	\$402	\$586	\$421	\$219	\$191	\$2,206
Total Teekay Consolidated	\$274	\$729	\$787	\$590	\$421	\$219	\$191	\$3,211

(1) Includes capital expenditures related to the two FSO unit conversions using existing shuttle tankers, the four ALP towing and anchor handling vessel newbuildings and the three floating accommodation unit newbuildings.

(2) Includes capital expenditures related to five newbuilding MEGI LNG carriers, Teekay LNG's 50 percent interest in six newbuilding LNG carriers for the Yamal LNG project, Teekay LNG's net 25 percent interest in four newbuilding LNG carriers for BG Group and Teekay LNG's 50 percent interest in the 10 newbuilding LPG carriers being constructed for the Exmar LPG BVBA joint venture.

# 2014 Drydock Schedule

Entity	Segment	March 31, 2014 (A)		June 30, 2014 (A)		September 30, 2014 (E)		December 31, 2014 (E)		Total 2014	
		Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days
Teekay LNG	Fixed-Rate Tanker	1	27	1	24	1	21	-	-	3	72
	Liquefied Gas	1	28	-	-	1	22	1	11	3	61
	LPG Carrier - equity accounted	-	-	2	41	2	66	1	21	5	128
	LNG Carrier - equity accounted	-	-	2	47	-	-	-	-	2	47
		2	55	5	112	4	109	2	32	13	308
Teekay Offshore	Fixed-Rate Tanker	-	-	-	-	1	23	-	-	1	23
	FSO	-	-	1	83	1	40	-	-	2	123
	Shuttle Tanker	2	54	1	32	3	89	1	55	7	230
		2	54	2	115	5	152	1	55	10	376
Teekay Tankers	Spot Tanker	1	21	-	-	4	121	-	-	5	142
	Fixed-Rate Tanker	-	-	2	56	1	24	1	23	4	103
		1	21	2	56	5	145	1	23	9	245
Tanker Investments Ltd.	Spot Tanker - equity accounted	-	-	1	31	4	118	2	42	7	191
		-	-	1	31	4	118	2	42	7	191
<b>Total</b>		5	130	10	314	18	524	6	152	39	1,120

Note: in the case that a vessel drydock straddles between quarters, the drydock has been allocated to the quarter in which the majority of the off-hire days occur.



TEEKAY CORPORATION