TEEKAY CORP
Form 6-K
August 27, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934
For the quarterly period ended June 30, 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 - FINANCIAL STATEMENTS
TEEKAY CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF LOSS
(in thousands of U.S. Dollars, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Revenues (notes 2, 3 and 4)	405,642	513,923	799,664	1,057,428
Voyage expenses (notes 2 and 3)	(94,912)	(40,640)	(180,789)	(91,437)
Vessel operating expenses (notes 2 and 4)	(162,537)	(207,784)	(320,472)	(399,044)
Time-charter hire expense (note 4)	(20,648)	(30,689)	(40,059)	(69,461)
Depreciation and amortization	(67,960)	(142,741)	(135,271)	(285,771)
General and administrative expenses (note 4)	(23,720)	(29,541)	(47,903)	(60,979)
Write-down and loss on sales of vessels (note 7)	(32,830)	(14,242)	(51,492)	(18,669)
Restructuring charges (note 12)	(1,114)	—	(3,252)	(2,176)
Income from vessel operations	1,921	48,286	20,426	129,891
Interest expense	(59,526)	(74,383)	(114,151)	(144,738)
Interest income	2,095	1,536	3,772	3,017
Realized and unrealized gains (losses) on non-designated derivative instruments (note 14)	10,723	(30,570)	20,149	(37,045)
Equity income (loss)	837	(47,984)	27,954	(37,637)
Foreign exchange gain (loss) (notes 8 and 14)	12,529	(17,342)	12,551	(20,246)
Loss on deconsolidation of Teekay Offshore (note 4)	—	—	(7,070)	—
Other income (loss)	520	(759)	(395)	(464)
Loss before income taxes	(30,901)	(121,216)	(36,764)	(107,222)
Income tax expense (note 15)	(8,746)	(3,527)	(12,863)	(6,546)
Net loss	(39,647)	(124,743)	(49,627)	(113,768)
Less: Net loss (income) attributable to non-controlling interests	11,323	44,591	748	(11,640)
Net loss attributable to the shareholders of Teekay Corporation	(28,324)	(80,152)	(48,879)	(125,408)
Per common share of Teekay Corporation (note 16)				
• Basic and diluted loss attributable to shareholders of Teekay Corporation	(0.28)	(0.93)	(0.49)	(1.45)
• Cash dividends declared	0.055	0.055	0.110	0.110
Weighted average number of common shares outstanding (note 16)				
• Basic and diluted	100,434,512	86,259,207	98,892,574	86,217,567

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Net loss	(39,647)	(124,743)	(49,627)	(113,768)
Other comprehensive income (loss):				
Other comprehensive income (loss) before reclassifications				
Unrealized gain on marketable securities	—	16	—	700
Unrealized gain (loss) on qualifying cash flow hedging instruments	7,054	(2,795)	9,676	(3,585)
Pension adjustments, net of taxes	181	(57)	376	(112)
Foreign exchange gain on currency translation	426	19	49	411
Amounts reclassified from accumulated other comprehensive income (loss) relating to:				
Realized (gain) loss on qualifying cash flow hedging instruments				
To interest expense (note 14)	(2)	706	248	762
To equity income	(521)	139	(598)	983
Loss on deconsolidation of Teekay Offshore (note 4)	—	—	7,720	—
Other comprehensive income (loss)	7,138	(1,972)	17,471	(841)
Comprehensive loss	(32,509)	(126,715)	(32,156)	(114,609)
Less: Comprehensive loss (income) attributable to non-controlling interests	6,910	46,069	(5,664)	(10,243)
Comprehensive loss attributable to shareholders of Teekay Corporation	(25,599)	(80,646)	(37,820)	(124,852)

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

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

	As at June 30, 2018 $	As at December 31, 2017 $
ASSETS		
Current		
Cash and cash equivalents (note 8)	454,933	445,452
Restricted cash - current	55,466	38,179
Accounts receivable, including non-trade of $15,856 (2017 – $15,273) and related party balance of $25,227 (2017 – $16,068) (note 2)	171,196	159,859
Assets held for sale (note 7)	29,911	33,671
Net investment in direct financing leases (note 3)	10,453	9,884
Prepaid expenses and other (notes 2 and 14)	47,336	38,180
Current portion of loans to equity-accounted investees (note 4)	66,161	107,486
Total current assets	835,456	832,711
Restricted cash - non-current	34,627	68,543
Vessels and equipment (note 8)		
At cost, less accumulated depreciation of $1,352,513 (2017 – $1,293,447)	3,365,283	3,491,491
Vessels related to capital leases, at cost, less accumulated amortization of $75,059 (2017 – $51,290) (note 6)	1,628,286	1,272,560
Advances on newbuilding contracts (note 10a)	349,169	444,493
Total vessels and equipment	5,342,738	5,208,544
Net investment in direct financing leases - non-current (note 3)	480,294	486,106
Investment in and advances to equity-accounted investments (notes 4 and 10b)	1,299,551	1,276,618
Other non-current assets (note 14)	95,158	83,211
Intangible assets – net	85,394	93,014
Goodwill	43,690	43,690
Total assets	8,216,908	8,092,437
LIABILITIES AND EQUITY		
Current		
Accounts payable	17,881	24,107
Accrued liabilities and other (notes 10d, 12 and 14)	263,791	296,232
Advances from affiliates (note 4)	64,100	49,100
Current portion of derivative liabilities (note 14)	65,112	80,423
Current portion of long-term debt (note 8)	527,467	800,897
Current obligations related to capital leases	90,828	114,173
Total current liabilities	1,029,179	1,364,932
Long-term debt (note 8)	2,821,866	2,616,808
Long-term obligations related to capital leases	1,261,370	1,046,284
Derivative liabilities (note 14)	38,373	48,388
Other long-term liabilities (note 15)	132,507	136,369
Total liabilities	5,283,295	5,212,781
Commitments and contingencies (notes 6, 8, 10, and 14)		
Equity		

Common stock and additional paid-in capital ($0.001 par value; 725,000,000 shares authorized; 100,434,994 shares outstanding and issued (2017 – 89,127,041)) (note 9)	1,044,752	919,078
Accumulated deficit	(193,751)	(135,892)
Non-controlling interest	2,077,449	2,102,465
Accumulated other comprehensive income (loss)	5,163	(5,995)
Total equity	2,933,613	2,879,656
Total liabilities and equity	8,216,908	8,092,437

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

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

	Six Months Ended June 30,	
	2018	2017
	$	$
Cash, cash equivalents and restricted cash provided by (used for)		
OPERATING ACTIVITIES		
Net loss	(49,627)	(113,768)
Non-cash items:		
Depreciation and amortization	135,271	285,771
Unrealized gain on derivative instruments	(35,515)	(45,128)
Write-down and loss on sales of vessels (note 7)	51,492	18,669
Loss on deconsolidation of Teekay Offshore (note 4)	7,070	—
Equity (income) loss, net of dividends received	(15,207)	65,915
Income tax expense	12,863	6,546
Unrealized foreign exchange loss and other	2,199	63,219
Change in operating assets and liabilities	14,325	16,508
Expenditures for dry docking	(12,437)	(18,639)
Net operating cash flow	110,434	279,093
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt, net of issuance costs	409,793	461,095
Prepayments of long-term debt	(295,914)	(132,920)
Scheduled repayments of long-term debt (note 8)	(171,433)	(451,072)
Proceeds from financings related to sale-leaseback of vessels	243,812	297,230
Repayments of obligations related to capital leases	(28,819)	(20,582)
Net proceeds from equity issuances of subsidiaries	—	8,521
Net proceeds from equity issuances of Teekay Corporation (note 9)	103,657	—
Distributions paid from subsidiaries to non-controlling interests	(33,872)	(63,803)
Cash dividends paid	(11,036)	(9,493)
Other financing activities	(566)	(650)
Net financing cash flow	215,622	88,326
INVESTING ACTIVITIES		
Expenditures for vessels and equipment	(315,348)	(365,903)
Proceeds from sale of vessels and equipment	—	59,935
Proceeds from sale of equity-accounted investment	54,438	—
Investment in equity-accounted investments	(27,629)	(31,680)
Advances to joint ventures and joint venture partners	(24,971)	(32,469)
Cash of transferred subsidiaries on sale, net of proceeds received (note 4)	(25,254)	—
Other investing activities	5,560	12,214
Net investing cash flow	(333,204)	(357,903)
(Decrease) increase in cash, cash equivalents and restricted cash	(7,148)	9,516
Cash, cash equivalents and restricted cash, beginning of the period	552,174	805,242
Cash, cash equivalents and restricted cash, end of the period	545,026	814,758

Supplemental cash flow information (note 17)

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

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TEEKAY CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY
(in thousands of U.S. Dollars, except share amounts)

	TOTAL EQUITY					
	Thousands of Shares of Common Stock Outstanding #	Common Stock and Additional Paid-in Capital $	Accumulated Deficit $	Accumulated Other Compre-hensive (Loss) Income $	Non-controlling Interests $	Total $
Balance as at December 31, 2017 (note 2)	89,127	919,078	(135,892)	(5,995)	2,102,465	2,879,656
Net loss	—	—	(48,879)	—	(748)	(49,627)
Other comprehensive income	—	—	—	11,059	6,412	17,471
Dividends declared	—	—	(11,049)	—	(33,872)	(44,921)
Employee stock compensation and other (note 9)	181	5,918	—	—	—	5,918
Proceeds from equity offerings, net of offering costs (note 9)	11,127	103,657	—	—	—	103,657
Equity component of convertible notes (note 8)	—	16,099	—	—	—	16,099
Changes to non-controlling interest from equity contributions and other	—	—	2,069	99	3,192	5,360
Balance as at June 30, 2018	100,435	1,044,752	(193,751)	5,163	2,077,449	2,933,613

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

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

1. Basis of Presentation

The unaudited interim consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (or GAAP). They include the accounts of Teekay Corporation (or Teekay), which is incorporated under the laws of the Republic of the Marshall Islands, and its wholly-owned or controlled subsidiaries (collectively, the Company). Certain of Teekay's significant non-wholly owned subsidiaries are consolidated in these financial statements even though Teekay owns less than a 50% ownership interest in the subsidiaries. These significant subsidiaries include the following publicly-traded subsidiaries (collectively, the Public Subsidiaries): Teekay LNG Partners L.P. (or Teekay LNG); Teekay Tankers Ltd. (or Teekay Tankers); and, until September 25, 2017, Teekay Offshore Partners L.P. (or Teekay Offshore) (see Note 4).

Certain information and footnote disclosures required by GAAP for complete annual financial statements have been omitted and, therefore, these unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017, included in the Company's Annual Report on Form 20-F, filed with the U.S. Securities and Exchange Commission (or SEC) on April 30, 2018. In the opinion of management, these unaudited interim consolidated financial statements reflect all adjustments, consisting of a normal recurring nature, necessary to present fairly, in all material respects, the Company's consolidated financial position, results of operations, cash flows and changes in total equity for the interim periods presented. The results of operations for the three and six months ended June 30, 2018, are not necessarily indicative of those for a full fiscal year. Significant intercompany balances and transactions have been eliminated upon consolidation. In addition, because the Company has determined that the entities that have financed certain of the Teekay liquefied natural gas (or LNG) carriers or LNG carrier newbuildings through sale-leaseback transactions are variable interest entities (or VIEs) that should be consolidated, the presentation of the sale-leaseback transactions in the consolidated statements of cash flows has been adjusted to reflect these transactions as financing activities instead of investing activities in the current and comparative period.

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

2. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (or FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (or ASU 2014-09). ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which includes (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue as each performance obligation is satisfied. ASU 2014-09 became effective for the Company as of January 1, 2018 and may be applied, at the Company's option, retrospectively to each period presented or as a cumulative-effect adjustment as of such date. The Company has elected to apply ASU 2014-09 only to those contracts that are not completed as of January 1, 2018. The Company has adopted ASU 2014-09 as a cumulative-effect adjustment as of the date of adoption. The Company has identified the following differences on adoption of ASU 2014-09:

- The Company previously presented the net allocation for its vessels participating in revenue sharing arrangements (or RSAs) as revenues. The Company has determined that it is the principal in voyages its vessels perform that are

included in the RSAs. As such, the revenue from those voyages is presented in voyage revenues and the difference between this amount and the Company's net allocation from the RSA is presented as voyage expenses. This had the effect of increasing both revenues and voyage expenses for the three and six months ended June 30, 2018 by $67.5 million and $128.8 million, respectively. There was no cumulative impact to opening equity as at January 1, 2018.

- The Company manages vessels owned by its equity-accounted investments and third parties. Upon the adoption of ASU 2014-09, costs incurred by the Company for its seafarers will be presented as vessel operating expenses and the reimbursement of such expenses will be presented as revenue, instead of such amounts being presented on a net basis. This had the effect of increasing both revenues and vessel operating expenses for the three and six months ended June 30, 2018 by $19.6 million and $41.1 million, respectively. There was no cumulative impact to opening equity as at January 1, 2018.

- The Company previously presented all accrued revenue as a component of accounts receivable. The Company has determined that if the right to such consideration is conditioned upon something other than the passage of time, such accrued revenue should be presented apart from accounts receivable. This had the effect of increasing prepaid expenses and other and decreasing accounts receivable by $5.1 million as at June 30, 2018. There was no cumulative impact to opening equity as at January 1, 2018.

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- The Company will sometimes incur pre-operational costs that relate directly to a specific customer contract, that generate or enhance resources of the Company that will be used in satisfying performance obligations in the future, whereby such costs are expected to be recovered via the customer contract. Such costs will be deferred and amortized over the duration of the customer contract. The Company previously expensed such costs as incurred unless the costs were directly reimbursable by the contract or if they were related to the mobilization of offshore assets to an oil field. This change had the effect of increasing prepaid expenses and other by $2.5 million, investments in and advances to equity-accounted joint ventures by $2.1 million and equity by $4.6 million as at June 30, 2018. This change did not have a material effect on the consolidated statement of loss for the three and six months ended June 30, 2018. The cumulative increase to opening equity as at January 1, 2018 was $4.1 million.

- The Company at times will enter into charter contracts that have annual performance measures that may result in the Company receiving additional consideration each year based on the annual performance measure result for such year. The Company previously recognized such consideration upon completion of the annual performance period. Upon adoption of ASU 2014-09, the portion of such consideration allocable to the non-lease element of charter contracts is included in the determination of the contract consideration and recognized over the annual performance period. This had the effect of decreasing contract liabilities included within accrued liabilities and other by approximately $3.8 million at June 30, 2018 as well as increasing revenues for the three and six months ended June 30, 2018 by approximately $1.8 million and $3.8 million, respectively. There was no cumulative impact to opening equity as at January 1, 2018 as the end of the annual performance period is December 31st.

In February 2016, FASB issued Accounting Standards Update 2016-02, Leases (or ASU 2016-02). ASU 2016-02 establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. For lessees, leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 requires lessors to classify leases as a sales-type, direct financing, or operating lease. A lease is a sales-type lease if any one of five criteria are met, each of which indicate that the lease, in effect, transfers control of the underlying asset to the lessee. If none of those five criteria are met, but two additional criteria are both met, indicating that the lessor has transferred substantially all of the risks and benefits of the underlying asset to the lessee and a third party, the lease is a direct financing lease. All leases that are not sales-type leases or direct financing leases are operating leases. ASU 2016-02 is effective January 1, 2019, with early adoption permitted. FASB issued an additional accounting standards update in July 2018 that made further amendments to accounting for leases, including allowing the use of a transition approach whereby a cumulative effect adjustment is made as of the effective date, with no retrospective effect. The Company has elected to use this new optional transitional approach. The Company is currently assessing whether it will adopt ASU 2016-02 during 2018 or on January 1, 2019. To determine the cumulative effect adjustment, the Company will not reassess lease classification, initial direct costs for any existing leases and whether any expired or existing contracts are or contain leases. The cumulative effect adjustment to the Company's consolidated financial statements from the adoption of ASU 2016-02 will vary depending on the period in which the Company chooses to adopt ASU 2016-02. The Company is expecting to disclose in its consolidated financial statements for the third quarter of 2018 the quantitative impact of adopting ASU 2016-02, once the Company has determined the date on which it will adopt the new standard. The Company has identified the following differences based on the work performed to date:

- The adoption of ASU 2016-02 will result in a change in the accounting method for the Company's office leases and the lease portion of the daily charter hire for the chartered-in vessels by the Company and the Company's equity-accounted joint ventures accounted for as operating leases with firm periods of greater than one year. Under ASU 2016-02, the Company and the Company's equity-accounted joint ventures will recognize a right-of-use asset

and a lease liability on the balance sheet for these charters and office leases based on the present value of future minimum lease payments, whereas currently no right-of-use asset or lease liability is recognized. This will have the result of increasing the Company's and its equity-accounted joint ventures' assets and liabilities. The pattern of expense recognition of chartered-in vessels is expected to remain substantially unchanged, unless the right of use asset becomes impaired.

- The adoption of ASU 2016-02 will require the Company to complete its lease classification assessment when a lease commences instead of when the lease is entered into. The Company has entered into charters in prior periods for certain of its vessels currently under construction and which are expected to deliver over the period from 2018 to 2020. Historically, for charters that were negotiated concurrently with the construction of the related vessels, the fair value of the constructed asset was presumed to be its newbuilding cost and no gain or loss was recognized on commencement of the charter if such charters were classified as direct finance leases. On the adoption of ASU 2016-02, the fair value of the vessel is determined based on information available at the lease commencement date and any difference in the fair value of the ship upon commencement of the charter and its carrying value is recognized as a gain or loss upon commencement of the charter.

- The adoption of ASU 2016-02 will result in the recognition of revenue from the reimbursement of scheduled dry-dock expenditures, where such charter contract is accounted for as an operating lease, occurring upon completion of the scheduled dry-dock, instead of ratably over the period between the previous scheduled dry-dock and the next scheduled dry-dock.

- In addition, direct financing lease payments received will be presented as an operating cash inflow instead of an investing cash inflow in the statement of cash flows.

In June 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (or ASU 2016-13). ASU 2016-13 replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This update is effective for the Company as of January 1, 2020, with a modified-retrospective approach. The Company is currently evaluating the effect of adopting this new guidance.

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In August 2016, the FASB issued Accounting Standards Update 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (or ASU 2016-15), which, among other things, provides guidance on two acceptable approaches of classifying distributions received from equity method investees in the consolidated statements of cash flows. ASU 2016-15 became effective for the Company as of January 1, 2018, with a retrospective approach. The Company has elected to classify distributions received from equity method investees in the statement of cash flows based on the nature of the distribution. The adoption of this update did not have a material impact on the Company.

In November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows: Restricted Cash (or ASU 2016-18). ASU 2016-18 requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities are also required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. ASU 2016-18 became effective for the Company as of January 1, 2018. Adoption of ASU 2016-18 resulted in the Company including in its consolidated statements of cash flows changes in cash, cash equivalents and restricted cash.

In August 2017, the FASB issued Accounting Standards Update 2017-12, Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities (or ASU 2017-12). ASU 2017-12 eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires, for qualifying hedges, the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also modifies the accounting for components excluded from the assessment of hedge effectiveness, eases documentation and assessment requirements and modifies certain disclosure requirements. ASU 2017-12 will be effective for the Company as of January 1, 2019. The Company is currently evaluating the effect of adopting this new guidance.

3. Revenues

The Company’s primary source of revenue is chartering its vessels and offshore units to its customers. The Company utilizes four primary forms of contracts, consisting of time-charter contracts, voyage charter contracts, bareboat charter contracts and contracts for floating production, storage and offloading (or FPSO) units. The Company also generates revenue from the management and operation of vessels owned by third parties and by equity-accounted investees as well as providing corporate management services to such entities.

Time Charters

Pursuant to a time charter, the Company charters a vessel to a customer for a period of time, generally one year or more. The performance obligations within a time-charter contract, which will include the lease of the vessel to the charterer as well as the operation of the vessel, are satisfied as services are rendered over the duration of such contract, as measured using the time that has elapsed from commencement of performance. In addition, any expenses that are unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, are the responsibility of the customer, as long as the vessel is not off-hire. Hire is typically invoiced monthly in advance for time-charter contracts, based on a fixed daily hire amount. However, certain sources of variability exist. Those include penalties, such as those that relate to periods the vessels are off-hire and where minimum speed and performance metrics are not met. In addition, certain time charters will contain provisions that allow the Company to be compensated for increases in the Company’s costs during the term of the charter. Such provisions may be in the form of annual hire rate adjustments for changes in inflation indices or interest rates or in the form of cost reimbursements for vessel operating expenditures or dry-docking expenditures. Finally, in a small number of charters, the Company may earn profit share consideration, which occurs when actual spot tanker rates earned by the vessel exceed certain thresholds for a period of time. Variable consideration of the Company’s

contracts is typically recognized in the period in which the changes in facts and circumstances on which the variable lease payments are based occur as either such revenue is allocated and accounted for under lease accounting requirements or alternatively such consideration is allocated to distinct periods within a contract that such variable consideration was incurred in. The Company does not engage in any specific tactics to minimize vessel residual value risk.

Voyage Charters

Voyage charters are charters for a specific voyage that are usually priced on a current or "spot" market rate and then adjusted for any pool participation based on predetermined criteria. The performance obligations within a voyage charter contract, which will typically include the lease of the vessel to the charterer as well as the operation of the vessel, are satisfied as services are rendered over the duration of the voyage, as measured using the time that has elapsed from commencement of performance. In addition, any expenses that are unique to a particular voyage, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, are the responsibility of the vessel owner. The Company’s voyage charters will normally contain a lease; however, judgment is necessary to determine whether this is the case based upon the decision-making rights the charterer has under the contract. Consideration for such contracts is generally fixed, although certain sources of variability exist. Delays caused by the charterer result in additional consideration. Payment for the voyage is not due until the voyage is completed. The duration of a single voyage will typically be less than three months. The Company does not engage in any specific tactics to minimize vessel residual value risk due to the short-term nature of the contracts.

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Bareboat Charters
Pursuant to a bareboat charter, the Company charters a vessel to a customer for a fixed period of time, generally one year or more, at rates that are generally fixed. However, the customer is responsible for operation and maintenance of the vessel with its own crew as well as any expenses that are unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. If the vessel goes off-hire due to a mechanical issue or any other reason, the monthly hire received by the vessel owner is normally not impacted by such events. The performance obligations within a bareboat charter, which will include the lease of the vessel to the charterer, are satisfied over the duration of such contract, as measured using the time that has elapsed from commencement of the lease. Hire is typically invoiced monthly in advance for bareboat charters, based on a fixed daily hire amount.

FPSO Contracts
Pursuant to an FPSO contract, the Company charters an FPSO unit to a customer for a period of time, generally more than one year. The performance obligations within an FPSO contract, which will include the lease of the FPSO unit to the charterer as well as the operation of the FPSO unit, are satisfied as services are rendered over the duration of such contract, as measured using the time that has elapsed from commencement of performance. Hire is typically invoiced monthly in arrears, based on a fixed daily hire amount. In certain FPSO contracts, the Company is entitled to a lump sum amount due upon commencement of the contract and may also be entitled to termination fees if the contract is canceled early. While the fixed daily hire amount may be the same over the term of the FPSO contract, the daily hire amount may increase or decrease over the duration of the FPSO contract. As a result of the Company accounting for compensation from such charters on a straight-line basis over the duration of the charter, FPSO contracts where revenue is recognized before the Company is entitled to such amounts under the FPSO contracts will result in the Company recognizing a contract asset and FPSO contracts where revenue is recognized after the Company is entitled to such amounts under the FPSO contracts will result in the Company recognizing deferred revenue.

Certain sources of consideration variability exist within FPSO contracts. Those include penalties, such as those that relate to periods where production on the FPSO unit is interrupted. In addition, certain FPSO contracts may contain provisions that allow the Company to be compensated for increases in the Company’s costs to operate the unit during the term of the contract. Such provisions may be in the form of annual hire rate adjustments for changes in inflation indices or in the form of cost reimbursements for vessel operating expenditures incurred. Finally, the Company may earn additional compensation from monthly production tariffs, which are based on the volume of oil produced, as well as other monthly or annual operational performance measures. Variable consideration of the Company's contracts are typically recognized as incurred as either such revenue is allocated and accounted for under lease accounting requirements or alternatively such consideration is allocated to distinct periods under a contract during which such variable consideration was incurred. The Company does not engage in any specific tactics to minimize residual value risk. Given the uncertainty involved in oil field production estimates and the result impact on oil field life, FPSO contracts typically will include extension options or options to terminate early.

Management Fees and Other
The Company also generates revenue from the management and operation of vessels owned by third parties and by equity-accounted investees as well as providing corporate management services to such entities. Such services may include the arrangement of third party goods and services for the vessel’s owner. The performance obligations within these contracts will typically consist of crewing, technical management, insurance and potentially commercial management. The performance obligations are satisfied concurrently and consecutively rendered over the duration of the management contract, as measured using the time that has elapsed from commencement of performance. Consideration for such contracts will generally consist of a fixed monthly management fee, plus the reimbursement of

crewing costs for vessels being managed. Management fees are typically invoiced monthly.

Revenue Table
The following tables contain the Company's revenue for the three and six months ended June 30, 2018 and 2017, by contract type and by segment. The periods for the three and six months ended June 30, 2018, do not include revenues for Teekay Offshore, as Teekay Offshore was deconsolidated subsequent to the Brookfield Transaction in September 2017 (see Note 4).

	Three Months Ended June 30, 2018						
	Teekay LNG Liquefied Gas Carriers	Teekay LNG Conventional Tankers	Teekay Tankers Conventional Tankers	Teekay Parent Offshore Production	Teekay Parent Other	Eliminations and Other	Total
	$	$	$	$	$	$	$
Time charters	96,857	4,316	17,384	—	7,588	(1,439)	124,706
Voyage charters [1]	6,767	5,719	144,328	—	—	—	156,814
Bareboat charters	5,734	—	—	—	—	—	5,734
FPSO contracts	—	—	—	66,429	—	—	66,429
Management fees and other [2]	2,814	108	9,947	—	38,595	495	51,959
	112,172	10,143	171,659	66,429	46,183	(944)	405,642

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	Three Months Ended June 30, 2017						
	Teekay LNG Liquefied Gas Carriers	Teekay LNG Conven-tional Tankers	Teekay Tankers Conven-tional Tankers	Teekay Parent Offshore Production	Teekay Parent Other	Teekay Offshore	Total
	$	$	$	$	$	$	$
Time charters	79,404	10,965	30,091	—	9,823	81,558	203,277
Voyage charters [1]	—	230	30,140	—	—	7,838	38,208
Bareboat charters	7,405	—	—	—	—	21,547	14,745
FPSO contracts	—	—	—	48,173	—	110,247	158,420
Net pool revenues [1]	—	—	33,100	—	—	—	34,857
Contracts of affreightment	—	—	—	—	—	43,602	43,602
Management fees and other	2,622	278	15,458	—	5,742	—	20,814
	89,431	11,473	108,789	48,173	15,565	264,792	513,923

	Six Months Ended June 30, 2018						
	Teekay LNG Liquefied Gas Carriers	Teekay LNG Conventional Tankers	Teekay Tankers Conventional Tankers	Teekay Parent Offshore Production	Teekay Parent Other	Eliminations and Other	Total
	$	$	$	$	$	$	$
Time charters	190,316	9,714	39,494	—	20,682	(9,418)	250,788
Voyage charters [1]	10,390	10,470	279,970	—	—	—	300,830
Bareboat charters	11,111	—	—	—	—	—	11,111
FPSO contracts	—	—	—	132,399	—	—	132,399
Management fees and other [2]	5,404	216	20,660	—	77,445	811	104,536
	217,221	20,400	340,124	132,399	98,127	(8,607)	799,664

	Six Months Ended June 30, 2017						
	Teekay LNG Liquefied Gas Carriers	Teekay LNG Conven-tional Tankers	Teekay Tankers Conven-tional Tankers	Teekay Parent Offshore Production	Teekay Parent Other	Teekay Offshore	Total
	$	$	$	$	$	$	$
Time charters	157,918	21,697	60,421	—	16,254	154,043	392,778
Voyage charters [1]	—	1,453	69,484	—	—	23,508	94,445
Bareboat charters	15,835	—	—	—	—	49,015	40,632
FPSO contracts	—	—	—	92,515	—	223,102	315,617
Net pool revenues [1]	—	—	80,289	—	—	—	84,213
Contracts of affreightment	—	—	—	—	—	91,262	91,262
Management fees and other	4,625	556	29,080	—	11,168	—	38,481
	178,378	23,706	239,274	92,515	27,422	540,930	1,057,428

(1) The adoption of ASU 2014-09 had the impact of increasing both voyage charter revenues and voyage expenses for the three and six months ended June 30, 2018 by $67.5 million and $128.8 million, respectively.

(2) The Company manages vessels owned by its equity-accounted investments and third parties. Following the adoption of ASU 2014-09, costs incurred by the Company for its seafarers are presented as vessel operating expenses and the reimbursement of such expenses will be presented as revenue, instead of such amounts being presented on a net basis. This had the effect of increasing both revenues and vessel operating expenses for the three and six months ended June 30, 2018 by $19.6 million and $41.1 million, respectively.

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The following table contains the Company's revenue from contracts that do not contain a lease element and the non-lease element of time-charters accounted for as direct financing leases for the three and six months ended June 30, 2018 and 2017.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Non-lease revenue - related to sales type or direct financing leases	4,124	6,333	8,264	15,287
Voyage charters - towage	—	4,229	—	15,127
Management fees and other	51,959	20,814	104,536	38,481
	56,083	31,376	112,800	68,895

Operating Leases
As at June 30, 2018, the minimum scheduled future rentals to be received by the Company in each of the next five years for the lease and non-lease elements related to time-charters, bareboat charters and FPSO contracts that were accounted for as operating leases are approximately $317.9 million (remaining 2018), $520.7 million (2019), $430.6 million (2020), $366.9 million (2021), $338.5 million (2022), and $698.1 million thereafter. The minimum scheduled future revenues should not be construed to reflect total charter hire revenues for any of the years. Minimum scheduled future revenues do not include revenue generated from new contracts entered into after June 30, 2018, revenue from unexercised option periods of contracts that existed on June 30, 2018, revenue from vessels in the Company’s equity-accounted investments, or variable or contingent revenues. In addition, minimum scheduled future operating lease revenues presented in this paragraph have been reduced by estimated off-hire time for any periodic maintenance. The amounts may vary given unscheduled future events such as vessel maintenance.

The carrying amount of the vessels employed on time-charters, bareboat charters and FPSO contracts that have been accounted for as operating leases at June 30, 2018, was $3.2 billion (2017 - $3.1 billion). At June 30, 2018, the cost and accumulated depreciation of such vessels were $4.1 billion (2017 - $4.1 billion) and $932.0 million (2017 - $1.0 billion), respectively.

Direct Financing Leases
Teekay LNG owns a 69% ownership interest in Teekay BLT Corporation (or the Teekay Tangguh Joint Venture), which is a party to operating leases whereby the Teekay Tangguh Joint Venture is leasing two LNG carriers (or the Tangguh LNG Carriers) to a third party, which is in turn leasing the vessels back to the joint venture. The time charters for the two Tangguh LNG carriers are accounted for as direct financing leases. The Tangguh LNG Carriers commenced their time-charters with their charterers in 2009. In addition, in 2013, Teekay LNG acquired two 155,900-cubic meter LNG carriers (or Awilco LNG Carriers) from Norway-based Awilco LNG ASA (or Awilco) and chartered them back to Awilco on five- and four-year fixed-rate bareboat charter contracts (plus a one-year extension option), respectively, with Awilco holding a fixed-price purchase obligation at the end of the charters. The bareboat charters with Awilco were accounted for as direct financing leases. However, in June 2017, Teekay LNG agreed to amend the charter contracts with Awilco to defer a portion of charter hire and extend the bareboat charter contracts and related purchase obligations on both vessels to December 2019. The amendments have the effect of deferring charter hire of between $10,600 per day and $20,600 per day per vessel from July 1, 2017 until December 2019, with such deferred amounts added to the purchase obligation amounts. As a result of the contract amendments, one of the charter contracts with Awilco has been reclassified as an operating lease upon the expiration of its original contract terms in November 2017. The second charter contract with Awilco will be reclassified as an operating lease upon the

expiration of its original contract terms in August 2018, and at that time, approximately $131 million will be recorded as part of vessels and equipment. The following table lists the components of the net investments in direct financing leases:

	June 30, 2018 $	December 31, 2017 $
Total minimum lease payments to be received	543,569	568,710
Estimated unguaranteed residual value of leased properties	194,965	194,965
Initial direct costs and other	344	361
Less unearned revenue	(248,131)	(268,046)
Total	490,747	495,990
Less current portion	(10,453)	(9,884)
Long-term portion	480,294	486,106

As at June 30, 2018, estimated minimum lease payments to be received by Teekay LNG under the Tangguh LNG Carrier leases are approximately $19.6 million (remainder of 2018) and $39.1 million per year from 2019 through 2022 and $235.7 million thereafter. Both leases are scheduled to end in 2029. In addition, the estimated minimum lease payments to be received by Teekay LNG in the remainder of 2018 related to the second Awilco LNG Carrier lease, until its original contract term expires in August 2018, were approximately $1.0 million.

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Contract Costs

In certain cases, the Company incurs pre-operational costs that relate directly to a specific customer contract and that generate or enhance resources of the Company that will be used in satisfying performance obligations in the future, in which case such costs are expected to be recovered via the customer contract. Those costs include costs incurred to mobilize an offshore asset to an oilfield, pre-operational costs incurred to prepare for commencement of operations of an offshore asset or costs incurred to reposition a vessel to a location where a charterer will take delivery of the vessel. In certain cases, the Company must make judgments about whether costs relate directly to a specific customer contract or whether costs were factored into the pricing of a customer contract and thus expected to be recovered. Such deferred costs are amortized on a straight-line basis over the duration of the customer contract. Amortization of such costs for the three and six months ended June 30, 2018 was $0.2 million and $0.4 million, respectively. As at June 30, 2018, repositioning costs of $2.5 million were included as part of other assets in the Company's consolidated balance sheets.

Contract Liabilities

The Company enters into certain customer contracts that result in situations where the customer will pay consideration upfront for performance to be provided in the following month or months. These receipts are contract liabilities and are presented as deferred revenue until performance is provided. As at June 30, 2018 and on transition to ASC 606 on January 1, 2018, there were contract liabilities of $23.3 million and $29.5 million, respectively. During the three and six months ended June 30, 2018, the Company recognized $2.4 million and $28.9 million, respectively, of revenue that was included in the contract liability balance on transition.

4. Deconsolidation of Teekay Offshore

On September 25, 2017, Teekay, Teekay Offshore and Brookfield Business Partners L.P. together with its institutional partners (collectively, Brookfield) finalized a strategic partnership (or the Brookfield Transaction) which resulted in the deconsolidation of Teekay Offshore as of that date. This transaction and its impact is described in more detail in Note 3 of the Company’s audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2017. Subsequent to the closing of the Brookfield Transaction, Teekay currently has significant influence over Teekay Offshore and accounts for its investment in Teekay Offshore using the equity method. As of June 30, 2018 and December 31, 2017, Teekay owned a 13.8% interest in the common units of Teekay Offshore.

Teekay Offshore is a related party of Teekay. As at June 30, 2018, Teekay has recorded $56.5 million in advances to Teekay Offshore (December 31, 2017 – $102.8 million) and $50.8 million in advances from Teekay Offshore (December 31, 2017 – $37.2 million) in current portion of loans to equity-accounted investees and advances from affiliates, respectively, on its consolidated balance sheets.

In March 2018, Teekay Offshore entered into a loan agreement for a $125.0 million senior unsecured revolving credit facility, of which up to $25.0 million is provided by Teekay and up to $100.0 million is provided by Brookfield. The facility is scheduled to mature in October 2019. The interest payments on the revolving credit facility are based on LIBOR plus a margin of 5.00% per annum until March 31, 2019 and LIBOR plus a margin of 7.00% per annum for balances outstanding after March 31, 2019. Any outstanding principal balances are due on the maturity date. As at June 30, 2018, Teekay had advanced $25.0 million to Teekay Offshore under this facility recorded in investment in and advances to equity-accounted investments in the consolidated balance sheets.

Until December 31, 2017, Teekay and its wholly-owned subsidiaries directly and indirectly provided substantially all of Teekay Offshore’s ship management, commercial, technical, strategic, business development and administrative service needs. On January 1, 2018, as part of the Brookfield Transaction, Teekay Offshore acquired a 100%

ownership interest in seven subsidiaries (or the Transferred Subsidiaries) of Teekay at carrying value. The Company recognized a loss of $nil and $7.1 million for the three and six months ended June 30, 2018, respectively, related to the sale of the Transferred Subsidiaries and the resultant release of accumulated pension losses from accumulated other comprehensive income, which is recorded in loss on deconsolidation of Teekay Offshore on the Company's consolidated statements of loss.

The Transferred Subsidiaries provide ship management, commercial, technical, strategic, business development and administrative services to Teekay Offshore, primarily related to Teekay Offshore's FPSO units, shuttle tankers and floating storage and offtake (or FSO) units. Subsequent to their transfer to Teekay Offshore, the Transferred Subsidiaries continue to provide ship management, commercial, technical, strategic, business development and administrative services to Teekay, primarily related to Teekay's FPSO units. Teekay and certain of its subsidiaries, other than the Transferred Subsidiaries, continue to provide certain other ship management, commercial, technical, strategic and administrative services to Teekay Offshore.

Revenues received by the Company for services provided to Teekay Offshore for the three and six months ended June 30, 2018 were $4.5 million and $11.1 million, respectively, which were recorded in revenues on the Company's consolidated statements of loss. Fees paid by the Company to Teekay Offshore for services provided by Teekay Offshore for the three and six months ended June 30, 2018 were $5.4 million and $10.7 million, respectively, which were recorded in vessel operating expenses and general and administrative expenses on the Company's consolidated statements of loss. As at June 30, 2018, two shuttle tankers and three FSO units of Teekay Offshore were employed on long-term time-charter-out or bareboat contracts to subsidiaries of Teekay. Time-charter hire expenses paid by the Company to Teekay Offshore for the three and six months ended June 30, 2018 were $3.5 million and $7.0 million, respectively. No such amounts are included in the comparative periods when Teekay Offshore was consolidated by Teekay.

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5. Segment Reporting
The Company allocates capital and assesses performance from the separate perspectives of its two publicly-traded subsidiaries Teekay LNG and Teekay Tankers (together, the Controlled Daughter Entities), Teekay and its remaining subsidiaries (or Teekay Parent), and its equity-accounted investee, Teekay Offshore (collectively with the Controlled Daughter Entities, the Daughter Entities), as well as from the perspective of the Company's lines of business. The primary focus of the Company's organizational structure, internal reporting and allocation of resources by the chief operating decision maker is on the Controlled Daughter Entities, Teekay Parent and its equity-accounted investee, Teekay Offshore (the Legal Entity approach), and its segments are presented accordingly on this basis. The Company (which excludes Teekay Offshore) has three primary lines of business: (1) offshore production (FPSO units), (2) LNG and liquefied petroleum gas (or LPG) carriers), and (3) conventional tankers. The Company manages these businesses for the benefit of all stakeholders. The Company incorporates the primary lines of business within its segments, as in certain cases there is more than one line of business in each Controlled Daughter Entity and the Company believes this information allows a better understanding of the Company's performance and prospects for future net cash flows.
The following table includes the Company's revenues by segment for the three and six months ended June 30, 2018 and 2017:

	Revenues [1]			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	$	$	$	$
Teekay LNG				
Liquefied Gas Carriers[2]	112,172	89,431	217,221	178,378
Conventional Tankers	10,143	11,473	20,400	23,706
	122,315	100,904	237,621	202,084
Teekay Tankers				
Conventional Tankers	171,659	108,789	340,124	239,274
Teekay Parent				
Offshore Production	66,429	48,173	132,399	92,515
Conventional Tankers	—	1,757	—	3,924
Other	46,183	15,565	98,127	27,422
	112,612	65,495	230,526	123,861
Teekay Offshore[2][3]	—	264,792	—	540,930
Eliminations and other	(944)	(26,057)	(8,607)	(48,721)
	405,642	513,923	799,664	1,057,428

(1) The comparative periods do not include the impact of the January 1, 2018 adoption of ASU 2014-09 (see Note 2).
(2) Certain vessels are chartered between the Daughter Entities and Teekay Parent. The amounts in the table below represent revenue earned by each segment from other segments within the group. Such intersegment revenue for the three and six months ended June 30, 2018 and 2017 is as follows:

Three Months	Six Months Ended

	Ended			
	June 30,		June 30,	
	2018	2017	2018	2017
	$	$	$	$
Teekay LNG - Liquefied Gas Carriers	1,439	8,564	9,418	17,555
Teekay Offshore	—	14,207	—	24,218
	1,439	22,771	9,418	41,773

(3) On September 25, 2017, the Company deconsolidated Teekay Offshore (see Note 4).

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The following table includes the Company's income (loss) from vessel operations by segment for the three and six months ended June 30, 2018 and 2017:

	Income (loss) from Vessel Operations[1]			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Teekay LNG				
Liquefied Gas Carriers	9,445	40,043	53,990	83,379
Conventional Tankers	1,060	(10,172)	(18,343)	(7,430)
	10,505	29,871	35,647	75,949
Teekay Tankers				
Conventional Tankers	(13,415)	1,587	(21,836)	12,328
Teekay Parent				
Offshore Production	5,541	(18,618)	12,423	(39,029)
Conventional Tankers	—	(2,988)	—	(5,447)
Other	(710)	(7,784)	(5,808)	(20,586)
	4,831	(29,390)	6,615	(65,062)
Teekay Offshore[2]	—	46,218	—	106,676
	1,921	48,286	20,426	129,891

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to each segment based on estimated use of corporate resources).
(2) On September 25, 2017, the Company deconsolidated Teekay Offshore (see Note 4).
Commencing on September 25, 2017, the Company accounts for its investment in Teekay Offshore using the equity method, and recognized equity losses of $9.3 million and $8.7 million in respect of Teekay Offshore for the three and six months ended June 30, 2018, respectively.

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

	June 30, 2018	December 31, 2017
	$	$
Teekay LNG - Liquefied Gas Carriers	4,857,355	4,624,321
Teekay LNG - Conventional Tankers	70,782	112,844
Teekay Tankers - Conventional Tankers	2,092,239	2,125,909
Teekay Parent - Offshore Production	343,547	366,229
Teekay Parent - Conventional Tankers	13,043	13,620
Teekay Parent - Other	30,065	26,527
Teekay Offshore	257,896	280,774

Cash and cash equivalents	454,933	445,452
Other assets not allocated	117,321	118,493
Eliminations	(20,273)	(21,732)
Consolidated total assets	8,216,908	8,092,437

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6. Vessel Charters
The minimum estimated charter hire and rental payments for the remainder of the year and the next four fiscal years, as at June 30, 2018, for the Company's chartered-in vessels were as follows:

Vessel Charters[(1)]	Remainder of 2018	2019	2020	2021	2022
	(in millions of U.S. Dollars)				
Charters-in – operating leases	36.0	64.1	57.4	54.4	20.0
Charters-in – related to capital leases[(2)]	87.8	119.5	118.8	117.8	117.0
Charters-in – related to capital leases[(3)]	8.2	16.2	16.3	16.2	16.2
	132.0	199.8	192.5	188.4	153.2

(1) Teekay LNG owns a 69% ownership interest in the Teekay Tangguh Joint Venture, which is a party to operating leases whereby the Teekay Tangguh Joint Venture is leasing two LNG carriers (or the Tangguh LNG Carriers) to a third party, which is in turn leasing the vessels back to the joint venture. This table does not include Teekay LNG's minimum charter hire payments to be paid and received under these leases for the Tangguh LNG Carriers, which are described in Note 9 to the audited consolidated financial statements filed with the Company's Annual Report on Form 20-F for the year ended December 31, 2017. Under the terms of the leasing arrangement for the Tangguh LNG Carriers, whereby the Teekay Tangguh Joint Venture is the lessee, the lessor claims tax depreciation on its lease of these vessels. As is typical in these types of leasing arrangements, tax and change of law risks are assumed by the lessee. Lease payments under the lease arrangements are based on certain tax and financial assumptions at the commencement of the leases. If an assumption proves to be incorrect, the lessor is entitled to increase the lease payments to maintain its agreed after-tax margin.

The carrying amount of tax indemnification guarantees of Teekay LNG relating to the leasing arrangement through the Teekay Tangguh Joint Venture as at June 30, 2018 was $6.8 million (December 31, 2017 – $7.1 million) and is included as part of other long-term liabilities in Teekay LNG's consolidated balance sheets. The tax indemnification is for the duration of the lease contracts with the third party plus the years it would take for the lease payments to be statute barred, which will end in 2033 for the vessels. Although there is no maximum potential amount of future payments, the Teekay Tangguh Joint Venture may terminate the lease arrangement on a voluntary basis at any time. If the lease arrangement terminates, the Teekay Tangguh Joint Venture will be required to pay termination sums to the lessor sufficient to repay the lessor's investment in the vessels and to compensate it for the tax effect of the terminations, including recapture of any tax depreciation.

(2) As at June 30, 2018, Teekay LNG was a party, as lessee, to capital leases on one Suezmax tanker, the Toledo Spirit. Under this capital lease, the owner has the option to require Teekay LNG to purchase the vessel. The charterer and owner, also has the option to cancel the charter contract and the cancellation option is first exercisable in August 2018. The amounts in the table above assume the owner will not exercise its option to require Teekay LNG to purchase the vessel from the owner, but rather assume the owner will cancel the charter contracts when the cancellation right is first exercisable in August 2018 and sell the vessel to a third party, upon which the remaining lease obligation will be extinguished. Therefore, the table above does not include any amounts after the expected cancellation date of the lease. In May 2018, the charterer of the Toledo Spirit gave formal notification to the Partnership of its intention to terminate its charter contract in August 2018 subject to certain conditions being met and the receipt of certain third-party approvals.

Teekay LNG is also a party to capital leases on seven LNG carriers, the Creole Spirit, the Oak Spirit, the Torben Spirit, the Macoma, the Murex, the Magdala and the Myrina. Upon delivery of these seven LNG carriers between February 2016 and May 2018, Teekay LNG sold these respective vessels to third parties (or the Lessors) and leased them back under 10-year bareboat charter contracts ending in 2026 through to 2028. The bareboat charter contracts are accounted for as obligations related to capital leases and have fixed-price purchase obligations at the end of the lease terms.

As at June 30, 2018, Teekay LNG has a sale-leaseback agreement in place for one of its LNG carrier newbuildings scheduled to deliver during the remainder of 2018, and upon delivery, the Lessor will charter the vessel back to Teekay LNG. As at June 30, 2018, Teekay LNG had received $58 million from the Lessor relating to the one LNG carrier newbuilding that was recorded in current and long-term obligations related to capital leases in Teekay LNG's consolidated balance sheets. Teekay LNG has secured a further $127 million in capital lease financing to be received during the remainder of 2018 upon delivery of the vessel.

Teekay LNG understands that these vessels and lease operations are the only assets and operations of the Lessors. Teekay LNG operates the vessels during the lease term and as a result, is considered to be, under GAAP, each Lessor's primary beneficiary; therefore, Teekay LNG consolidates the Lessors for financial reporting purposes as VIEs.

The liabilities of the Lessors are loans and are non-recourse to Teekay LNG. The amounts funded to the Lessors in order to purchase the vessels materially match the funding to be paid by Teekay LNG's subsidiaries under the sale-leaseback transaction. As a result, the amounts due by Teekay LNG's subsidiaries to the Lessors have been included in obligations related to capital leases as representing the Lessors' loans.

The obligations of Teekay LNG under the bareboat charter contracts are guaranteed by Teekay LNG. In addition, the guarantee agreements require Teekay LNG to maintain minimum levels of tangible net worth and aggregate liquidity, and not to exceed a maximum amount of leverage. As at June 30, 2018, Teekay LNG was in compliance with all covenants in respect of the obligations related to capital leases.

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(3) In July 2017, Teekay Tankers completed a $153.0 million sale-leaseback financing transaction with a financial institution relating to four of its Suezmax tankers, the Athens Spirit, the Beijing Spirit, the Moscow Spirit and the Sydney Spirit. Under this arrangement, Teekay Tankers transferred the vessels to subsidiaries of the financial institution (or collectively, the Lessors), and leased the vessels back from the Lessors on bareboat charters for 12-year terms. Teekay Tankers has the option to purchase each of the four vessels at any point between July 2020 and July 2029. Teekay Tankers understands that these vessels and lease operations are the only assets and operations of the Lessors. Teekay Tankers operates the vessels during the lease term, and as a result, is considered to be the Lessors' primary beneficiary and therefore it consolidates the Lessors for financial reporting purposes. The liabilities of the Lessors are loans and are non-recourse to Teekay Tankers. The amounts funded to the Lessors in order to purchase the vessels materially match the funding to be paid by Teekay Tankers' subsidiaries under the lease-back transaction. As a result, the amounts due by Teekay Tankers' subsidiaries to the Lessors have been included in obligations related to capital leases as representing the Lessors' loans. The bareboat charters also require that Teekay Tankers maintain minimum levels of cash and aggregate liquidity.

7. Write-down and Loss on Sales of Vessels

The Company's write-downs and sales of vessels generally consist of those vessels approaching the end of their useful lives as well as other vessels it strategically sells to reduce exposure to a certain vessel class.

The following tables show the write-downs and loss on sales of vessels for the three and six months ended June 30, 2018 and 2017:

			Write-Down and Loss on Sales of Vessels Three Months Ended June 30,	
Segment	Asset Type	Completion of Sale Date	2018 $	2017 $
Teekay LNG Segment - Liquefied Gas Carriers	4 Multi-gas Carriers	(1)	(33,000)	—
Teekay LNG Segment - Conventional Tankers	Suezmax	(2)	—	(12,600)
Teekay Tankers Segment - Conventional Tankers	Aframax	Jun-2017	—	(150)
Teekay Offshore Segment	FSO	(3)	—	(1,500)
Other			170	8
Total			(32,830)	(14,242)

			Write-Down and Loss on Sales of Vessels Six Months Ended June 30,	
Segment	Asset Type	Completion of Sale Date	2018 $	2017 $
Teekay LNG Segment - Conventional Tankers	Handymax	(4)	(13,000)	—
Teekay LNG Segment - Liquefied Gas Carriers	4 Multi-gas Carriers	(1)	(33,000)	—
Teekay LNG Segment - Conventional Tankers	2 Suezmaxes	(2)	(5,662)	(12,600)
Teekay Tankers Segment - Conventional Tankers	Aframax	Jun-2017	—	(2,743)
Teekay Tankers Segment - Conventional Tankers	Suezmax	Mar-2017	—	(1,469)
Teekay Offshore Segment	FSO	(3)	—	(1,500)

Other	170	(357)
Total	(51,492)	(18,669)

(1) In June 2018, the carrying value for four of Teekay LNG's seven wholly-owned Multi-gas carriers, the Napa Spirit, Pan Spirit, Cathinka Spirit and Camilla Spirit, were written down to their estimated fair value, using appraised values, as a result of Teekay LNG's evaluation of alternative strategies for these assets, the current charter rate environment and the outlook for charter rates for these vessels.

(2) Teekay LNG has commenced marketing these vessels for sale and the vessels are classified as held for sale at June 30, 2018.

(3) During the three and six months ended June 30, 2017, the carrying value of the Falcon Spirit FSO was written down as a result of a decrease in the estimated residual value of the unit.

(4) In March 2018, the carrying value of the Alexander Spirit conventional tanker was written down to its estimated fair value, using an appraised value, as a result of changes in the Company's expectations of the vessel's future opportunities once its current charter contract ends in 2019.

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8. Long-Term Debt

	June 30, 2018 $	December 31, 2017 $
Revolving Credit Facilities	679,141	877,343
Senior Notes (8.5%) due January 15, 2020	585,841	592,657
Convertible Senior Notes (5%) due January 15, 2023	125,000	—
Norwegian Kroner-denominated Bonds due through October 2021	380,491	377,856
U.S. Dollar-denominated Term Loans due through 2031	1,410,348	1,358,798
Euro-denominated Term Loans due through 2023	217,621	232,957
Other U.S. Dollar-denominated loan	—	10,000
Total principal	3,398,442	3,449,611
Less unamortized discount and debt issuance costs	(49,109)	(31,906)
Total debt	3,349,333	3,417,705
Less current portion	(527,467)	(800,897)
Long-term portion	2,821,866	2,616,808

As of June 30, 2018, the Company had seven revolving credit facilities (or the Revolvers) available, which, as at such date, provided for aggregate borrowings of up to $1.2 billion, of which $0.5 billion was undrawn. Interest payments are based on LIBOR plus margins; the margins ranged between 1.25% and 4.0% at June 30, 2018 and 0.45% and 4.0% at December 31, 2017. The aggregate amount available under the Revolvers is scheduled to decrease by $480.3 million (remainder of 2018), $52.6 million (2019), $53.6 million (2020), $347.3 million (2021) and $261.0 million (thereafter). The Revolvers are collateralized by first-priority mortgages granted on 50 of the Company's vessels, together with other related security, and include a guarantee from Teekay or its subsidiaries for all but one of the Revolvers' outstanding amounts. Included in other related security are 38.2 million common units in Teekay Offshore, 25.2 million common units in Teekay LNG, and 16.8 million Class A common shares in Teekay Tankers, which secure a $200 million credit facility.

The Company's 8.5% senior unsecured notes are due January 15, 2020 with an original aggregate principal amount of $450 million (the Original Notes). The Original Notes issued on January 27, 2010 were sold at a price equal to 99.2% of par. During 2014, the Company repurchased $57.3 million of the Original Notes. In November 2015, the Company issued an aggregate principal amount of $200 million of the Company's 8.5% senior unsecured notes due on January 15, 2020 (or the Notes) at 99.01% of face value, plus accrued interest from July 15, 2015. The Notes are an additional issuance of the Company's Original Notes (collectively referred to as the 8.5% Notes). The Notes were issued under the same indenture governing the Original Notes, and are fungible with the Original Notes. The discount on the 8.5% Notes is accreted through the maturity date of the notes using the effective interest rate of 8.67% per year. During the first quarter of 2018, the Company repurchased $6.8 million of the 8.5% Notes. During July 2018, the Company repurchased $45.8 million in aggregate principal amount of the 8.5% Notes.

The 8.5% Notes rank equally in right of payment with all of Teekay's existing and future senior unsecured debt and senior to any future subordinated debt of Teekay. The 8.5% Notes are not guaranteed by any of Teekay's subsidiaries and effectively rank behind all existing and future secured debt of Teekay and other liabilities of its subsidiaries.

The Company may redeem the 8.5% Notes in whole or in part at any time before their maturity date at a redemption price equal to the greater of (i) 100% of the principal amount of the 8.5% Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 8.5% Notes to be redeemed

(excluding accrued interest), discounted to the redemption date on a semi-annual basis, at the treasury yield plus 50 basis points, plus accrued and unpaid interest to the redemption date.

On January 26, 2018, Teekay Parent completed a private offering of $125.0 million of aggregate principal amount of 5% Convertible Senior Notes due January 15, 2023 (the Convertible Notes). The Convertible Notes are convertible into Teekay's common stock, initially at a rate of 85.4701 shares of common stock per $1,000 principal amount of Convertible Notes. This represents an initial effective conversion price of $11.70 per share of common stock. The initial conversion price represents a premium of 20% to the concurrent common stock offering price of $9.75 per share. The conversion rate is subject to customary adjustments for, among other things, payments of dividends by Teekay Parent beyond the current quarterly dividend of $0.055 per share of common stock. On issuance of the Convertible Notes, $104.6 million of the net proceeds was reflected in long-term debt and is being accreted to $125.0 million over its five-year term through interest expense. The remaining amount of the net proceeds of $16.1 million was allocated to the conversion feature and reflected in additional paid-in capital.

Teekay LNG has a total of Norwegian Kroner (or NOK) 3.1 billion in senior unsecured bonds issued in the Norwegian bond market at June 30, 2018 that mature through October 2021. As of June 30, 2018, the total carrying amount of the senior unsecured bonds was $380.5 million. The bonds are listed on the Oslo Stock Exchange. The interest payments on the bonds are based on NIBOR plus a margin, which ranges from 3.70% to 6.00%. The Company entered into cross-currency rate swaps to swap all interest and principal payments of the bonds into U.S. Dollars, with the interest payments fixed at rates ranging from 5.92% to 7.72%, and the transfer of the principal amount fixed at $430.5 million upon maturity in exchange for NOK 3.1 billion (see Note 14).

As of June 30, 2018, the Company had 11 U.S. Dollar-denominated term loans outstanding, which totaled $1.4 billion in aggregate principal amount (December 31, 2017 – $1.4 billion). Interest payments on the term loans are based on LIBOR plus a margin, of which one of the term loans has an additional tranche based on a fixed rate of 5.37%. At June 30, 2018 and December 31, 2017, the margins ranged between 0.30% and 3.25%. The term loan payments are made in quarterly or semi-annual payments commencing three or six months after delivery of each newbuilding vessel financed thereby, and nine of the term loans have balloon or bullet repayments due at maturity. The term loans are collateralized by first-priority mortgages on 26 (December 31, 2017 – 22) of the Company's vessels, together with certain other security. In addition, at June 30, 2018 and December 31, 2017, all of the outstanding term loans were guaranteed by Teekay or its subsidiaries.

Teekay LNG has two Euro-denominated term loans outstanding, which, as at June 30, 2018, totaled 186.2 million Euros ($217.6 million) (December 31, 2017 – 194.1 million Euros ($233.0 million)). Teekay LNG is servicing the loans with funds generated by two Euro-denominated, long-term time-charter contracts. Interest payments on the loans are based on EURIBOR plus a margin. At June 30, 2018 and December 31, 2017, the margins ranged between 0.60% and 2.25%. The Euro-denominated term loans reduce in monthly payments with varying maturities through 2023, are collateralized by first-priority mortgages on two of Teekay LNG's vessels, together with certain other security, and are guaranteed by Teekay LNG and one of its subsidiaries.

Both Euro-denominated term loans and NOK-denominated bonds are revalued at the end of each period using the then-prevailing U.S. Dollar exchange rate. Due primarily to the revaluation of the Company's NOK-denominated bonds, the Company's Euro-denominated term loans, obligations related to capital leases and restricted cash, and the change in the valuation of the Company's cross-currency swaps, the Company recognized a foreign exchange gain (loss) of $12.5 million (2017 – $(17.3) million) and $12.6 million (2017 – $(20.2) million) during the three and six months ended June 30, 2018 and 2017, respectively.

The weighted-average interest rate on the Company's aggregate long-term debt as at June 30, 2018 was 5.0% (December 31, 2017 – 4.3%). This rate does not include the effect of the Company's interest rate swap agreements (see Note 14).

Teekay has guaranteed obligations pursuant to certain credit facilities of Teekay Tankers. As at June 30, 2018, the aggregate outstanding balance on such credit facilities was $226.8 million.

The aggregate annual long-term debt principal repayments required to be made by the Company subsequent to June 30, 2018, after giving effect to the debt facility refinancing completed in July 2018 (see Note 18), are $0.4 billion (remainder of 2018), $0.3 billion (2019), $1.1 billion (2020), $0.8 billion (2021), $0.2 billion (2022) and $0.6 billion (thereafter).

The Company's long-term debt agreements generally provide for maintenance of minimum consolidated financial covenants and seven loan agreements require the maintenance of vessel market value to loan ratios. As at June 30, 2018, these ratios ranged from 126% to 183% compared to their minimum required ratios of 105% to 135%. The vessel values used in these ratios are the appraised values provided by third parties where available, or prepared by the Company based on second-hand sale and purchase market data. Changes in the LNG/LPG carrier and conventional tanker markets could negatively affect the Company's compliance with these ratios.

One of Teekay Tankers' revolvers is guaranteed by Teekay Parent and contains covenants that require Teekay Parent to maintain the greater of free liquidity (cash and cash equivalents and undrawn committed revolving credit lines with

at least six months to maturity) of $50.0 million and at least 5.0% of Teekay's total consolidated debt which has recourse to Teekay Parent. Two of Teekay Tankers' term loans require Teekay Parent and Teekay Tankers in aggregate to maintain the greater of (a) free cash (cash and cash equivalents) of at least $100.0 million for one of the term loans and $50.0 million for the other and (b) an aggregate of free cash and undrawn committed revolving credit lines with at least six months to maturity of at least 7.5% for one of the term loans and 5.0% for the other, of their total debt. In addition, certain loan agreements require Teekay Tankers to maintain a minimum liquidity (cash, cash equivalents and undrawn committed revolving credit lines with at least six months to maturity) of $35.0 million and at least 5.0% of Teekay Tankers' total consolidated debt. Certain loan agreements require Teekay LNG to maintain a minimum level of tangible net worth, and minimum liquidity (cash, cash equivalents and undrawn committed revolving credit lines with at least six months to maturity) of $35.0 million, and not to exceed a maximum level of financial leverage.

As at June 30, 2018, the Company was in compliance with all covenants under its credit facilities and other long-term debt.

9. Capital Stock

The authorized capital stock of Teekay at June 30, 2018 and December 31, 2017 was 25 million shares of preferred stock, with a par value of $1 per share, and 725 million shares of common stock, with a par value of $0.001 per share. As at June 30, 2018, Teekay had no shares of preferred stock issued.

During the six months ended June 30, 2018, Teekay completed a public offering of 10.0 million common shares priced at $9.75 per share, raising net proceeds of approximately $93.0 million, issued 1.1 million shares of common stock as part of a continuous offering program, generating net proceeds of $10.7 million, and issued 0.2 million shares of common stock pursuant to stock options, restricted stock units and restricted stock awards.

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During the six months ended June 30, 2018 and 2017, the Company granted 1,048,916 and 731,405 stock options with exercise prices of $8.67 and $10.18 per share, respectively, 625,878 and 343,330 restricted stock units with fair values of $5.4 million and $3.5 million, respectively, and 79,869 and 83,739 shares of restricted stock awards with fair values of $0.7 million and $0.9 million, respectively, to certain of the Company's employees and directors. Each stock option has a ten-year term and vests equally over three years from the grant date. Each restricted stock unit and restricted stock award is equal in value to one share of the Company's common stock plus reinvested dividends from the grant date to the vesting date. The restricted stock units vest equally over three years from the grant date. Upon vesting, the value of the restricted stock units and restricted stock awards are paid to each grantee in the form of shares.

The weighted-average grant-date fair value of stock options granted during March 2018 was $4.21 per stock option. The fair value of each stock option granted was estimated on the grant date using the Black-Scholes option pricing model. The following weighted-average assumptions were used in computing the fair value of the stock options granted: expected volatility of 64.8%; expected life of 5.5 years; dividend yield of 2.5%; risk-free interest rate of 2.6%; and estimated forfeiture rate of 7.4%. The expected life of the stock options granted was estimated using the historical exercise behavior of employees. The expected volatility was generally based on historical volatility as calculated using historical data during the five years prior to the grant date.

Share-based Compensation of Subsidiaries and Equity-Accounted Investments

During the six months ended June 30, 2018 and 2017, 293,770 and 56,950 common units of Teekay Offshore, respectively, 17,498 and 17,345 common units of Teekay LNG, respectively, and 168,029 and nil shares of Class A common stock of Teekay Tankers, respectively, with aggregate values of $1.3 million and $0.6 million, respectively, were granted and issued to the non-management directors of the general partners of Teekay Offshore and Teekay LNG and the non-management directors of Teekay Tankers as part of their annual compensation for 2018 and 2017.

Teekay Offshore, Teekay LNG and Teekay Tankers grant equity-based compensation awards as incentive-based compensation to certain employees of Teekay Offshore's and Teekay's subsidiaries that provide services to Teekay Offshore, Teekay LNG and Teekay Tankers. During the six months ended June 30, 2018 and 2017, Teekay Offshore and Teekay LNG granted phantom unit awards and Teekay Tankers granted restricted stock-based compensation awards with respect to 1,424,058 and 321,318 common units of Teekay Offshore, 62,283 and 60,809 common units of Teekay LNG and 762,640 and 382,437 Class A common shares of Teekay Tankers, respectively, with aggregate grant date fair values of $5.8 million and $3.5 million, respectively, based on Teekay Offshore, Teekay LNG and Teekay Tankers' closing unit or stock prices on the grant dates. Each phantom unit or restricted stock unit is equal in value to one of Teekay Offshore's, Teekay LNG's or Teekay Tankers' common units or common shares plus reinvested distributions or dividends from the grant date to the vesting date. The awards vest equally over three years from the grant date. Upon vesting, the awards are paid to a substantial majority of the grantees in the form of common units or common shares, net of withholding tax.

During March 2018, Teekay Tankers granted 736,327 and 504,097 stock options with an exercise price of $1.22 per share to officers and non-management directors of Teekay Tankers, respectively. During March 2017, Teekay Tankers granted 486,329 and 396,412 stock options with an exercise price of $2.23 per share to officers and non-management directors of Teekay Tankers, respectively. Each stock option has a ten-year term and vests equally over three years from the grant date.

10. Commitments and Contingencies

a) Vessels Under Construction

As at June 30, 2018, Teekay LNG was committed to the construction of four LNG carriers for a total cost of approximately $0.8 billion, including capitalized interest and other miscellaneous construction costs. Two LNG carriers are scheduled for delivery during the second half of 2018 and two LNG carriers are scheduled for delivery in 2019. As at June 30, 2018, payments made towards these commitments totaled $349.2 million. As at June 30, 2018, the remaining payments required to be made under these newbuilding and conversion capital commitments were $244.1 million (remainder of 2018) and $250.0 million (2019). Teekay LNG has secured $371 million of undrawn financing related to the remaining commitments for three of the four LNG carrier newbuildings.

b) Equity-Accounted Investments

Teekay LNG's share of commitments to fund newbuilding and other construction contract costs of its equity-accounted joint ventures as at June 30, 2018 is as follows:

	Total	Remainder of 2018	2019	2020
	$	$	$	$
Equity-accounted joint ventures (i)	763,318	243,990	320,028	199,300

(i) The commitment amounts relating to Teekay LNG's share of costs for newbuilding and other construction contracts in Teekay LNG's equity-accounted joint ventures are based on Teekay LNG's ownership percentage in each respective joint venture as of June 30, 2018. These commitments are described in more detail in Note 16 of the Company's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2017. As of June 30, 2018, based on Teekay LNG's ownership percentage in each respective joint venture, Teekay LNG's equity-accounted joint ventures have secured $724 million of financing related to the remaining commitments included in the table above.

c) Liquidity

Management is required to assess if the Company will have sufficient liquidity to continue as a going concern for the one-year period following the issuance of its financial statements. The Company had a consolidated net loss of $49.6 million and consolidated cash flows from operating activities of $110.4 million during the six months ended June 30, 2018, and ended the second quarter of 2018 with a working capital deficit of $193.7 million. This working capital deficit primarily relates to the scheduled debt maturities in the next 12 months and repayments of approximately $527.5 million of outstanding consolidated debt which was classified as current liabilities as at June 30, 2018. In addition to these obligations, the Company also anticipates that Teekay LNG will be required to make payments related to commitments to fund vessels under construction and refinance or repay its debt facilities maturing in the remainder of 2018 and in 2019, and the Company expects that Teekay Tankers' operating cash flows in 2018, on average, will be lower than in 2017 as a result of lower expected average spot tanker rates.

Based on these factors, over the one-year period following the issuance of their consolidated financial statements, the Company’s consolidated subsidiaries, Teekay Tankers and Teekay LNG, will need to obtain additional sources of liquidity, in addition to amounts generated from operations, to meet their minimum liquidity requirements under their financial covenants. These anticipated potential sources of additional liquidity include: refinancing various loan facilities of Teekay LNG and Teekay Tankers; completing proposed sale-leaseback transactions for additional vessels in Teekay Tankers; the completion of a proposed loan to finance working capital for the Teekay Tankers’ RSA management operations in the fourth quarter of 2018; completing new secured debt financings related to vessels under construction and projects for Teekay LNG and Teekay Tankers; and raising capital through equity and/or bond issuances. The success of these initiatives of the Controlled Daughter Entities may impact the liquidity of Teekay Parent as a result of certain guarantees provided by Teekay Parent to Teekay Tankers and through the payment of dividends/distributions by the Controlled Daughter Entities to Teekay Parent.

The Company is actively pursuing the alternatives described above. The Company considers a number of the alternatives probable of completion based on the Company’s history of being able to complete sale-leaseback transactions and equity and bond issuances, refinance similar loan facilities and to obtain new debt financing for its vessels under construction, as well as the progress it has made to-date on the other liquidity initiatives described above. The Company is in various stages of completion on these matters.

Based on the Company’s liquidity at the date these consolidated financial statements were issued, the liquidity the Company expects to generate from operations over the following year, and by incorporating the Company’s plans to raise additional liquidity that it considers probable of completion, the Company expects that it will have sufficient liquidity to continue as a going concern for at least the one-year period following the issuance of these consolidated financial statements.

d) Legal Proceedings and Claims

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

Teekay Nakilat Capital Lease

Teekay LNG owns a 70% interest in Teekay Nakilat Corporation (or Teekay Nakilat Joint Venture), which wholly-owns a subsidiary which was the lessee under three separate 30-year capital lease arrangements with a third party for three LNG carriers (or the RasGas II LNG Carriers). Under the terms of the leases, the lessor claimed tax depreciation on the capital expenditures it incurred to acquire these vessels. As is typical in these leasing arrangements, tax and change of law risks were assumed by the lessee, in this case the Teekay Nakilat Joint Venture. Lease payments under the lease arrangements were based on certain tax and financial assumptions at the commencement of the leases in 2006 and subsequently adjusted to maintain the lessor's agreed after-tax margin. On December 22, 2014, the Teekay Nakilat Joint Venture terminated the leasing of the RasGas II LNG Carriers; however, the joint venture remained obligated to the lessor for changes in tax treatment.

The UK taxing authority (or HMRC) has been challenging the use by third parties of similar lease structures in the United Kingdom courts. One of those challenges was eventually decided in favor of HMRC (Lloyds Bank Equipment Leasing No. 1 or LEL1), with the lessor and lessee choosing not to appeal further. The LEL1 tax case concluded that capital allowances are not available to the lessor. On the basis of this conclusion, HMRC is now asking lessees on other leases, including the Teekay Nakilat Joint Venture, to accept that capital allowances are not available to their lessors. Under the terms of the Teekay Nakilat Joint Venture lease, the lessor is entitled to make a determination that additional rentals are due, even where a court has not made a determination on whether capital allowances are available or where discussions are otherwise ongoing with HMRC on the matter (such that additional rentals paid may be rebated in due course if the final tax position is not as determined by the lessor). The Teekay Nakilat Joint Venture received initial indications from the lessor in April 2018, which were confirmed on May 10, 2018, that the lessor made a determination that additional rentals are due under the leases. In June 2018, the Teekay Nakilat Joint Venture partially paid the tax indemnification guarantee liability by releasing its $7.0 million deposit it had made with the lessor. As at June 30, 2018, the Teekay Nakilat Joint Venture’s carrying amount of this estimated tax indemnification guarantee liability was $56.0 million or 42.3 million GBP (December 31, 2017 – $62.7 million or 46.4 million GBP). The amount is included as part of accrued liabilities and other in the Company's consolidated balance sheets. The Teekay Nakilat Joint Venture is in discussions with HMRC in relation to the correct tax treatment to be applied to the leases.

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e) Other

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

11. Financial Instruments

a) Fair Value Measurements

For a description of how the Company estimates fair value and for a description of the fair value hierarchy levels, see Note 11 in the Company's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2017.

The following table includes the estimated fair value and carrying value of those assets and liabilities that are measured at fair value on a recurring and non-recurring basis as well as the estimated fair value of the Company's financial instruments that are not accounted for at fair value on a recurring basis.

		June 30, 2018		December 31, 2017	
	Fair Value Hierarchy Level	Carrying Amount Asset (Liability) $	Fair Value Asset (Liability) $	Carrying Amount Asset (Liability) $	Fair Value Asset (Liability) $
Recurring					
Cash, cash equivalents and restricted cash	Level 1	545,026	545,026	552,174	552,174
Derivative instruments (note 14)					
Interest rate swap agreements – assets[1]	Level 2	15,503	15,503	6,081	6,081
Interest rate swap agreements – liabilities[1]	Level 2	(56,233)	(56,233)	(78,560)	(78,560)
Cross-currency interest swap agreements – assets[1]	Level 2	6,449	6,449	3,758	3,758
Cross-currency interest swap agreements – liabilities[1]	Level 2	(50,975)	(50,975)	(54,217)	(54,217)
Foreign currency contracts	Level 2	—	—	81	81
Stock purchase warrants	Level 3	35,271	35,271	30,749	30,749
Freight forward agreements	Level 1	18	18	—	—
Non-recurring					
Vessels and equipment (note 7)	Level 2	65,209	65,209	—	—
Vessels held for sale (note 7)	Level 2	—	—	16,671	16,671
Other					
Loans to equity-accounted investees – Current	(2)	66,161	(2)	107,486	(2)
Advances to equity-accounted investees and joint venture partners – Long-term	(2)	166,328	(2)	146,420	(2)
Long-term receivable included in accounts receivable and other non-current assets[3]	Level 3	1,200	1,194	3,476	3,459
Long-term debt – public (note 8)	Level 1	(961,344)	(992,612)	(963,563)	(979,773)
Long-term debt – non-public (note 8)	Level 2	(2,387,989)	(2,355,850)	(2,454,142)	(2,421,273)
	Level 2	(1,352,198)	(1,306,537)	(1,160,457)	(1,148,989)

Obligations related to capital leases, including current portion

(1) The fair value of the Company's interest rate swap and cross-currency swap agreements at June 30, 2018 includes $4.0 million (December 31, 2017 - $5.7 million) accrued interest expense which is recorded in accrued liabilities on the unaudited consolidated balance sheets.

(2) In the unaudited interim consolidated financial statements, the Company’s loans to and equity investments in equity-accounted investees form the aggregate carrying value of the Company’s interests in entities accounted for by the equity method. The fair value of the individual components of such aggregate interests is not determinable.

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(3) As at June 30, 2018, the estimated fair value of the non-interest-bearing receivable from Royal Dutch Shell plc (or Shell) is based on the remaining future fixed payments as well as an estimated discount rate. The estimated fair value of this receivable as of June 30, 2018 was $1.2 million (December 31, 2017 – $3.5 million) using a discount rate of 8.0%. As there is no market rate for the equivalent of an unsecured non-interest-bearing receivable from Shell, the discount rate is based on unsecured debt instruments of similar maturity held by the Company, adjusted for a liquidity premium. A higher or lower discount rate would result in a lower or higher fair value asset.

Stock purchase warrants - As at June 30, 2018, Teekay held 14.5 million common unit warrants issued by Teekay Offshore (or Brookfield Transaction Warrants) (see Note 3 of the Company's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2017), which warrants are among those issued by Teekay Offshore to Brookfield and Teekay as part of the Brookfield Transaction. In July 2018, Brookfield transferred to Teekay an additional 1.0 million Brookfield Transaction Warrants upon Brookfield's exercise of its option to acquire an additional 2% of ownership interests in Teekay Offshore's general partner from Teekay. The Brookfield Transaction Warrants allow the holders to acquire one common unit of Teekay Offshore for each Brookfield Transaction Warrant for an exercise price of $0.01 per common unit, which warrants become exercisable when Teekay Offshore's common unit volume-weighted average price is equal to or greater than $4.00 per common unit for 10 consecutive trading days until September 25, 2024. The fair value of the Brookfield Transaction Warrants was $33.8 million and $29.4 million on June 30, 2018 and December 31, 2017, respectively.

As of June 30, 2018, in addition to the Brookfield Transaction Warrants, Teekay held a total of 1,755,000 warrants to purchase common units of Teekay Offshore that were issued in connection with Teekay Offshore's private placement of Series D Preferred Units in June 2016 (or the Series D Warrants) with an exercise price of $4.55, which have a seven-year term. The Series D Warrants will be net settled in either cash or common units at Teekay Offshore's option. The fair value of the Series D Warrants was $1.5 million and $1.3 million on June 30, 2018 and December 31, 2017, respectively.

The estimated fair values of the Brookfield Transaction Warrants and the Series D Warrants were determined using a Black-Scholes pricing model and are based, in part, on the historical price of common units of Teekay Offshore, the risk-free rate, vesting conditions and the historical volatility of Teekay Offshore. The estimated fair values of these Brookfield Transaction Warrants and Series D Warrants as of June 30, 2018 were based on the historical volatility of Teekay Offshore's common units of 58.1% and 55.8%, respectively. A higher or lower volatility would result in a higher or lower fair value of this derivative asset.

During January 2014, the Company received from Tanker Investments Limited (or TIL) stock purchase warrants entitling it to purchase up to 1.5 million shares of common stock of TIL. In May 2017, Teekay Tankers entered into a merger agreement with TIL, and in November 2017, on completion of the merger, TIL became a wholly-owned subsidiary of Teekay Tankers. This transaction and its effects are described in more detail in Note 4a of the Company's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2017. Under the terms of the merger agreement, warrants to purchase or acquire shares of common stock of TIL that had not been exercised as of the effective time of the merger, were canceled. As a result, no value is recorded for this warrant in the Company's balance sheet at June 30, 2018.

Changes in fair value during the three and six months ended June 30, 2018 and 2017 for the Company's Brookfield Transaction Warrants, Series D Warrants and the TIL stock purchase warrants, as applicable, which are described above and were measured at fair value on the recurring basis using significant unobservable inputs (Level 3), are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Fair value at the beginning of the period	29,065	332	30,479	575
Unrealized gain (loss) included in earnings	6,206	(332)	4,792	(575)
Fair value at the end of the period	35,271	—	35,271	—

b) Financing Receivables

The following table contains a summary of the Company's carrying value of financing receivables by type of borrower and the method by which the Company monitors the credit quality of its financing receivables on a quarterly basis.

Class of Financing Receivable	Credit Quality Indicator	Grade	June 30, 2018 $	December 31, 2017 $
Direct financing leases	Payment activity	Performing	490,747	495,990
Other loan receivables				
Loans to equity-accounted investees and joint venture partners	Other internal metrics	Performing	232,489	253,906
Long-term receivable and accrued revenue included in accounts receivable and other assets	Payment activity	Performing	14,093	12,175
			737,329	762,071

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12. Restructuring Charges
During the three and six months ended June 30, 2018, the Company recorded restructuring charges of $1.1 million and $3.3 million, respectively. The restructuring charges primarily related to severance costs resulting from reorganization and realignment of resources of certain of the Company's business development, marine solutions and fleet operations functions to better respond to the changing business environment.

During the three and six months ended June 30, 2017, the Company recorded restructuring charges of $nil and $2.2 million, respectively. The restructuring charges primarily related to the reorganization and realigning of resources of certain of the Company's strategic development functions to better respond to the changing business environment, and reorganization of the Company's FPSO business to create better alignment with the Company's offshore operations.

At June 30, 2018 and December 31, 2017, $0.9 million and $1.3 million, respectively, of restructuring liabilities were recorded in accrued liabilities and other on the consolidated balance sheets.
13. Accumulated Other Comprehensive Income (Loss)
As at June 30, 2018 and December 31, 2017, the Company’s accumulated other comprehensive income (loss) (or AOCI) consisted of the following components:

	June 30, 2018 $	December 31, 2017 $
Unrealized gain on qualifying cash flow hedging instruments	4,421	1,409
Pension adjustments, net of tax recoveries	(2,601)	(10,697)
Foreign exchange gain on currency translation	3,343	3,293
	5,163	(5,995)

14. Derivative Instruments and Hedging Activities
The Company uses derivatives to manage certain risks in accordance with its overall risk management policies.

Foreign Exchange Risk

From time to time the Company economically hedges portions of its forecasted expenditures denominated in foreign currencies with foreign currency forward contracts. As at June 30, 2018, the Company was not committed to any foreign currency forward contracts.

The Company enters into cross-currency swaps, and pursuant to these swaps the Company receives the principal amount in NOK on the maturity date of the swap, in exchange for payment of a fixed U.S. Dollar amount. In addition, the cross-currency swaps exchange a receipt of floating interest in NOK based on NIBOR plus a margin for a payment of U.S. Dollar fixed interest. The purpose of the cross-currency swaps is to economically hedge the foreign currency exposure on the payment of interest and principal amounts of the Company’s NOK-denominated bonds due in 2018, 2020 and 2021. In addition, the cross-currency swaps economically hedge the interest rate exposure on the NOK bonds due in 2018, 2020 and 2021. The Company has not designated, for accounting purposes, these cross-currency swaps as cash flow hedges of its NOK-denominated bonds due in 2018, 2020 and 2021. As at June 30, 2018, the Company was committed to the following cross-currency swaps:

Notional Amount NOK	Notional Amount USD	Floating Rate Receivable Reference Rate	Margin	Fixed Rate Payable	Fair Value / Carrying Amount of Asset / (Liability)	Remaining Term (years)

					$	
900,000	150,000	NIBOR	4.35%	6.43%	(40,214)	0.2
1,000,000	134,000	NIBOR	3.70%	5.92%	(10,761)	1.9
1,200,000	146,500	NIBOR	6.00%	7.72%	6,449	3.3
					(44,526)	

Interest Rate Risk

The Company enters into interest rate swap agreements, which exchange a receipt of floating interest for a payment of fixed interest, to reduce the Company's exposure to interest rate variability on its outstanding floating-rate debt. The Company designates certain of its interest rate swap agreements as cash flow hedges for accounting purposes.

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As at June 30, 2018, the Company was committed to the following interest rate swap agreements related to its LIBOR-based debt and EURIBOR-based debt, whereby certain of the Company's floating-rate debt were swapped with fixed-rate obligations:

	Interest Rate Index	Principal Amount	Fair Value / Carrying Amount of Asset / (Liability) $	Weighted-Average Remaining Term (years)	Fixed Interest Rate (%) [1]
LIBOR-Based Debt:					
U.S. Dollar-denominated interest rate swaps [2]	LIBOR	1,256,827	(14,623)	4.1	2.9
EURIBOR-Based Debt:					
Euro-denominated interest rate swaps [3]	EURIBOR	217,621	(26,107)	2.5	3.1
			(40,730)		

(1) Excludes the margins the Company pays on its variable-rate debt, which, as of June 30, 2018, ranged from 0.3% to 4.0%.

(2) Includes interest rate swaps with the notional amount reducing quarterly or semi-annually. Two interest rate swaps are subject to mandatory early termination in 2020 and 2021, at which time the swaps will be settled based on their fair value.

(3) Principal amount is the U.S. Dollar equivalent of 186.2 million Euros. Principal amount reduces monthly to 70.1 million Euros ($81.9 million) by the maturity dates of the swap agreements. Certain of these Euro-denominated interest rate swaps are subject to mandatory early termination in 2018 whereby the swaps will be settled based on their fair value at that time. Certain of these interest rate swaps were terminated in July 2018.

Stock Purchase Warrants

As at June 30, 2018, Teekay held 14.5 million Brookfield Transaction Warrants (see Notes 4 and 11) with a fair value of $33.8 million on June 30, 2018.

As of June 30, 2018, Teekay held 1,755,000 Series D Warrants of Teekay Offshore (see Notes 4 and 11) with a fair value of $1.5 million on June 30, 2018.

Tabular Disclosure

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

	Prepaid Expenses and Other	Other Non-Current Assets	Accrued Liabilities and Other	Current Portion of Derivative Liabilities	Derivative Liabilities
	$	$	$	$	$
As at June 30, 2018					
Derivatives designated as a cash flow hedge:					
Interest rate swap agreements	515	5,594	—	—	—
Derivatives not designated as a cash flow hedge:					

Interest rate swap agreements	3,053	5,869	(3,385)	(22,812)	(29,564)
Cross-currency swap agreements	—	7,212	(645)	(42,284)	(8,809)
Stock purchase warrants	—	35,271	—	—	—
Forward freight agreements	34	—	—	(16)	—
	3,602	53,946	(4,030)	(65,112)	(38,373)
As at December 31, 2017					
Derivatives designated as a cash flow hedge:					
Interest rate swap agreements	—	1,037	(18)	(751)	(7)
Derivatives not designated as a cash flow hedge:					
Foreign currency contracts	96	—	—	(15)	—
Interest rate swap agreements	1,124	4,319	(4,836)	(35,134)	(38,213)
Cross-currency swap agreements	—	5,042	(810)	(44,523)	(10,168)
Stock purchase warrants	—	30,749	—	—	—
	1,220	41,147	(5,664)	(80,423)	(48,388)

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As at June 30, 2018, the Company had multiple interest rate swaps and cross-currency swaps with the same counterparty that are subject to the same master agreements. Each of these master agreements provides for the net settlement of all derivatives subject to that master agreement through a single payment in the event of default or termination of any one derivative. The fair value of these derivatives is presented on a gross basis in the Company's unaudited consolidated balance sheets. As at June 30, 2018, these derivatives had an aggregate fair value asset amount of $21.4 million and an aggregate fair value liability amount of $73.6 million. As at June 30, 2018, the Company had $17.2 million on deposit with the relevant counterparties as security for swap liabilities under certain master agreements. The deposit is presented in restricted cash on the unaudited consolidated balance sheets.

For the periods indicated, the following table presents the effective portion of gains (losses) on interest rate swap agreements designated and qualifying as cash flow hedges (excluding such agreements in equity-accounted investments):

Three Months Ended June 30, 2018

Effective Portion Recognized in AOCI(1)	Effective Portion Reclassified from AOCI(2)	Ineffective Portion(3)	
$	$	$	
1,534	2	—	Interest expense
1,534	2	—	

Three Months Ended June 30, 2017

Effective Portion Recognized in AOCI(1)	Effective Portion Reclassified from AOCI(2)	Ineffective Portion(3)	
(1,508)	(706)	(821)	Interest expense
(1,508)	(706)	(821)	

Six Months Ended June 30, 2018

Effective Portion Recognized in AOCI(1)	Effective Portion Reclassified from AOCI(2)	Ineffective Portion(3)	
$	$	$	
5,090	(248)	740	Interest expense
5,090	(248)	740	

Six Months Ended June 30, 2017

Effective Portion Recognized in AOCI(1)	Effective Portion Reclassified from AOCI(2)	Ineffective Portion(3)	
(1,562)	(762)	(754)	Interest expense
(1,562)	(762)	(754)	

(1) Recognized in accumulated other comprehensive income (loss) (or AOCI).
(2) Recorded in AOCI during the term of the hedging relationship and reclassified to earnings.
(3) Recognized in the ineffective portion of gains (losses) on derivative instruments designated and qualifying as cash flow hedges.

Realized and unrealized (losses) and gains from derivative instruments that are not designated for accounting purposes as cash flow hedges are recognized in earnings and reported in realized and unrealized gains (losses) on

non-designated derivatives in the unaudited consolidated statements of loss. The effect of the (losses) and gains on derivatives not designated as hedging instruments in the unaudited consolidated statements of loss is as follows:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Realized (losses) gains relating to:				
Interest rate swap agreements	(4,031)	(15,914)	(8,840)	(32,470)
Interest rate swap agreement terminations	—	(1,005)	—	(610)
Foreign currency forward contracts	—	(618)	—	(971)
Time charter swap agreement	—	360	—	1,106
Forward freight agreements	(18)	80	(18)	113
	(4,049)	(17,097)	(8,858)	(32,832)
Unrealized gains (losses) relating to:				
Interest rate swap agreements	8,532	(15,517)	24,451	(6,394)
Foreign currency forward contracts	—	2,808	—	3,648
Stock purchase warrants	6,206	(332)	4,522	(575)
Time charter swap agreement	—	(402)	—	(875)
Forward freight agreements	34	(30)	34	(17)
	14,772	(13,473)	29,007	(4,213)
Total realized and unrealized gains (losses) on derivative instruments	10,723	(30,570)	20,149	(37,045)

Realized and unrealized gains and losses of the cross-currency swaps are recognized in earnings and reported in foreign exchange gain (loss) in the consolidated statements of loss. The effect of the gains and losses on cross-currency swaps on the consolidated statements of loss is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Realized losses on maturity and termination of cross-currency swaps	—	(25,733)	—	(25,733)
Realized losses	(1,798)	(5,394)	(3,182)	(12,135)
Unrealized (losses) gains	(16,566)	43,017	5,768	50,096
Total realized and unrealized (losses) gains on cross-currency swaps	(18,364)	11,890	2,586	12,228

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

15. Income Tax Expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$

Current	(8,410)	(4,283)	(11,221)	(5,945)
Deferred	(336)	756	(1,642)	(601)
Income tax expense	(8,746)	(3,527)	(12,863)	(6,546)

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The following reflects the changes in the Company's potential tax on freight income, recorded in other long-term liabilities, from January 1, 2018 to June 30, 2018:

	$
Balance of unrecognized tax benefits as at January 1, 2018	31,061
Increase for positions related to the current period	2,047
Changes for positions taken in prior periods	2,337
Decrease related to statute of limitations	(312)
Balance of unrecognized tax benefits as at June 30, 2018	35,133

The majority of the net increase for positions for the six months ended June 30, 2018 relates to potential tax on freight income.

The Company does not presently anticipate such unrecognized tax benefits will significantly increase or decrease in the next 12 months; however, actual developments could differ from those currently expected.

16. Net Loss Per Share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Net loss attributable to the shareholders of Teekay Corporation - basic and diluted	(28,324)	(80,152)	(48,879)	(125,408)
Weighted average number of common shares	100,434,512	86,259,207	98,892,574	86,217,567
Common stock and common stock equivalents	100,434,512	86,259,207	98,892,574	86,217,567
Loss per common share - basic and diluted	(0.28)	(0.93)	(0.49)	(1.45)

The Company intends to settle the principal of the Convertible Notes in cash on conversion and calculates diluted earnings per share using the treasury-stock method. Stock-based awards and the conversion feature on the Convertible Notes that have an anti-dilutive effect on the calculation of diluted loss per common share, are excluded from this calculation. For the three and six months ended June 30, 2018, options to acquire 3.9 million shares of Teekay Common Stock had an anti-dilutive effect on the calculation of diluted income per common share (three and six months ended June 30, 2017 - 4.0 million). In periods where a loss attributable to shareholders of Teekay has been incurred, all stock-based awards and the conversion feature on the Convertible Notes are anti-dilutive.

17. Supplemental Cash Flow Information

Total cash, cash equivalents and restricted cash are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017	December 31, 2016
	$	$	$	$
Cash and cash equivalents	454,933	445,452	600,881	567,994
Restricted cash – current	55,466	38,179	108,535	107,672
Restricted cash – non-current	34,627	68,543	105,342	129,576
	545,026	552,174	814,758	805,242

The Company maintains restricted cash deposits relating to certain term loans, leasing arrangements, project tenders, and collateral for cross-currency swaps (see note 14).

18. Subsequent Events

a)On July 6, 2018, Teekay LNG refinanced an outstanding debt facility of $107 million Euro ($125 million) maturing in 2018 and secured by the Madrid Spirit LNG carrier, with a new $100 million Euro ($117 million) debt facility maturing in 2024.

b)On July 17, 2018, Teekay LNG took delivery of an LNG carrier newbuilding, the Megara, which concurrently commenced its eight-year charter contract with Shell. Upon delivery of the vessel, Teekay LNG sold and leased back the vessel under a sale-leaseback financing transaction, which includes a purchase obligation at the end of the ten-year bareboat charter contract.

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c)On July 31, 2018, Teekay LNG's 50%-owned Exmar LPG Joint Venture took delivery of its ninth LPG carrier newbuilding, the Wepion. In addition, the Exmar LPG Joint Venture completed a three-year, $35 million financing for the Wepion in July 2018.

d)On August 22, 2018, Teekay LNG priced NOK 850 million (approximately $100 million) in new senior unsecured bonds that mature in August 2023 in the Norwegian bond market. The bond offering is scheduled to close on August 29, 2018.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited consolidated financial statements and accompanying notes contained in "Item 1 – Financial Statements" of this Report on Form 6-K and with our audited consolidated financial statements contained in "Item 18 – Financial Statements" and with Management's Discussion and Analysis of Financial Condition and Results of Operations in "Item 5 – Operating and Financial Review and Prospects" of our Annual Report on Form 20-F for the year ended December 31, 2017. Unless otherwise indicated, references in this Report to "Teekay," the "Company," "we," "us" and "our" and similar terms refer to Teekay Corporation and its subsidiaries.

Overview

Teekay Corporation (or Teekay) is an operational leader and project developer in the marine midstream space. We have 100% and 49% general partnership interests in two publicly-listed master limited partnerships, Teekay LNG Partners L.P. (or Teekay LNG) and Teekay Offshore Partners L.P. (or Teekay Offshore), respectively. In addition, we have a controlling interest in publicly-listed Teekay Tankers Ltd. (or Teekay Tankers) and we have a small fleet of directly-owned vessels. Teekay provides a comprehensive set of marine services to the world's leading oil and gas companies.

ITEMS YOU SHOULD CONSIDER WHEN EVALUATING OUR RESULTS

In addition to the factors listed below, there are a number of factors that should be considered when evaluating our historical financial performance and assessing our future prospects and we use a variety of financial and operational terms and concepts when analyzing our results of operations. These items can be found in "Item 5 – Operating and Financial Review and Prospects" in our Annual Report on Form 20-F for the year ended December 31, 2017.

- On September 25, 2017, Teekay deconsolidated Teekay Offshore (please read "Item 1 - Financial Statements: Note 4 - Deconsolidation of Teekay Offshore and Note 5 - Segment Reporting"). Our consolidated results included in this report include those of Teekay Offshore until the date of its deconsolidation.

- In May 2014, the Financial Accounting Standards Board (or FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (or ASU 2014-09) (please read "Item 1 - Financial Statements: Note 2 - Recent Accounting Pronouncements"). Teekay has adopted ASU 2014-09 as a cumulative-effect adjustment as of January 1, 2018, and as a result comparative periods do not reflect the effect of this new standard. The following differences had a material effect on revenues reported in the first half of 2018:

- Teekay Tankers previously presented the net allocation for its vessels participating in revenue sharing arrangements as revenues. Teekay Tankers has determined that it is the principal in voyages its vessels perform that are included in the revenue sharing arrangements. As such, the revenue from those voyages will be presented in voyage revenues and the difference between this amount and Teekay Tankers' net allocation from the revenue sharing arrangement will be presented as voyage expenses. This had the effect of increasing both revenues and voyage expenses for the three and six months ended June 30, 2018 by $67.5 million and $128.8 million, respectively.

- Teekay Parent manages vessels owned by its equity-accounted investments and third parties. Upon the adoption of ASU 2014-09, costs incurred by Teekay Parent for its seafarers will be presented as vessel operating expenses and the reimbursement of such expenses will be presented as revenue, instead of such amounts being presented on a net basis. In the Teekay Parent - Other and Corporate G&A segment, this had the effect of increasing both revenues and vessel operating expenses for the three and six months ended June 30, 2018 by $19.6 million and $41.1 million, respectively.

- Teekay at times will enter into charter contracts that have annual performance measures that may result in Teekay receiving additional consideration each year based on the annual performance measure result for such year. Teekay

previously recognized such consideration upon completion of the annual performance period. Upon adoption of ASU 2014-09, the portion of such consideration allocable to the non-lease element of charter contracts is included in the determination of the contract consideration and recognized over annual performance period. In the Teekay Parent - Offshore Production segment, this had the effect of increasing revenue for the three and six months ended June 30, 2018 by approximately $1.8 million and $3.8 million, respectively.

RECENT DEVELOPMENTS AND RESULTS OF OPERATIONS

To understand our financial condition and results of operations, a general understanding of our organizational structure is required. Our organizational structure can be divided into (a) our controlling interests in two publicly-traded subsidiaries, Teekay LNG and Teekay Tankers (together, the Controlled Daughter Entities), (b) Teekay and its remaining subsidiaries, which is referred to herein as Teekay Parent, and (c) our equity-accounted investee, Teekay Offshore (together with the Controlled Daughter Entities, the Daughter Entities). For further information on our organizational structure, please read “Item 5. Operating and Financial Review and Prospects – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Structure”, in our Annual Report on Form 20-F for the year ended December 31, 2017.

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The results of operations that follow have first been divided into (a) our controlling interests in our publicly-traded subsidiaries Teekay LNG and Teekay Tankers, (b) Teekay Parent, and (c) the results of Teekay Offshore, which we consolidated until its deconsolidation on September 25, 2017. Within the first two of these three groups, we have further subdivided the results into their respective lines of business. The following table (a) presents revenues and income from vessel operations for each of these two subsidiaries, for Teekay Parent, and for Teekay Offshore, which we consolidated until its deconsolidation on September 25, 2017, and (b) reconciles these amounts to our unaudited consolidated financial statements.
Please read "Item 1 - Financial Statements: Note 5 - Segment Reporting" for information about our lines of business and segments.

	Revenues				Income from Vessel Operations			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30,		June 30,		June 30,		June 30,	
(in thousands of U.S. dollars)	2018	2017	2018	2017	2018	2017	2018	2017
Teekay LNG	122,315	100,904	237,621	202,084	10,505	29,871	35,647	75,949
Teekay Tankers	171,659	108,789	340,124	239,274	(13,415)	1,587	(21,836)	12,328
Teekay Parent	112,612	65,495	230,526	123,861	4,831	(29,390)	6,615	(65,062)
Teekay Offshore [(1)]	—	264,792	—	540,930	—	46,218	—	106,676
Elimination of intercompany [(2)]	(944)	(26,057)	(8,607)	(48,721)	—	—	—	—
Teekay Corporation Consolidated	405,642	513,923	799,664	1,057,428	1,921	48,286	20,426	129,891

(1) On September 25, 2017, Teekay deconsolidated Teekay Offshore (see "Item 1 - Financial Statements: Note 4 - Deconsolidation of Teekay Offshore" for additional information). The revenues and income from vessel operations amounts above are those of Teekay Offshore during the period that it was consolidated.

(2) During the three and six months ended June 30, 2018, Teekay chartered in three floating storage and off-take (or FSO) units and three shuttle tankers from Teekay Offshore, and two liquefied natural gas (or LNG) carriers from Teekay LNG. During the three and six months ended June 30, 2017, Teekay chartered in three FSO units and two shuttle tankers from Teekay Offshore, and two LNG carriers from Teekay LNG.

In accordance with United States generally accepted accounting principles (or GAAP), we report gross revenues in our consolidated statements of loss and include voyage expenses among our operating expenses. However, ship-owners base economic decisions regarding the deployment of their vessels upon anticipated time-charter equivalent (or TCE) rates and industry analysts typically measure bulk shipping freight rates in terms of TCE rates. This is because under time charter contracts and floating production, storage and offloading (or FPSO) service contracts, the customer usually pays the voyage expenses while under voyage charters and contracts of affreightment (or CoAs) the ship-owner usually pays the voyage expenses, which typically are added to the hire rate at an approximate cost. Accordingly, the discussion of revenue below focuses on revenues less voyage expenses (or Net Revenues), a non-GAAP financial measure, and TCE rates where applicable.

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Summary

Teekay's consolidated income from vessels operations decreased to $20.4 million for the six months ended June 30, 2018 compared to $129.9 million for the same period last year. The primary reasons for this net decrease in our consolidated results are as follows:

- in Teekay LNG, the write-downs of the Alexander Spirit, European Spirit and African Spirit conventional tankers and the Camilla Spirit, Cathinka Spirit, Napa Spirit and Pan Spirit multi-gas carriers in 2018, net of the initial write-down of the European Spirit in 2017, and redelivery of six multi-gas carriers, which were previously on bareboat charter contracts, partially offset by deliveries of the Torben Spirit, Macoma, Murex, Magdala and Myrina LNG carrier newbuildings between February 2017 and May 2018 and the commencements of their charter contracts;
- in Teekay Tankers, lower average TCE rates earned in the spot tanker market in the six months ended June 30, 2018 compared to 2017 and a net decrease primarily due to the expiry of time-charter out contracts for various vessels which subsequently traded on spot voyages at lower average realized rates, partially offset by lower operating expenditures in 2018 as a result of the sales of the Ganges Spirit, Yamuna Spirit, Kyeema Spirit, Kareela Spirit and Kanata Spirit and a loss incurred on vessel sales in 2017; and
- in Teekay Offshore, the impact of the deconsolidation of Teekay Offshore on September 25, 2017;

partially offset by

- in Teekay Parent, higher results due to contract amendments related to the Petrojarl Banff FPSO and Hummingbird Spirit FPSO that resulted in higher revenues, higher results on the Petrojarl Foinaven as a result of higher uptime and production in 2018 that resulted in higher revenues, the redelivery of two in-chartered LNG carriers to Teekay LNG in 2018 and the redelivery of the last two chartered-in conventional tankers to their owners in 2017.

Details of the changes to our results of operations for each of our segments for the three and six months ended June 30, 2018 compared to the same periods in the prior year are provided in the following sections.

Teekay LNG

Recent Developments in Teekay LNG

Three of Teekay LNG's carrier newbuildings, the Magdala, Myrina and Megara, delivered in February 2018, May 2018 and July 2018, respectively. Upon delivery, these vessels were sold to third parties and leased back under 10-year bareboat charter contracts with purchase obligations for each respective vessel and concurrently commenced their six-, eight- and eight-year charter contracts with Shell Royal Dutch Plc (or Shell), respectively.

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Teekay LNG currently has three wholly-owned LNG carrier newbuildings on order, including a floating storage unit (or FSU), which are scheduled for delivery between mid-2018 and early-2019. Teekay LNG has fixed-rate, time-charter contracts in place for all three LNG carrier newbuildings and financing in place for two of its three LNG carrier newbuildings. Teekay LNG expects to secure financing for its one unfinanced LNG carrier newbuilding prior to its delivery.

In March, May and July 2018, Teekay LNG's 50/50 joint venture with Exmar NV (or the Exmar LPG Joint Venture) took delivery of its seventh, eighth and ninth LPG carrier newbuildings in the past four years, the Kapellen, the Koksijde and the Wepion, respectively. The Kapellen is on a short-term charter contract and the other two vessels are currently trading in the spot market.

In March 2018, upon its scheduled redelivery from Teekay Parent, Teekay LNG re-chartered the Polar Spirit LNG carrier to an Asian-based energy company for a period of approximately three months and then subsequently secured employment for the vessel beginning in July 2018 for nine months with a subsidiary of Petroliam Nasional Berhad (or Petronas). In addition, Teekay LNG secured a four-year charter contract for the Arctic Spirit LNG carrier, also with a subsidiary of Petronas, which commenced immediately upon its redelivery from Teekay Parent to Teekay LNG in May 2018. In May 2018, Teekay LNG agreed to a six-month charter extension of the Torben Spirit LNG carrier with a major energy company to December 2018.

In February 2018, Compañía Española de Petróleos, S.A.U. (or CEPSA), the charterer, who is also the owner of Teekay LNG's vessel related to capital lease, the Teide Spirit, sold the vessel to a third party. As a result of this sale, Teekay LNG returned the vessel to CEPSA and the full amount of the associated obligation related to the capital lease was concurrently extinguished. In addition, Teekay LNG incurred associated seafarer severance payments in 2018 of approximately $1.4 million upon the sale of the vessel.

In May 2018, CEPSA gave formal notification to Teekay LNG of its intention to terminate its charter contract for the Toledo Spirit subject to certain conditions being met and the receipt of certain third-party approvals. The charterer’s cancellation option for the Toledo Spirit is first exercisable in August 2018.

In January 2018, Teekay LNG sold its 50% ownership interest in its joint venture with Exmar NV (or the Excelsior Joint Venture) to a third party for gross proceeds of approximately $54 million. Teekay LNG recognized a gain on the sale of its ownership interest of $5.6 million, which was recorded in equity income for the six months ended June 30, 2018.

In January and July 2018, Teekay LNG's joint venture with China LNG Shipping (Holdings) Limited (or China LNG), CETS Investment Management (HK) Co. Ltd. and BW LNG Investments Pte. Ltd. (or the Pan Union Joint Venture) took delivery of its second and third LNG carrier newbuildings, the Pan Americas and Pan Europe, respectively. Teekay LNG has ownership interests ranging from 20% to 30% in these vessels through the Pan Union Joint Venture. The vessels concurrently commenced their 20-year charter contracts with Shell upon delivery. The Pan Union Joint Venture currently has one remaining LNG carrier newbuilding, in which Teekay LNG has a 20% ownership interest, which is scheduled for delivery in early-2019. The Pan Union Joint Venture has secured financing in place for its remaining LNG carrier newbuilding.

In January 2018, Teekay LNG's 50/50 joint venture with China LNG Shipping (Holdings) Limited (or the Yamal LNG Joint Venture) took delivery of its first ARC7 LNG carrier newbuilding, the Eduard Toll. The vessel concurrently commenced its 28-year charter contract with Yamal Trade Pte. Ltd. The Yamal LNG Joint Venture has five remaining ARC7 LNG carrier newbuildings that are scheduled for delivery between late-2018 and early-2020. In

addition, the Yamal LNG consortium has asked Teekay LNG to deliver its second ARC7 LNG carrier earlier than the scheduled November date, and Teekay LNG is making arrangements to meet this request in order to service the project’s second LNG train, which is expected to come online in September 2018. The Yamal LNG Joint Venture has secured financing in place for its five remaining ARC7 LNG carrier newbuildings.

Two of the six LNG carriers (or MALT LNG Carriers) in Teekay LNG's 52% joint venture with Marubeni Corporation (or the Teekay LNG-Marubeni Joint Venture), the Marib Spirit and Arwa Spirit, are currently under long-term contracts expiring in 2029 with Yemen LNG Ltd. (or YLNG), a consortium led by Total SA. Due to the political situation in Yemen, YLNG decided to temporarily close operation of its LNG plant in Yemen in 2015. As a result, the Teekay LNG-Marubeni Joint Venture agreed in December 2015 to defer a portion of the charter payments for the two LNG carriers from January 1, 2016 to December 31, 2016 and further deferrals were agreed with YLNG to extend the deferral period to the end of the short-term sub-charter contracts for the Marib Spirit and Arwa Spirit, which are currently anticipated to be in August 2018 and March 2019, respectively, unless the short-term sub-charter contracts are further extended in accordance with their terms. Should the LNG plant in Yemen resume operations, it is intended that YLNG will repay the deferred amounts in full, plus interest over a period of time to be agreed upon. However, there is no assurance if or when the LNG plant will resume operations or if YLNG will repay the deferred amounts, and this deferral period may extend beyond 2018 and 2019 as it relates to the Marib Spirit and Arwa Spirit, respectively. Teekay LNG's proportionate share of the estimated impact of the charter payment deferral for 2018 compared to original charter rates earned prior to January 1, 2016 is estimated to be a reduction to equity income ranging from $4 million to $5 million per quarter, which Teekay LNG expects will be partially offset by sub-chartering employment for the Marib Spirit and Arwa Spirit in 2018.

Operating Results – Teekay LNG

The following tables compare Teekay LNG’s operating results and number of calendar-ship-days for its vessels for the three and six months ended June 30, 2018 and 2017.

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(in thousands of U.S. Dollars, except calendar-ship-days)	Liquefied Gas Carriers		Conventional Tankers		Teekay LNG Total	
	Three Months Ended June 30,					
	2018	2017	2018	2017	2018	2017
Revenues	112,172	89,431	10,143	11,473	122,315	100,904
Voyage expenses	(4,445)	(602)	(3,506)	(394)	(7,951)	(996)
Vessel operating expenses	(30,422)	(21,374)	(3,547)	(4,627)	(33,969)	(26,001)
Depreciation and amortization	(28,661)	(23,839)	(1,133)	(2,955)	(29,794)	(26,794)
General and administrative expenses [1]	(6,199)	(3,573)	(897)	(1,069)	(7,096)	(4,642)
Write-down of vessels	(33,000)	—	—	(12,600)	(33,000)	(12,600)
Income (loss) from vessel operations	9,445	40,043	1,060	(10,172)	10,505	29,871
Equity income (loss)	11,194	(507)	—	—	11,194	(507)
Calendar-Ship-Days [2]						
Liquefied Gas Carriers	2,419	2,073	—	—	2,419	2,073
Conventional Tankers	—	—	455	546	455	546

(in thousands of U.S. Dollars, except calendar-ship-days)	Liquefied Gas Carriers		Conventional Tankers		Teekay LNG Total	
	Six Months Ended June 30,					
	2018	2017	2018	2017	2018	2017
Revenues [1]	217,221	178,378	20,400	23,706	237,621	202,084
Voyage expenses	(7,253)	(948)	(6,499)	(1,485)	(13,752)	(2,433)
Vessel operating expenses [1]	(55,110)	(40,039)	(7,326)	(9,350)	(62,436)	(49,389)
Depreciation and amortization	(55,882)	(47,059)	(3,179)	(5,855)	(59,061)	(52,914)
General and administrative expenses [2]	(11,986)	(6,953)	(1,681)	(1,846)	(13,667)	(8,799)
Write-down of vessels	(33,000)	—	(18,662)	(12,600)	(51,662)	(12,600)
Restructuring charges	—	—	(1,396)	—	(1,396)	—
Income (loss) from vessel operations	53,990	83,379	(18,343)	(7,430)	35,647	75,949
Equity income	37,918	5,380	—	—	37,918	5,380
Calendar-Ship-Days [2]						
Liquefied Gas Carriers	4,719	3,992	—	—	4,719	3,992
Conventional Tankers	—	—	854	1,075	854	1,075

(1) Includes direct general and administrative expenses and indirect general and administrative expenses allocated to the liquefied gas carriers and conventional tankers based on estimated use of corporate resources.
(2) Calendar-ship-days presented relate to consolidated vessels.

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Teekay LNG – Liquefied Gas Carriers

As at June 30, 2018, Teekay LNG's liquefied gas fleet, including newbuildings, included 49 LNG carriers and 29 LPG/Multi-gas carriers, in which its interests ranged from 20% to 100%. However, the table above only includes the 20 LNG carriers and seven LPG/Multi-gas carriers that are accounted for under the consolidation method of accounting.

The number of calendar-ship-days for Teekay LNG's liquefied gas carriers consolidated in its financial results increased to 4,719 days for the six months ended June 30, 2018 from 3,992 days for the same period in 2017, as a result of the deliveries of the Torben Spirit, Murex, Macoma, Magdala, and Myrina LNG carrier newbuildings. During the six months ended June 30, 2018, vessels in this segment were off-hire for 100 days for scheduled dry dockings, unscheduled off-hire for 38 days for repairs and idle for 12 days for repositioning to another charter; compared to vessels in this segment being off-hire for 34 days for scheduled dry dockings and unscheduled off-hire for 38 days for repairs in the same period last year.

Income from vessel operations for Teekay LNG's liquefied gas carriers decreased to $9.4 million and $54.0 million for the three and six months ended June 30, 2018, respectively, compared to $40.0 million and $83.4 million for the same periods last year, primarily as a result of:

- a decrease of $33.0 million for the three and six months ended June 30, 2018 due to a write-down of the Napa Spirit, Camilla Spirit, Cathinka Spirit and Pan Spirit as a result of Teekay LNG's evaluation of alternative strategies for these assets, the current charter rate environment and outlook for charter rates for these vessels; and

- decreases of $5.8 million and $11.4 million for the three and six months ended June 30, 2018, respectively, due to six Multi-gas carriers previously on bareboat charter contracts to wholly-owned subsidiaries of I.M. Skaugen SE (or Skaugen) and redelivered to Teekay LNG from Skaugen during 2017, which incurred operating expenses following their redelivery, partially offset by earning higher spot revenues earned on Teekay LNG's seven Multi-gas carriers in the Teekay Multi-gas Pool in 2018 compared to the rates received from their original contracts in 2017;

- decreases of $2.6 million and $5.0 million for the three and six months ended June 30, 2018, respectively, due to increased general and administrative expenses related to higher levels of business development activities and an increase in professional fees due to the lease dispute for Teekay LNG's RasGas II LNG Carriers and due to claims against I.M. Skaugen SE for damages and losses for Teekay LNG's Multi-gas carriers previously on charter to them.

partially offset by

- increases of $10.9 million and $19.2 million for the three and six months ended June 30, 2018, respectively, due to the deliveries of the Torben Spirit, Murex, Macoma, Magdala and Myrina and commencement of their charter contracts.

Equity income related to Teekay LNG's liquefied gas carriers increased to $11.2 million and $37.9 million for the three and six months ended June 30, 2018, respectively, compared to a loss of $0.5 million and income of $5.4 million for the same periods last year, as set forth in the tables below:

(in thousands of U.S. Dollars)	Angola	Exmar	Exmar	MALT	RasGas 3	Pan Union	Yamal	Bahrain LNG	Total
Three Months Ended	LNG Carriers	LNG Carriers	LPG Carriers	LNG Carriers	LNG Carriers	LNG Carriers	LNG Carriers	Joint Venture	Equity Income
June 30, 2018	4,824	723	(1,425)	(2,276)	3,310	1,503	4,867	(332)	11,194
June 30, 2017	2,397	2,362	(311)	(4,420)	4,044	(30)	(430)	(4,119)	(507)

Difference	2,427	(1,639)	(1,114)	2,144	(734)	1,533	5,297	3,787	11,701

(in thousands of U.S. Dollars)	Angola	Exmar	Exmar	MALT	RasGas 3	Pan Union	Yamal	Bahrain LNG	Total
Six Months Ended	LNG Carriers	LNG Carriers	LPG Carriers	LNG Carriers	LNG Carriers	LNG Carriers	LNG Carriers	Joint Venture	Equity Income
June 30, 2018	13,310	7,439	(2,105)	(1,712)	7,505	2,577	5,639	5,265	37,918
June 30, 2017	6,646	4,637	347	(10,386)	8,925	(58)	(556)	(4,175)	5,380
Difference	6,664	2,802	(2,452)	8,674	(1,420)	2,635	6,195	9,440	32,538

The $2.4 million and $6.7 million increases for the three and six months ended June 30, 2018, respectively, in Teekay LNG's 33% investment in the four Angola LNG Carriers were primarily due to unrealized gains from mark-to-market changes on non-designated derivative instruments. The mark-to-market changes resulted from increases in long-term LIBOR benchmark interest rates for interest rate swaps compared to the same periods in 2017.

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The $1.6 million decrease for the three months ended June 30, 2018 in Teekay LNG's 50%-owned investment in the Exmar LNG Carrier was primarily due to the sale of the S/S Excelsior LNG carrier in the first quarter of 2018. The $2.8 million increase for the six months ended June 30, 2018 in the Exmar LNG Carrier was primarily due to a gain of $5.6 million upon the sale of our 50% ownership interest in the Excelsior Joint Venture recorded in equity income, partially offset by lower earnings due to the sale of the Excelsior Joint Venture.

The $1.1 million and $2.5 million decreases for the three and six months ended June 30, 2018, respectively, in Teekay LNG's 50% ownership interest in the Exmar LPG Carriers were primarily due to lower spot rates earned during 2018 compared to the same periods in 2017 and due to the sale of the Courcheville in January 2018. These decreases were partially offset by the delivery of three LPG carrier newbuildings between June 2017 and May 2018.

The $2.1 million and $8.7 million increases for the three and six months ended June 30, 2018, respectively, in Teekay LNG's 52%-owned investment in the MALT LNG Carriers were primarily due to higher fleet utilization and higher rates earned as a result of certain vessels that operated in the spot market during the three and six months ended June 30, 2017 being on short-term charter contracts during the same periods in 2018.

The $0.7 million and $1.4 million decreases for the three and six months ended June 30, 2018, respectively, in Teekay LNG's RasGas 3 LNG Carriers were primarily due to higher interest expense as a result of an increase in LIBOR rates compared to the same periods in 2017.

The $1.5 million and $2.6 million increases for the three and six months ended June 30, 2018, respectively, in Teekay LNG's investment in the Pan Union Joint Venture were primarily due to the deliveries of its first two LNG carrier newbuildings, the Pan Asia and Pan Americas, in October 2017 and January 2018, respectively, in which Teekay LNG has a 30% ownership interest.

The $5.3 million and $6.2 million increases for the three and six months ended June 30, 2018, respectively, in Teekay LNG's 50%-owned investment in the Yamal LNG Carriers were primarily due to the delivery of its first ARC7 LNG carrier newbuilding, the Eduard Toll, in January 2018.

The $3.8 million and $9.4 million increases for the three and six months ended June 30, 2018, respectively, in Teekay LNG's 30%-owned investment in the Bahrain LNG Joint Venture were primarily due to unrealized gains on designated and non-designated derivative instruments recorded in 2018 compared to losses recorded in the same periods in 2017 due to mark-to-market changes.

Teekay LNG – Conventional Tankers

As at June 30, 2018, Teekay LNG’s conventional tanker fleet included three Suezmax-class double-hulled conventional crude oil tankers and one Handymax product tanker, three of which it owns (including the European Spirit and African Spirit, which are classified as held for sale) and one of which it leases under a capital lease. Two of Teekay LNG’s conventional tankers operate under fixed-rate charters; the European Spirit and African Spirit have been trading in the spot market as Teekay LNG continues to market them for sale.

The number of calendar-ship-days for Teekay LNG’s conventional tankers decreased by 20.6% to 854 days for the six months ended June 30, 2018 from 1,075 days for the same period in 2017, primarily as a result of the sales of the Asian Spirit and Teide Spirit in March 2017 and February 2018, respectively. During the six months ended June 30, 2017, the European Spirit was off-hire for 22 days for a scheduled dry docking compared to 34 idle days for the Asian Spirit between the time its firm charter contract ended in January 2017 and the time the vessel was sold during the same period in 2017.

Income from vessel operations for Teekay LNG's conventional tankers increased to $1.1 million for the three months ended June 30, 2018 compared to a loss of $10.2 million for the same period last year, primarily as a result of:

- an increase of $11.9 million for the three months ended June 30, 2018 related to the European Spirit and African Spirit due to the cessation of depreciation since 2017 when the vessels were first classified as held for sale, and a $12.6 million write-down of the European Spirit in the same period in 2017, partially offset by a decrease in net revenues of $1.7 million due to earning lower rates in the spot market.

Income from vessel operations for Teekay LNG's conventional tankers decreased to a loss of $18.3 million for the six months ended June 30, 2018 compared to a loss of $7.4 million for the same period last year, primarily as a result of:

- a decrease of $13.0 million for six months ended June 30, 2018 due to a write-down in 2018 of the Alexander Spirit conventional tanker to its estimated fair value, using an appraised value, as a result of changes in Teekay LNG's expectations of the vessel's future opportunities once its current contract ends in 2019; and

- a decrease of $1.4 million for the six months ended June 30, 2018 related to seafarer severance costs upon CEPSA's sale of Teekay LNG's vessel related to a capital lease, the Teide Spirit, in February 2018;

partially offset by

- an increase of $5.3 million for the six months ended June 30, 2018 related to the European Spirit and African Spirit due the cessation of depreciation since 2017 when the vessels were first classified as held for sale and a $12.6 million write-down of the European Spirit in the same period in 2017, partially offset by the vessels earning lower rates in the spot market, and a scheduled dry docking for the European Spirit in the second quarter of 2018.

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Teekay Tankers

Recent Developments in Teekay Tankers

In March 2018, Teekay Tankers entered into time charter-in contracts for two Aframax vessels, with an average daily rate of approximately $11,900 and firm periods of 45 days to six months. The charter contract for one of the Aframax tankers includes a 50/50 profit sharing component with the option to extend for six months at an escalated rate. The charter contract for the other Aframax tanker had a maximum period of approximately four months and the vessel was used to support full service lightering operations. Teekay Tankers also redelivered two in-chartered Aframax tankers to their owners in June and March 2018, respectively.

During the six months ended June 30, 2018, Teekay Tankers had five time chartered-out Suezmax tankers, three Aframax tankers and one LR2 product tanker redelivered to them. All of these vessels are currently trading in the spot market.

In July 2018, Teekay Tankers entered into a time charter-out contract for one Suezmax tanker, with a daily rate of $17,500 and a firm period of 12 months, with an option to extend at an escalated rate. In January 2018, Teekay Tankers entered into a time charter-out contract for one Suezmax tanker, with a daily rate of $17,250 and a firm period of six to nine months, with an option to extend to a year at an escalated rate.

Operating Results – Teekay Tankers

The following table compares Teekay Tankers' operating results and number of calendar-ship-days for its vessels for the three and six months ended June 30, 2018 and 2017.

(in thousands of U.S. Dollars, except calendar-ship-days)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenues	171,659	108,789	340,124	239,274
Voyage expenses	(86,933)	(19,430)	(166,926)	(43,185)
Vessel operating expenses	(52,652)	(46,853)	(105,647)	(90,991)
Time-charter hire expense	(5,697)	(7,997)	(10,380)	(21,624)
Depreciation and amortization	(29,573)	(24,415)	(59,003)	(49,324)
General and administrative	(9,407)	(8,365)	(19,192)	(17,253)
(Gain) loss on sale of vessels	170	(142)	170	(4,569)
Restructuring charges	(982)	—	(982)	—
(Loss) income from vessel operations	(13,415)	1,587	(21,836)	12,328
Equity (loss) income	(70)	(28,027)	624	(26,900)
Calendar-Ship-Days [(1)]				
Conventional Tankers	5,360	4,079	10,580	8,378

(1) Calendar-ship-days presented relate to owned and in-chartered consolidated vessels.

Tanker Market

Crude tanker rates remained at cyclical lows in the second quarter of 2018 due to continued OPEC supply cuts and a further drawdown in global oil inventories. OPEC crude oil supply fell to 31.6 million barrels per day (mb/d) in April 2018, the lowest level in over three years. The decline in OPEC supply was due to both high compliance with crude oil supply cuts and plummeting output from Venezuela, where supply is at the lowest level since the early 1950s. Firm oil demand, coupled with OPEC supply cuts, resulted in a further decline in global oil inventories during the second quarter of 2018, with OECD inventories falling below the five-year average for the first time since 2014. The large drawdown of global oil inventories seen over the past 18 months has been negative for crude tankers, as it has reduced

import demand.

Although the tanker market has endured a very weak first half of the year, we remain encouraged by underlying tanker market fundamentals. On the fleet supply side, the tanker fleet experienced virtually zero net fleet growth in the first six months of 2018. A total of 15.7 million deadweight tonnes (mdwt) of vessels were removed from the fleet in the first half of 2018 while 15.8 mdwt of newbuildings entered the fleet. Looking ahead, we expect that fleet growth in the remainder of 2018 will remain low due to elevated scrapping levels and a shrinking orderbook for mid-size tankers. We are now forecasting approximately 2.5% net Suezmax fleet growth and 1.5% net Aframax / Long Range 2 (or LR2) fleet growth in 2018 and approximately 1.5% net fleet growth in both fleets during 2019.

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Global oil demand remains firm with forecast growth of 1.6 mb/d in 2018 and a further 1.5 mb/d in 2019 (average of IEA, EIA and OPEC forecasts). In response to this strong demand, and given that oil inventories have now fallen below five-year average levels, OPEC recently announced that they will increase oil production in order to keep the markets adequately supplied to prevent oil prices from rising too high. OPEC’s intention is to return to 100% compliance with production cuts, having been well above 100% through the first six months of the year. This implies an increase in OPEC crude oil production of up to 1 mb/d from current levels. An increase in OPEC oil production through the second half of the year would be positive for tanker demand, although uncertainty remains over the impact of a potential decline in Iranian exports due to US sanctions, which could offset some of these gains.

Looking further ahead, we believe that the new IMO regulations on sulphur content in bunker fuels, due to come into force on January 1, 2020, could be positive for tanker demand. Some of the potential impacts that would benefit the tanker market include:

- An increase in crude tanker trade due to increased refinery utilization and throughput in order to produce more low-sulphur fuels;
- An increase in clean tanker trade due to the increased production of low-sulphur fuel and the need to deliver these fuels to global bunker markets; and
- Floating storage demand for both clean products (building inventories of low-sulphur fuel prior to 2020) and dirty products (a need to store excess fuel oil post-2020).

In summary, the tanker market has gone through a period of very weak freight rates during the first half of 2018, due primarily to OPEC supply cuts and a drawdown in global oil inventories. However, we believe that an inflection point will be reached later in 2018 due to improving demand fundamentals and slow fleet supply growth. This is expected to lead to an improved tanker market, further boosted by positive demand developments ahead of the new IMO fuel regulations in 2020.

Teekay Tankers – Conventional Tankers

As at June 30, 2018, Teekay Tankers owned 52 double-hulled conventional oil and product tankers, time-chartered in two Aframax vessels from third parties, had four Suezmax vessels related to capital leases, and owned a 50% interest in one VLCC. The average fleet size (including in-chartered vessels), as measured by calendar-ship-days, increased during the six months ended June 30, 2018, compared to the same period in the prior year due to the addition of 18 vessels that were acquired as part of the TIL merger completed in late 2017 and the addition of three Aframax in-chartered vessels that were delivered to Teekay Tankers during 2018, partially offset by the redeliveries of various in-chartered vessels to their owners at various times during 2017 and the sale of one Suezmax tanker and three older Aframax tankers in 2017.

Loss from vessel operations was $13.4 million and $21.8 million for the three and six months ended June 30, 2018, respectively, compared to income of $1.6 million and $12.3 million, respectively, for the same periods in the prior year, primarily as a result of:

- decreases of $8.1 million and $13.4 million for the three and six months ended June 30, 2018, respectively, due to the expiration of time-charter out contracts for various vessels which subsequently traded on spot voyages at lower average realized rates;
- decreases of $6.0 million and $24.0 million for the three and six months ended June 30, 2018, respectively, due to lower average realized rates earned by Teekay Tankers' Suezmax, Aframax and Long Range 2 (or LR2) fleets;
- decreases of $1.3 million and $2.8 million for the three and six months ended June 30, 2018, respectively, due to lower commissions and management fees earned from the management of fewer external vessels;
-

decreases of $1.0 million and $1.0 million for the three and six months ended June 30, 2018, respectively, due to a restructuring charge that was incurred during three and six months ended June 30, 2018; and

- decreases of $0.9 million and $1.8 million for the three and six months ended June 30, 2018, respectively, due to higher administrative, strategic management and other fees incurred, primarily relating to levels of corporate support;

partially offset by

- increases of $1.4 million and $2.9 million for the three and six months ended June 30, 2018, respectively, from the increase in the fleet size due to the merger with TIL in the fourth quarter of 2017; and
- increases of $1.1 million and $6.9 million for the three and six months ended June 30, 2018, respectively, due to losses on sales of vessels recognized in 2017 and lower operating expenditures related those vessels.

Equity loss was $0.1 million and equity income was $0.6 million for the three and six months ended June 30, 2018, respectively, compared to equity loss of $28.0 million and $26.9 million, respectively, for the same periods in the prior year, primarily due to:

- decreases of $28.8 million and $28.4 million in equity loss for the three and six months ended June 30, 2018, respectively, from the investment in TIL, primarily due to a $28.1 million write-down of Teekay Tankers' investment to its fair market value in 2017 and no equity income subsequent to the TIL merger in November 2017; and
- decreases of $0.8 million and $0.9 million for the three and six months ended June 30, 2018, respectively, from the High-Q joint venture, primarily resulting from lower earnings recognized during the second quarter of 2018 due to the dry docking of the joint venture's Very Large Crude Carrier (or VLCC).

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Teekay Parent

Recent Developments in Teekay Parent

The Petrojarl Banff FPSO unit has been operating on the Banff field since its delivery nearly 20 years ago under a charter contract with Canadian Natural Resources (or CNR) that permitted CNR to terminate the contact at any time with six months' notice. In January 2017, Teekay Parent entered into a contract amendment with CNR to ensure the unit will stay on the current field at least until the third quarter of 2018 and to revise the charter rate structure to include a variable component (through an oil price and oil production tariff) in addition to a fixed charter rate. In July 2018, Teekay Parent secured a one-year contract extension with CNR to extend the employment of the Petrojarl Banff FPSO to August 2019.

The Hummingbird Spirit FPSO unit is on a charter contract with Spirit Energy Ltd (or Spirit Energy). In June 2016, Teekay Parent entered into a contract amendment with Spirit Energy to extend the firm period to September 2017 in exchange for a lower fixed charter rate and an oil price tariff. The contract amendment took effect on July 1, 2016. In the second quarter of 2017, Teekay Parent completed a contract extension with Spirit Energy for an additional three years from October 2017 to September 2020 at a higher fixed charter rate plus a variable component based on oil production and oil price.

In July 2018, Teekay Parent agreed to sell its 43.5% ownership interest in Sevan Marine ASA (Sevan) for total consideration of approximately $28 million. This transaction is expected to be completed in the fourth quarter of 2018.

In September 2017, Teekay Parent, Teekay Offshore and Brookfield Business Partners L.P. together with its institutional partners (collectively, Brookfield) finalized a strategic partnership (or the Brookfield Transaction), which is explained more fully in Note 3 of Teekay's audited consolidated financial statements filed with our Annual Report on Form 20-F for the year ended December 31, 2017. Until December 31, 2017, Teekay Parent directly and indirectly provided substantially all of Teekay Offshore's ship management, commercial, technical, strategic, business development and administrative service needs. On January 1, 2018, as a condition of the Brookfield Transaction, Teekay Offshore acquired a 100% ownership interest in seven subsidiaries (or the Transferred Subsidiaries) at Teekay's carrying value.

The Transferred Subsidiaries provide ship management, commercial, technical, strategic, business development and administrative services to Teekay Offshore, primarily related to Teekay Offshore's FPSO units, shuttle tankers and FSO units. Subsequent to their transfer to Teekay Offshore, the Transferred Subsidiaries continue to provide ship management, commercial, technical, strategic, business development and administrative services to Teekay, primarily related to Teekay Parent's FPSO units. Commencing in the first quarter of 2018, Teekay Parent presented the fees paid by it to Teekay Offshore for services provided by Teekay Offshore in vessel operating expenses and general and administrative expenses. Teekay Parent and certain of its subsidiaries, other than the Transferred Subsidiaries, continue to provide certain other ship management, commercial, technical, strategic and administrative services to Teekay Offshore. Teekay Parent presented the fees received from Teekay Offshore for providing these services in revenues, and the related costs to provide such services, in vessel operating expenses.

In July 2018, Brookfield exercised its option to acquire an additional 2% of ownership interests in Teekay Offshore's general partner from Teekay Parent in exchange for 1.0 million warrants, with each warrant exercisable for one of Teekay Offshore's common units.

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Operating Results – Teekay Parent

The following tables compare Teekay Parent’s operating results and the number of calendar-ship-days for its vessels for the three and six months ended June 30, 2018 and 2017.

(in thousands of U.S. Dollars, except calendar-ship-days)	Offshore Production		Conventional Tankers		Other and Corporate G&A		Teekay Parent Total	
	Three Months Ended June 30,							
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues [1]	66,429	48,173	—	1,757	46,183	15,565	112,612	65,495
Voyage expenses	(208)	(9)	—	(63)	(22)	(99)	(230)	(171)
Vessel operating expenses [1]	(37,650)	(33,115)	—	(1,762)	(37,569)	(10,731)	(75,219)	(45,608)
Time-charter hire expense	(11,515)	(11,725)	—	(2,776)	(4,875)	(11,072)	(16,390)	(25,573)
Depreciation and amortization	(8,593)	(17,320)	—	—	—	75	(8,593)	(17,245)
General and administrative expenses [2]	(2,922)	(4,622)	—	(144)	(4,295)	(1,522)	(7,217)	(6,288)
Restructuring charges	—	—	—	—	(132)	—	(132)	—
Income (loss) from vessel operations	5,541	(18,618)	—	(2,988)	(710)	(7,784)	4,831	(29,390)
Equity income (loss)	583	(750)	—	(20,918)	(1,523)	(1,030)	(940)	(22,698)
Calendar-Ship-Days [3]								
FPSO Units	273	273	—	—	—	—	273	273
Conventional Tankers	—	—	—	182	—	—	—	182
Gas Carriers	—	—	—	—	30	182	30	182
FSO Units	91	91	—	—	182	182	273	273
Shuttle Tankers	182	182	—	—	—	—	182	182
Bunker Barges	—	—	—	—	91	91	91	91

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(in thousands of U.S. Dollars, except calendar-ship-days)	Offshore Production		Conventional Tankers		Other and Corporate G&A		Teekay Parent Total	
	Six Months Ended June 30,							
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues	132,399	92,515	—	3,924	98,127	27,422	230,526	123,861
Voyage expenses	(380)	(9)	—	94	(108)	(873)	(488)	(788)
Vessel operating expenses	(73,563)	(70,402)	—	(3,420)	(77,649)	(16,909)	(151,212)	(90,731)
Time-charter hire expense	(23,002)	(19,100)	—	(5,759)	(16,095)	(22,734)	(39,097)	(47,593)
Depreciation and amortization	(17,187)	(34,639)	—	—	(20)	119	(17,207)	(34,520)
General and administrative expenses [(1)]	(5,844)	(7,284)	—	(286)	(9,189)	(5,995)	(15,033)	(13,565)
Restructuring charges	—	(110)	—	—	(874)	(1,616)	(874)	(1,726)
Income (loss) from vessel operations	12,423	(39,029)	—	(5,447)	(5,808)	(20,586)	6,615	(65,062)
Equity loss	(9)	(1,977)	(510)	(20,676)	(1,402)	(1,187)	(1,921)	(23,840)
Calendar-Ship-Days [(3)]								
FPSO Units	543	543	—	—	—	—	543	543
Conventional Tankers	—	—	—	362	—	—	—	362
Gas Carriers	—	—	—	—	185	362	185	362
FSO Units	181	181	—	—	362	362	543	543
Shuttle Tankers	362	362	—	—	—	—	362	362
Bunker Barges	—	—	—	—	181	181	181	181

(1) Teekay Parent manages vessels owned by Teekay LNG's equity-accounted investments and third parties. Subsequent to the adoption of ASU 2014-09, costs incurred by Teekay Parent for its seafarers are presented as vessel operating expenses and the reimbursement of such expenses are presented as revenue, instead of such amounts being presented on a net basis. This had the effect of increasing both revenues and vessel operating expenses in the Other and Corporate G&A segment for the three and six months ended June 30, 2018 by $19.6 million and $41.1 million, respectively.

(2) Includes direct general and administrative expenses and indirect general and administrative expenses allocated to offshore production, conventional tankers and other and corporate G&A based on estimated use of corporate resources.

(3) Apart from three FPSO units in 2018 and 2017, all remaining calendar-ship-days presented relate to in-chartered days.

Teekay Parent – Offshore Production

Offshore Production consists primarily of Teekay Parent's FPSO units. As at June 30, 2018, Teekay Parent had direct interests in three 100%-owned operating FPSO units, and in-chartered two shuttle tankers and one FSO unit from Teekay Offshore.

The charter contracts for the Hummingbird Spirit FPSO unit and the Petrojarl Banff FPSO unit include an incentive compensation component based on oil production and oil price. In addition, the Petrojarl Foinaven FPSO unit’s charter contract includes incentives based on total oil production for the year, certain operational measures, and the average annual oil price. The decline in the price of oil since 2014 negatively impacted Teekay Parent's incentive compensation under these contracts and may negatively impact its future revenues if oil prices fall below current levels.

Income from vessel operations for Teekay Parent's Offshore Production business was $5.5 million and $12.4 million for the three and six months ended June 30, 2018, respectively, compared to losses of $18.6 million and $39.0 million, respectively, for the same periods last year. The changes were primarily as a result of:

- increases of $9.1 million and $24.4 million for the three and six months ended June 30, 2018, respectively, related to the Petrojarl Banff FPSO unit, primarily due to a higher day rate and tariff earned in 2018 due to the contract amendment in 2017 described above and lower depreciation as an impairment charge was taken on the unit in the third quarter of 2017;
- increases of $6.2 million and $14.4 million for the three and six months ended June 30, 2018, respectively, related to the Petrojarl Foinaven FPSO unit, primarily due to higher uptime and production in 2018 resulting in higher revenues, and lower depreciation as an impairment charge was taken on the unit in the third quarter of 2017; and

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- increases of $4.8 million and $8.4 million for the three and six months ended June 30, 2018, respectively, related to the Hummingbird Spirit FPSO unit, primarily due to the contract amendment that took effect on October 1, 2017.

Teekay Parent – Conventional Tankers

As at June 30, 2018, Teekay Parent had no conventional tankers in its fleet, as the last two chartered-in vessels were redelivered to their owners in the fourth quarter of 2017.

Teekay Parent – Other and Corporate G&A

As at June 30, 2018, Teekay Parent had two in-chartered FSO units owned by Teekay Offshore and one in-chartered bunker barge from a third party. Teekay Parent redelivered one in-chartered LNG carrier to Teekay LNG early in March 2018 and its other in-chartered LNG carrier was redelivered to Teekay LNG in May 2018.

Loss from vessel operations for Teekay Parent's Other and Corporate G&A segment was $0.7 million and $5.8 million for the three and six months ended June 30, 2018, respectively, compared to $7.8 million and $20.6 million in the same periods, respectively, in the prior year. The change was primarily as a result of decreases in losses of $4.8 million and $13.3 million for the three and six months ended June 30, 2018, respectively, from Teekay Parent's previously in-chartered LNG carriers due to both vessels being on hire in 2018 whereas both vessels were in lay-up in 2017. Both LNG carriers were redelivered to Teekay LNG in 2018.

Equity-Accounted Investment in Teekay Offshore

Recent Developments in Teekay Offshore

In July 2018, Brookfield exercised its option to acquire an additional 2% of ownership interests in Teekay Offshore's general partner from Teekay Parent in exchange for 1.0 million warrants, with each warrant exercisable for one of Teekay Offshore's common units. After exercising this option, Brookfield holds a 51% of the general partner interest and has the right to appoint a majority of the members of Teekay Offshore's general partner's board of directors (or the Board). Teekay Parent will continue to have the right to appoint two members of the Board so long as it owns at least 10% of Teekay Offshore's outstanding common units. Brookfield has informed Teekay Offshore that no changes to the Board composition are planned at this time.

In April 2018, Teekay Offshore signed a contract extension with Premier Oil to extend the employment of the Voyageur Spirit FPSO unit on the Huntington field for an additional 12 months to April 2019. The new contract, which took effect in April 2018, includes a lower fixed charter rate component and an upside component based on oil production and oil price. In July 2018, Teekay Offshore entered into an additional contract extension with Premier Oil to extend the employment of the Voyageur Spirit FPSO unit on the Huntington field for an additional 12 months to April 2020. Compared to the current contract, the new one-year extension, which takes effect in April 2019, maintains the same fixed charter rate and oil production tariff elements, but provides additional potential upside from a formula based on oil price, regardless of production performance.

In July 2018, Teekay Offshore entered into a contract extension with Petrobras to extend the employment of the Rio das Ostras FPSO for four months until November 2018, with options to extend up to January 2019.

In July 2018, Teekay Offshore entered into shipbuilding contracts with Samsung Heavy Industries Co. Ltd. to construct two Aframax DP2 shuttle tanker newbuildings, for an estimated aggregate fully built-up cost of $263 million. These newbuildings will be constructed based on Teekay Offshore's New Shuttle Spirit design which incorporates technologies intended to increase fuel efficiency and reduce emissions, including LNG propulsion technology. Upon delivery in late-2020 through early-2021, these vessels will join Teekay Offshore's CoA shuttle tanker portfolio in the North Sea.

In May 2018, the Petrojarl I FPSO successfully achieved first oil and commenced its five-year charter contract with a consortium led by Queiroz Galvão Exploração e Produção SA (or QGEP) on the Atlanta oil field. The Petrojarl I FPSO unit operates under a charter rate profile with a lower day rate during the first 18 months of production. During the final three and a half years of the contract, the charter contract will increase to a higher day rate. The charter

contract also contains an oil price and production tariff.

In March 2018, Teekay Offshore took delivery of the final of its East Coast of Canada shuttle tanker newbuildings, the Dorset Spirit, which commenced operations on a 15-year charter contract (of which 12 years remain), plus extension options, in May 2018, with a group of oil companies. The Dorset Spirit replaced an existing owned vessel servicing the East Coast of Canada, which existing vessel repositioned to the North Sea to operate in Teekay Offshore's contract of affreightment (or CoA) fleet.

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Operating Results – Teekay Offshore

The following table provides Teekay Offshore’s operating results and number of calendar-ship-days for its vessels for the three and six months ended June 30, 2017. Following the Brookfield Transaction in September 2017, Teekay deconsolidated Teekay Offshore. Teekay currently has significant influence over Teekay Offshore and accounts for its investment in Teekay Offshore using the equity method.

(in thousands of U.S. Dollars, except calendar-ship-days)	Teekay Offshore			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues	—	264,792	—	540,930
Voyage expenses	—	(20,196)	—	(45,337)
Vessel operating expenses	—	(89,705)	—	(168,695)
Time-charter hire expense	—	(19,507)	—	(41,263)
Depreciation and amortization	—	(74,287)	—	(149,013)
General and administrative expenses	—	(13,379)	—	(27,996)
Asset impairments	—	(1,500)	—	(1,500)
Restructuring charges	—	—	—	(450)
Income from vessel operations	—	46,218	—	106,676
Equity income [(2)]	—	3,425	—	7,900
Calendar-Ship-Days[(1)]				
FPSO Units	—	546	—	1,086
Shuttle Tankers	—	2,836	—	5,675
FSO Units	—	637	—	1,267
UMS Unit	—	91	—	181
Towage Units	—	648	—	1,330
Conventional Tankers	—	182	—	362

(1) Calendar-ship-days presented relate to owned and in-chartered consolidated vessels.

(2) This amount represents equity income from Teekay Offshore's equity interests in OOG-TK Libra GmbH & Co KG and OOG-TKP FPSO GmbH & Co KG.

Income from vessel operations for Teekay Offshore decreased to $nil for the three and six months ended June 30, 2018, respectively, compared to $46.2 million and $106.7 million, respectively, for the same periods last year, as a result of the deconsolidation of Teekay Offshore on September 25, 2017 (please read "Item 1 - Financial Statements: Note 4 - Deconsolidation of Teekay Offshore and Note 5 - Segment Reporting").

We recognized equity losses from Teekay Offshore of $9.3 million and $8.7 million for the three and six months ended June 30, 2018, respectively, which include our proportionate share of write-downs of two of Teekay Offshore's FPSO units, totaling $9.4 million for the three and six months ended June 30, 2018, respectively.

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Other Consolidated Operating Results

The following table compares our other consolidated operating results for the three and six months ended June 30, 2018 and 2017:

(in thousands of U.S. dollars, except percentages)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	% Change	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017	% Change
	$	$		$	$	
Interest expense	(59,526)	(74,383)	(20.0)	(114,151)	(144,738)	(21.1)
Interest income	2,095	1,536	36.4	3,772	3,017	25.0
Realized and unrealized gains (losses) on non-designated derivative instruments	10,723	(30,570)	(135.1)	20,149	(37,045)	(154.4)
Foreign exchange gain (loss)	12,529	(17,342)	(172.2)	12,551	(20,246)	(162.0)
Loss on deconsolidation of Teekay Offshore	—	—	n/a	(7,070)	—	n/a
Other income (loss)	520	(759)	(168.5)	(395)	(464)	(14.9)
Income tax expense	(8,746)	(3,527)	148.0	(12,863)	(6,546)	96.5

Interest Expense. Interest expense decreased to $59.5 million and $114.2 million for the three and six months ended June 30, 2018, respectively, from $74.4 million and $144.7 million, respectively, for the same periods in the prior year, primarily due to:

- decreases of $29.6 million and $59.0 million, respectively, for the three and six months ended June 30, 2018 as a result of the deconsolidation of Teekay Offshore on September 25, 2017 (please read "Item 1 - Financial Statements: Note 4 - Deconsolidation of Teekay Offshore and Note 5 - Segment Reporting"); and
- decreases of $2.4 million and $3.8 million, respectively, for the three and six months ended June 30, 2018 as a result of the prepayment of one of Teekay Parent's revolving credit facilities in the first quarter of 2018;

partially offset by

- increases of $7.7 million and $13.8 million, respectively, for the three and six months ended June 30, 2018 relating to interest incurred by Teekay LNG on the obligations related to capital leases for the Torben Spirit, Murex, Macoma, Magdala and Myrina commencing upon their deliveries;
- increases of $6.9 million and $12.3 million, respectively, for the three and six months ended June 30, 2018 primarily due to the debt facilities Teekay Tankers assumed and refinanced as a result of the merger with TIL in November 2017, the additional interest incurred by Teekay Tankers related to its sale-leaseback of four Suezmax tankers in July 2017, and an increase in average variable interest rates related to the its debt facilities;
- increases of $2.1 million and $3.8 million, respectively, for the three and six months ended June 30, 2018 relating to interest incurred by Teekay LNG as a result of higher LIBOR rates net of principal debt repayments; and
- increases of $1.5 million and $3.3 million, respectively, for the three and six months ended June 30, 2018 as a result of interest incurred on the new 5% Convertible Senior Notes issued by Teekay Parent in January 2018 (please read "Item 1 - Financial Statements: Note 8 - Long-Term Debt").

Realized and unrealized gains (losses) on non-designated derivative instruments. 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 consolidated statements of loss. Net realized and unrealized gains on non-designated derivatives were $10.7 million and $20.1 million, respectively, for the three and six months ended June 30, 2018, compared to net realized and unrealized losses of $30.6 million and $37.0 million, respectively, for the three and six months ended June 30, 2017, as detailed in “Financial Statements: Note 14 – Derivative Instruments and Hedging

Activities."

For the six months ended June 30, 2018 and 2017, we had interest rate swap agreements with aggregate average net outstanding notional amounts of approximately $1.4 billion and $3.1 billion, respectively, with average fixed rates of approximately 2.9% and 3.3%, respectively. Short-term variable benchmark interest rates during these periods were generally less than 2.0% and, as such, we incurred realized losses of $4.0 million and $8.8 million, respectively, during the three and six months ended June 30, 2018, compared to $15.9 million and $32.5 million, respectively, for the same periods last year under the interest rate swap agreements. We also incurred realized losses of $nil for the three and six months ended June 30, 2018, compared to realized losses of $1.0 million and $0.6 million for the three and six months ended June 30, 2017 on the termination of two swaption contracts.

Primarily as a result of significant changes in the long-term benchmark interest rates during the three and six months ended June 30, 2018, compared with the same periods in 2017, we recognized unrealized gains of $8.5 million and $24.5 million, respectively, in the three and six months ended June 30, 2018, compared to unrealized losses of $15.5 million and $6.4 million, respectively, for the same periods last year under the interest rate swap agreements.

As at June 30, 2018, Teekay held 14.5 million warrants issued in the Brookfield Transaction, with each warrant exercisable for one of Teekay Offshore's common units (the Brookfield Transaction Warrants). Please read “Financial Statements: Note 11 - Financial Instruments". The fair value of the Brookfield Transaction Warrants was $33.8 million on June 30, 2018. During the three and six months ended June 30, 2018, we recognized of unrealized gains $6.0 million and $4.4 million, respectively, on these warrants. Please read “Financial Statements: Note 14 – Derivative Instruments and Hedging Activities.”

Foreign Exchange Gain (Loss). Foreign currency exchange gains were $12.5 million and $12.6 million, respectively, for the three and six months ended June 30, 2018, compared to foreign exchange losses of $17.3 million and $20.2 million, respectively, for the same periods last year. Our foreign currency exchange gains and losses, substantially all of which are unrealized, are due primarily to the relevant period-end revaluation of our NOK-denominated debt and our Euro-denominated term loans, capital leases and restricted cash for financial reporting purposes and the realized and unrealized gains on our cross-currency swaps. Gains on NOK-denominated and Euro-denominated monetary liabilities reflect a stronger U.S. Dollar against the NOK and Euro on the date of revaluation or settlement compared to the rate in effect at the beginning of the period. Losses on NOK-denominated and Euro-denominated monetary liabilities reflect a weaker U.S. Dollar against the NOK and Euro on the date of revaluation or settlement compared to the rate in effect at the beginning of the period. For the three and six months ended June 30, 2018, foreign currency exchange gains include realized losses of $1.8 million (2017 – $5.4 million) and $3.2 million (2017 – $12.1 million), and unrealized losses of $16.6 million (2017 – gain of $43.0 million) and unrealized gains $5.8 million (2017 – $50.1 million) on our cross-currency swaps, and unrealized gains of $14.9 million (2017 – loss of $18.4 million) and unrealized losses of $2.6 million (2017 – $20.3 million) on the revaluation of our NOK-denominated debt.

Loss on deconsolidation of Teekay Offshore. Loss on deconsolidation of Teekay Offshore was $nil and $7.1 million, respectively, for the three and six months ended June 30, 2018. Please read “Financial Statements: Note 4 - Deconsolidation of Teekay Offshore".

Income Tax Expense. Income tax expense was $8.7 million and $12.9 million, respectively, for the three and six months ended June 30, 2018, compared to $3.5 million and $6.5 million, respectively, for the same periods last year. These increases in income tax expense were primarily due to increases in freight tax accruals in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Cash Needs

Teekay Corporation – Consolidated

Overall, our consolidated operations are capital intensive. We finance the purchase of our vessels primarily through a combination of borrowings from commercial banks or our joint venture partners, the issuance of equity and debt securities (primarily by our publicly-traded subsidiaries) and cash generated from operations. In addition, we may use sale and leaseback arrangements as a source of long-term liquidity. We use our revolving credit facilities to temporarily finance capital expenditures until longer-term financing is obtained, at which time we typically use all or a portion of the proceeds from the longer-term financings to prepay outstanding amounts under revolving credit facilities. We have pre-arranged financing of approximately $1.1 billion, which mostly relates to Teekay LNG's remaining capital expenditure commitments. We are in the process of seeking to obtain additional debt financing from various sources for Teekay LNG's remaining capital commitments relating to its portion of newbuildings on order as at June 30, 2018. As at June 30, 2018, Teekay Corporation’s total consolidated cash and cash equivalents was $454.9 million, compared to $445.5 million at December 31, 2017. Teekay Corporation’s total consolidated liquidity, including cash, cash equivalents and undrawn credit facilities, was $1.0 billion as at June 30, 2018 and $0.9 billion as at December 31, 2017. The cash and liquidity amounts as at June 30, 2018 and as at December 31, 2017 exclude any amounts related to Teekay Offshore, due to its deconsolidation on September 25, 2017.

Our revolving credit facilities and term loans are described in “Item 1 – “Financial Statements: Note 8 – Long-Term Debt.” They contain covenants and other restrictions typical of debt financing secured by vessels that restrict the ship-owning subsidiaries from, among other things: incurring or guaranteeing indebtedness; changing ownership or structure,

including mergers, consolidations, liquidations and dissolutions; making dividends or distributions if we are in default; making capital expenditures in excess of specified levels; making certain negative pledges and granting certain liens; selling, transferring, assigning or conveying assets; making certain loans and investments; or entering into a new line of business.

Our long-term debt agreements generally provide for maintenance of minimum consolidated financial covenants and seven loan agreements require the maintenance of vessel market value to loan ratios. As at June 30, 2018, these ratios ranged from 126% to 183% compared to their minimum required ratios of 105% to 135%. The vessel values used in these ratios are the appraised values provided by third parties where available, or prepared by us, based on second-hand sale and purchase market data. Changes in the LNG/LPG carrier or conventional tanker markets could negatively affect our compliance with these ratios. One of Teekay Tankers' revolvers is guaranteed by Teekay Parent and contains covenants that require Teekay Parent to maintain the greater of free liquidity (cash and cash equivalents and undrawn committed revolving credit lines with at least six months to maturity) of $50.0 million and at least 5.0% of Teekay's total consolidated debt which has recourse to Teekay Parent. Two of Teekay Tankers' term loans require Teekay Parent and Teekay Tankers in aggregate to maintain the greater of (a) free cash (cash and cash equivalents) of at least $100.0 million for one of the term loans and $50.0 million for the other and (b) an aggregate of free cash and undrawn committed revolving credit lines with at least six months to maturity of at least 7.5% for one of the term loans and 5.0% for the other of their total debt. In addition, certain loan agreements require Teekay Tankers to maintain a minimum liquidity (cash, cash equivalents and undrawn committed revolving credit lines with at least six months to maturity) of $35.0 million and at least 5.0% of Teekay Tankers' total consolidated debt. Certain loan agreements require Teekay LNG to maintain a minimum level of tangible net worth, and minimum liquidity (cash, cash equivalents and undrawn committed revolving credit lines with at least six months to maturity) of $35.0 million, and not to exceed a maximum level of financial leverage. As at June 30, 2018, the Company was in compliance with all covenants under its credit facilities and other long-term debt.

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The aggregate consolidated annual long-term debt principal repayments, excluding payments related to capital leases, required to be made by us (excluding Teekay Offshore) subsequent to June 30, 2018, after giving effect to the debt facility refinancing completed by Teekay LNG in July 2018, are $0.4 billion (remainder of 2018), $0.3 billion (2019), $1.1 billion (2020), $0.8 billion (2021), $0.2 billion (2022) and $0.6 billion (thereafter).

We conduct our funding and treasury activities based on corporate policies designed to minimize borrowing costs and maximize investment returns while maintaining the safety of the funds and appropriate levels of liquidity for our purposes. We hold cash and cash equivalents primarily in U.S. Dollars, with some balances held in Australian Dollars, British Pounds, Canadian Dollars, Euros, Japanese Yen, Norwegian Kroner and Singapore Dollars.

We are exposed to market risk from foreign currency fluctuations and changes in interest rates, spot tanker market rates for vessels and bunker fuel prices. We use forward foreign currency contracts, cross-currency and interest rate swaps, forward freight agreements and bunker fuel swap contracts to manage currency, interest rate, spot tanker rates and bunker fuel price risks. Please read "Item 3 - Quantitative and Qualitative Disclosures About Market Risk".

Teekay Parent

Teekay Parent primarily owns an equity ownership interest in its Daughter Entities and three FPSO units, provides management services to its Daughter Entities and third-parties, and in-charters a small number of vessels. Teekay Parent's primary short-term liquidity needs are the payment of operating expenses, debt servicing costs, dividends on its shares of common stock and scheduled repayments of long-term debt, as well as funding its other working capital requirements. Teekay Parent's primary sources of liquidity are cash and cash equivalents, cash flows provided by operations, dividends/distributions and management fees received from the Daughter Entities and other investments, its undrawn credit facilities and proceeds from the sale of vessels to external parties (and in the past, to Teekay LNG, Teekay Tankers and Teekay Offshore). As at June 30, 2018, Teekay Parent's total cash and cash equivalents was $229.4 million, compared to $129.8 million at December 31, 2017. Teekay Parent's total liquidity, including cash, cash equivalents and undrawn credit facilities, was $446.9 million as at June 30, 2018, compared to $313.2 million as at December 31, 2017.

As of June 30, 2018, Teekay had the ability to sell additional shares of its common stock having an aggregate offering price of up to $3.4 million under its existing continuous offering program.

In January 2018, Teekay Parent completed a private offering of $125 million of aggregate principal amount of 5% Convertible Senior Notes due 2023 (Convertible Notes), raising net proceeds of approximately $121 million. The Convertible Notes are convertible into Teekay's common stock, initially at a rate of 85.4701 shares of common stock per $1,000 principal amount of Convertible Notes. This represents an initial effective conversion price of $11.70 per share of common stock. The conversion rate is subject to customary adjustments for, among other things, payments of dividends by Teekay Parent beyond the current quarterly rate of $0.055 per share of common stock, other distributions of Teekay Parent's common stock, other securities, assets or rights to Teekay Parent's shareholders or a Teekay Parent tender or exchange offer. In addition, following certain corporate events that occur prior to the maturity date of the Convertible Notes or following any notice of optional redemption given by Teekay Parent, Teekay Parent will, under certain circumstances, increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event or for Convertible Notes that are surrendered for conversion following such notice of redemption. Concurrently with the offering of Convertible Notes in January 2018, Teekay Parent completed a public offering through the issuance of 10.0 million common shares priced at $9.75 per share, raising net proceeds of approximately $93 million.

Teekay's equity margin revolving credit facility is secured by common units of Teekay Offshore and Teekay LNG and shares of Class A common stock of Teekay Tankers that are owned by Teekay. In June 2016, Teekay amended the

facility by reducing its aggregate potential borrowings from $300 million to $150 million, extending its maturity date from January 2018 to December 2018 and amending the formula which further limits the amount available to borrow based on the value of the common units of Teekay Offshore and Teekay LNG and the shares of Class A common stock of Teekay Tankers which are pledged as collateral. The amendment resulted in an increase in the loan-to-value ratio which increased the availability under the facility from approximately $34 million to $150 million. In April 2017, Teekay further amended the facility by increasing the aggregate potential borrowings from $150 million to $200 million. As of June 30, 2018, Teekay Parent did not have any amounts drawn on this facility, and $160.8 million available to be drawn based on the value of the collateral.

Teekay has guaranteed obligations of Teekay Tankers pursuant to certain of its credit facilities. As at June 30, 2018, the aggregate outstanding balance on such credit facilities was $226.8 million.

We believe that Teekay Parent’s existing cash and cash equivalents and undrawn long-term borrowings, in addition to all other sources of cash including cash from operations, and after considering initiatives described below that are planned by the Controlled Daughter Entities, will be sufficient to meet its existing liquidity needs for at least the next 12 months. In the future, we believe we will need to pursue additional debt financings and asset sales in order to refinance our 8.5% senior unsecured notes that mature in January 2020. We are considering, subject to market conditions, among other factors, equity issuances, appropriate debt instruments and asset sales to refinance this bond maturity.

Teekay LNG

Teekay LNG's business model is to employ its vessels on fixed-rate contracts primarily with large energy companies and their transportation subsidiaries.

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Teekay LNG's primary liquidity needs for the remainder of 2018 through 2019 include payment of its quarterly distributions, including payments of distributions on its common units and preferred units, operating expenses, dry-docking expenditures, debt service costs, scheduled repayments of long-term debt, bank debt maturities, committed capital expenditures and the funding of general working capital requirements. Teekay LNG anticipates that its primary sources of funds for its short-term liquidity needs will be cash flows from operations, proceeds from debt and capital lease financings, equity issuances and dividends from its equity-accounted joint ventures. For the next 12 months, Teekay LNG expects that its existing liquidity, combined with the cash flow it expects to generate from its operations and receive as dividends from its equity-accounted joint ventures, will be sufficient to finance a portion of its liquidity needs, including the equity portion of its committed capital expenditures.

Teekay LNG's remaining liquidity needs include the requirement to secure financing for an adequate portion of its committed capital expenditures, to refinance its loan facilities maturing during the remainder of 2018 and 2019, to repay or refinance its NOK-denominated bonds due in September 2018 and to fund its proportionate share of a tax exposure relating to lease arrangements that the Teekay Nakilat Joint Venture had previously entered into. Please read "Item 1 - Financial Statements - Note 10a, Note 10b and Note 10d- Commitments and Contingencies," for information about required funding for the remainder of 2018 through 2019. Teekay LNG already has committed debt financing in place for the following vessels and projects: Teekay LNG's wholly-owned LNG carrier under conversion to a FSU for the Bahrain LNG Joint Venture; Teekay LNG's wholly-owned LNG carrier newbuilding to be chartered on a 13-year charter contract with BP Plc; one LNG carrier under construction in the Pan Union Joint Venture; all five ARC7 LNG carrier newbuildings under construction for the Yamal LNG Joint Venture; and the assets of the Bahrain LNG Joint Venture formed for the development of an LNG receiving and regasification terminal in Bahrain. Teekay LNG is in the process of securing debt financing for one wholly-owned LNG carrier under construction which delivers in 2019.

Teekay LNG's annual liquidity needs beyond 2018 are currently expected to decline compared to the remainder of 2018, as a majority of Teekay LNG's capital expenditure commitments relate to 2018. Teekay LNG's ability to continue to expand the size of its fleet over the long-term is dependent upon its ability to generate operating cash flow, obtain long-term bank borrowings and other debt, as well as Teekay LNG's ability to raise debt or equity financing through public or private offerings.

As at June 30, 2018, Teekay LNG's consolidated cash and cash equivalents were $177.1 million, compared to $244.2 million at December 31, 2017. Teekay LNG's total liquidity, which consists of cash, cash equivalents and undrawn credit facilities, was $443.6 million as at June 30, 2018, compared to $433.6 million as at December 31, 2017. The increase in Teekay LNG's total consolidated liquidity was primarily due to cash generated from operations, proceeds from Teekay LNG's sale-leaseback transactions completed during the six months ended June 30, 2018, and proceeds from the sale of its 50% ownership interest in the Excelsior Joint Venture. The increase in total consolidated liquidity was partially offset by funding of Teekay LNG's committed projects, including capital contributions into the Pan Union Joint Venture and the Teekay LNG-Marubeni Joint Venture.

As at June 30, 2018, Teekay LNG had a working capital deficit of $375.3 million, which is primarily the result of: an aggregate amount of $131.5 million of its credit facilities being classified as current portion of long-term debt due to their maturities during the remainder of 2018 and mid-2019; $110.5 million of its NOK bonds being classified as current due to their maturity dates in September 2018; and $25.2 million of current obligations related to capital leases relating to the Toledo Spirit, under which the owner has the option to require Teekay LNG to purchase the vessel. However, Teekay LNG believes that the owner will not exercise its option to require it to purchase the vessel, but rather it expects that the owner, as indicated in a notice provided to Teekay LNG in May 2018, will cancel the charter contract when the cancellation right is first exercisable in August 2018 and sell the vessel to a third party, upon which the remaining lease obligations would be extinguished without any expected cash flow impact directly relating to such extinguishment.

Teekay LNG expects to manage its working capital deficit primarily with net operating cash flow and dividends from its equity-accounted joint ventures, equity issuances, debt refinancings (including the completed refinancing of a long-term debt facility in July 2018), and, to a lesser extent, existing undrawn revolving credit facilities. As at June 30, 2018, Teekay LNG had undrawn revolving credit facilities of $266.5 million.

Teekay LNG believes that its existing cash and cash equivalents and undrawn long-term borrowings, in addition to other expected sources of liquidity, including cash from operations and the initiatives described above, will be sufficient to meet its existing liquidity needs for at least the next 12 months.

Teekay Tankers
Teekay Tankers' primary sources of liquidity are cash and cash equivalents, cash flows provided by its operations, its undrawn credit facilities, proceeds from sales of vessels, and capital raised through financing transactions. As at June 30, 2018, Teekay Tankers' total consolidated cash and cash equivalents was $48.5 million, compared to $71.4 million at December 31, 2017. Teekay Tankers' cash balance as at June 30, 2018 decreased primarily as a result of repayments of its long-term debt and obligations related to its capital leases, dividends paid on its shares of common stock, and higher capital expenditures due to dry-docking activities.

Teekay Tankers' total consolidated liquidity, including cash and undrawn credit facilities, was $80.2 million as at June 30, 2018, compared to $160.0 million as at December 31, 2017. Teekay Tankers anticipates that its primary sources of funds for its short-term liquidity needs will be cash flows from operations, existing cash and cash equivalents and undrawn long-term borrowings, or refinancing existing loans and proceeds of new financings, which Teekay Tankers believes will be sufficient to meet its existing liquidity needs for at least the next 12 months. These anticipated additional sources of financing include the completion of proposed sale-leasebacks of additional vessels, some of which would refinance the loan facility maturing in the second half of 2018, the completion of a proposed loan to finance working capital for Teekay Tankers' RSA management operations, and the elimination, commencing in May 2018, of Teekay Tankers' minimum quarterly dividends of $0.03 per share, described further below.

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Teekay Tankers' short-term liquidity requirements are for the payment of operating expenses, dry-docking expenditures, debt servicing costs, the refinancing of a loan facility that is maturing in the fourth quarter of 2018, scheduled repayments and prepayments of long-term debt, scheduled repayments of their obligations related to capital leases, as well as funding its other working capital requirements. Teekay Tankers' short-term charters and spot market tanker operations contribute to the volatility of its net operating cash flow, and thus impact its ability to generate sufficient cash flows to meet its short-term liquidity needs. Historically, the tanker industry has been cyclical, experiencing volatility in profitability and asset values resulting from changes in the supply of, and demand for, vessel capacity. Based on Teekay Tankers' recent forecasts, it expects tanker rates, on average, to be lower in 2018 than they were in 2017. In addition, tanker spot markets historically have exhibited seasonal variations in charter rates. Tanker spot markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere and unpredictable weather patterns that tend to disrupt vessel scheduling.

Effective May 2018, Teekay Tankers eliminated the payment of its minimum quarterly dividend of $0.03 per share in order to preserve liquidity during the cyclical downturn of the tanker spot market. Under Teekay Tankers' revised dividend policy, quarterly dividends are expected to range from 30% to 50% of its quarterly adjusted net income, subject to the discretion of its Board of Directors; the policy remains subject to change. Adjusted net (loss) income is a non-GAAP measure which excludes specific items affecting net (loss) income that are typically excluded by securities analysts in their published estimates of Teekay Tankers' financial results. Specific items affecting net (loss) income include, among others, foreign exchange gain or losses, unrealized gains or losses on derivative instruments and gains or losses on sale of vessels.

Teekay Tankers' long-term capital needs are primarily for capital expenditures and debt repayment. Generally, Teekay Tankers expects that its long-term sources of funds will primarily be cash balances, long-term bank borrowings and other debt or equity financings. Teekay Tankers expects that it will rely upon external financing sources, including bank borrowings and the issuance of debt and equity securities, to fund acquisitions and expansion capital expenditures, including opportunities Teekay Tankers may pursue to purchase additional vessels.

Teekay Tankers believes that its existing cash and cash equivalents and undrawn long-term borrowings, in addition to other expected sources of liquidity including cash from operations and the initiatives described above, will be sufficient to meet its existing liquidity needs for at least the next 12 months.

Teekay Offshore
As of September 25, 2017, as a result of the Brookfield Transaction, Teekay Offshore is deconsolidated. Teekay retains ownership of approximately 14% of Teekay Offshore's outstanding common units and a 49% interest in Teekay Offshore's general partner, but no longer has in place any financial guarantees with respect to Teekay Offshore's long-term debt and interest rate swap and cross-currency swap agreements. In July 2018, Brookfield exercised its option to acquire an additional 2% of ownership interests in Teekay Offshore's general partner from us in exchange for 1.0 million Brookfield Transaction Warrants. After exercising this option, Brookfield holds a 51% general partner interest and we own a 49% interest in the general partner Teekay Offshore.

In March 2018, Teekay Offshore entered into a loan agreement for a $125.0 million senior unsecured revolving credit facility, of which up to $25.0 million is provided by Teekay and up to $100.0 million is provided by Brookfield. As at June 30, 2018 Teekay had advanced $25.0 million to Teekay Offshore under this facility (please read "Item 1 - Financial Statements: Note 4 - Deconsolidation of Teekay Offshore).

Cash Flows
The following table summarizes our consolidated cash and cash equivalents provided by (used for) operating, financing and investing activities for the periods presented:

(in thousands of U.S. Dollars)	Six Months Ended June 30,	
	2018	2017
	$	$
Net operating cash flows	110,434	279,093
Net financing cash flows	215,622	88,326
Net investing cash flows	(333,204)	(357,903)

Operating Cash Flows

Our consolidated net cash flow from operating activities fluctuates primarily as a result of changes in vessel utilization and TCE rates, changes in interest rates, fluctuations in working capital balances, the timing and amount of dry-docking expenditures, repairs and maintenance activities, vessel additions and dispositions, and foreign currency rates. Our exposure to the spot tanker market has contributed significantly to fluctuations in operating cash flows historically as a result of highly cyclical spot tanker rates. In addition, the production performance of certain of our FPSO units that operate under contracts with a production-based compensation component has contributed to fluctuations in operating cash flows. As the charter contracts of some of our FPSO units include incentives based on average annual oil prices, the reduction in global oil prices during recent years has negatively impacted our operating cash flows.

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Consolidated net cash flow from operating activities decreased to $110.4 million for the six months ended June 30, 2018, from $279.1 million for the six months ended June 30, 2017. This decrease was primarily due to a $245.7 million decrease in income from operations (before depreciation, amortization, asset impairments and loss on sale of vessels and the amortization of in-process revenue contracts) of our businesses, including the reduction as a result of the deconsolidation of Teekay Offshore, a $15.5 million decrease due to a reduction in dividends received from joint ventures and a $2.2 million decrease in cash flows from changes to non-cash working capital. This decrease was partially offset by a decrease in cash outflows of $6.2 million in dry-dock expenditures for the six months ended June 30, 2018, compared to the corresponding period of 2017. In addition, interest expense, including realized losses on interest rate swaps and cross-currency swaps, decreased $88.8 million for the six months ended June 30, 2018, compared to the corresponding period of 2017, primarily due to the deconsolidation of Teekay Offshore.

For a further discussion of changes in income from operations before depreciation, amortization, asset impairments, net loss on sale of vessels and equipment and the amortization of in-process revenue contracts of our businesses, please read “Results of Operations.”

Financing Cash Flows

The Controlled Daughter Entities hold all of our liquefied gas carriers (Teekay LNG) and all of our conventional tanker assets (Teekay Tankers). Historically, the Daughter Entities have distributed operating cash flows to their owners in the form of distributions or dividends. The Daughter Entities raised net proceeds from issuances of new equity to the public and to third-party investors of $nil in the six months ended June 30, 2018, compared to $8.5 million in the same period last year. Teekay Parent raised net proceeds from issuances of new equity to the public of $103.7 million in the six months ended June 30, 2018, compared to $nil in the same period last year. Teekay LNG received $243.8 million from the sale-leaseback financing transactions completed on the Magdala and Myrina LNG carriers in the six months ended June 30, 2018, compared to $297.2 million in the same period last year from the sale-leaseback financing transactions completed for the Torben Spirit LNG carrier and five of Teekay LNG's wholly-owned LNG carrier newbuildings.

We use our credit facilities to partially finance capital expenditures. Occasionally, we will use revolving credit facilities to finance these expenditures until longer-term financing is obtained, at which time we typically use all or a portion of the proceeds from the longer-term financings to prepay outstanding amounts under the revolving credit facilities. We actively manage the maturity profile of our outstanding financing arrangements. Our net proceeds from the issuance of long-term debt, which is proceeds from the issuance of long-term debt, net of debt issuance costs and prepayments of long-term debt, were $113.9 million in the six months ended June 30, 2018, and $328.2 million in the same period last year. Scheduled repayments decreased by $279.6 million in the six months ended June 30, 2018, compared to the same period last year.

Investing Cash Flows

During the six months ended June 30, 2018, we incurred capital expenditures for vessels and equipment of $315.3 million, primarily for capitalized vessel modifications and shipyard construction installment payments. Teekay Parent advanced $25.0 million to Teekay Offshore in the form of a senior unsecured revolving credit facility. Teekay LNG received proceeds of $54.4 million from the sale of Teekay LNG's 50% ownership interest in the Excelsior Joint Venture. Teekay LNG contributed $27.1 million to its equity-accounted joint ventures, primarily to fund project expenditures in the Yamal LNG Joint Venture, the Bahrain LNG project, and the Pan Union Joint Venture, and for working capital requirements for the Teekay LNG-Marubeni Joint Venture. Teekay incurred a net $25.3 million cash outflow as a result of cash balances of Transferred Subsidiaries which were sold to Teekay Offshore (please read "Item 1 - Financial Statements: Note 4 - Deconsolidation of Teekay Offshore).

During the six months ended June 30, 2017, we incurred capital expenditures for vessels and equipment of $365.9 million, primarily for capitalized vessel modifications and shipyard construction installment payments. Teekay Tankers and Teekay LNG received proceeds of $59.9 million from the sale of vessels. Teekay LNG contributed $97.0 million to its equity-accounted joint ventures and loans to joint ventures for the six months ended June 30, 2017, primarily to fund newbuilding installments in the Yamal LNG Joint Venture and project expenditures for the Bahrain LNG project. Teekay LNG received a $40.3 million return of capital from its joint venture with QGTC Nakilat (1643-6) Holdings Corporation (or the RasGas 3 Joint Venture) in which Teekay LNG has a 40% ownership interest, upon completion of its debt refinancing.

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CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The following table summarizes our long-term contractual obligations as at June 30, 2018:

	Total	Remainder of 2018	2019	2020	2021	2022	Beyond 2022
	In millions of U.S. Dollars						
Teekay LNG							
Bond repayments [(1)(2)]	380.5	110.5	—	122.7	147.3	—	—
Scheduled repayments of long-term debt [(1)(3)]	671.9	73.2	131.5	129.0	97.0	71.7	169.5
Repayments on maturity of long-term debt [(1)(3)]	692.2	125.4	—	148.8	161.2	5.0	251.8
Commitments related to capital leases [(4)]	1,657.2	87.8	119.5	118.8	117.8	117.0	1,096.3
Commitments under operating leases [(5)]	256.9	11.9	23.9	23.9	23.9	23.9	149.4
Newbuildings installments/shipbuilding supervision [(6)]	1,257.4	488.1	570.0	199.3	—	—	—
	4,916.1	896.9	844.9	742.5	547.2	217.6	1,667.0
Teekay Tankers							
Scheduled repayments of long-term debt [(7)]	368.9	51.4	120.6	132.0	42.2	22.7	—
Repayments on maturity of long-term debt [(7)]	574.1	49.4	—	—	391.8	132.9	—
Commitments related to capital leases [(8)]	145.4	3.7	7.7	8.2	8.7	9.3	107.8
Chartered-in vessels (operating leases) [(9)]	25.7	7.2	8.8	8.3	1.4	—	—
	1,114.1	111.7	137.1	148.5	444.1	164.9	107.8
Teekay Parent							
Bond repayments [(10)]	710.8	—	—	585.8	—	—	125.0
Chartered-in vessels (operating leases)	222.7	28.9	57.0	49.1	53.0	20.0	14.7
Asset retirement obligation	27.7	—	27.7	—	—	—	—
	961.2	28.9	84.7	634.9	53.0	20.0	139.7

(1) Euro-denominated and NOK-denominated obligations are presented in U.S. Dollars and have been converted using the prevailing exchange rate as of June 30, 2018.

(2) Excludes expected interest payments of $9.7 million (remainder of 2018), $16.4 million (2019), $13.4 million (2020) and $5.2 million (2021). Expected interest payments are based on NIBOR at June 30, 2018, plus margins that range up to 6.00%, as well as the prevailing U.S. Dollar/NOK exchange rate as of June 30, 2018. The expected interest payments do not reflect the effect of the related cross-currency swaps that Teekay LNG has used as an economic hedge of its foreign exchange and interest rate exposure associated with its NOK-denominated long-term debt.

(3) Excludes expected interest payments of $22.8 million (remainder of 2018), $40.1 million (2019), $32.2 million (2020), $22.0 million (2021), $16.4 million (2022) and $43.3 million (beyond 2022). Expected interest payments give effect to the debt refinancing completed in July 2018 of one of Teekay LNG's debt facilities and are based on LIBOR or EURIBOR at June 30, 2018, plus margins on debt that has been drawn that ranges up to 3.25% (variable-rate loans), as well as the prevailing U.S. Dollar/Euro exchange rate as of June 30, 2018. The expected interest payments do not reflect the effect of related interest rate swaps that Teekay LNG has used as an economic hedge of certain of its variable-rate debt. In addition, the above table does not reflect scheduled debt repayments in Teekay LNG's equity-accounted joint ventures. In addition, the repayment amounts give effect to the July 2018 refinancing of one of our debt facilities of 107 million Euro ($125 million) maturing in 2018 with a new 100 million Euro ($117 million) debt facility maturing in 2024.

(4) Includes, in addition to lease payments, amounts Teekay LNG may be or is required to pay to purchase a leased vessel at the end of its lease terms. For one of Teekay LNG's nine obligations related to capital leases, the lessor has the option to sell the Suezmax tanker to Teekay LNG at any time during the remaining lease term; however, in this table Teekay LNG has assumed the lessor will not exercise its right to sell the Suezmax tanker to it until after

the lease term expires, which is during 2018. The purchase price for any Suezmax tanker Teekay LNG is required to purchase would be based on the unamortized portion of the vessel construction financing costs for the vessels, which are included in the table above. We expect Teekay LNG to satisfy any such purchase price by assuming the existing vessel financing, although it may be required to obtain separate debt or equity financing to complete any purchases if the lenders do not consent to its assuming the financing obligations.

(5) Teekay LNG has corresponding leases whereby it is the lessor and expects to receive approximately $228.4 million for these leases from the remainder of 2018 to 2029.

(6) As of June 30, 2018, Teekay LNG has agreements for the construction of four wholly-owned LNG carrier newbuildings, of which the estimated remaining costs totaled $494.1 million, including estimated interest and construction supervision fees. Teekay LNG has secured $371 million of financing related to the commitments for three of the four LNG carrier newbuildings included in the table above.

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As part of the acquisition of an ownership interest in the Pan Union Joint Venture, Teekay LNG agreed to assume Shell's obligation to provide shipbuilding supervision and crew training services for the four LNG carrier newbuildings and to fund its proportionate share of the remaining newbuilding installments. The estimated remaining costs for the shipbuilding supervision and crew training services and Teekay LNG's proportionate share of newbuilding installments totaled $40.1 million as of June 30, 2018. However, as part of this agreement with Shell, Teekay LNG expects to recover $1.2 million of the shipbuilding supervision and crew training costs from Shell during 2018 and 2019, and the Pan Union Joint Venture has secured undrawn financing of $49.0 million based on Teekay LNG's proportionate share of the remaining newbuilding installments as of June 30, 2018.

In July 2014, the Yamal LNG Joint Venture, in which Teekay LNG has a 50% ownership interest, entered into agreements for the construction of six ARC7 LNG carrier newbuildings, one of which delivered in January 2018 (the Eduard Toll). As at June 30, 2018, Teekay LNG's 50% share of the estimated remaining costs for these five newbuildings totaled $619.9 million, of which the Yamal LNG Joint Venture has secured undrawn financing of $581 million based on our proportionate share of the remaining newbuilding installments included in the table above.

The Bahrain LNG Joint Venture, in which Teekay LNG has a 30% ownership interest, is developing an LNG receiving and regasification terminal in Bahrain. The project will be owned and operated under a 20-year agreement commencing in early-2019 with a fully-built up cost of approximately $889 million. As at June 30, 2018, Teekay LNG's 30% share of the estimated remaining costs is $90.6 million, of which the Bahrain LNG Joint Venture has secured undrawn debt financing of $94.0 million based on our proportionate share.

The table above includes Teekay LNG's proportionate share of the newbuilding costs for one LPG carrier newbuilding scheduled for delivery during the remainder of 2018 in the Exmar LPG Joint Venture. As at June 30, 2018, Teekay LNG's 50% share of the estimated remaining costs included in the table above for this LPG carrier totaled $12.7 million. In July 2018, the Exmar LPG Joint Venture completed a three-year, $35 million financing for this LPG carrier newbuilding.

(7) Excludes expected interest payments of $19.5 million (remainder of 2018), $34.1 million (2019), $28.7 million (2020), $16.7 million (2021), and $3.8 million (2022). Expected interest payments are based on existing interest rates for variable-rate loans at LIBOR plus margins that range from 0.30% to 2.75% at June 30, 2018. The expected interest payments do not reflect the effect of related interest rate swaps that Teekay Tankers has used to hedge certain of its floating-rate debt.

(8) Excludes imputed interest payments of $4.5 million (remaining in 2018), $8.5 million (2019), $8.1 million (2020), $7.5 million (2021), $7.0 million (2022) and $29.0 million (thereafter).

(9) Excludes payments required if Teekay Tankers executes all options to extend the terms of in-chartered leases signed as of June 30, 2018. If Teekay Tankers exercises all options to extend the terms of signed in-chartered leases, it would expect total payments of $9.4 million (remainder of 2018), $14.5 million (2019), $12.0 million (2020) and $1.9 million (2021).

(10) Excludes expected interest payments of $28.0 million (remainder of 2018), $56.0 million (2019), $8.3 million (2020), $6.3 million (2021), $6.3 million (2022) and $0.3 million (thereafter). Expected interest payments are based on the interest rates for Teekay Parent's convertible senior notes and senior unsecured notes of 5.0% and 8.5%, respectively.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. The details of our equity-accounted investments are shown in "Item 18 – Financial Statements: Note 22 – Equity-Accounted Investments" of our Annual Report on Form 20-F for the year ended December 31, 2017.

CRITICAL ACCOUNTING ESTIMATES

We prepare our consolidated financial statements in accordance with GAAP, which require us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our consolidated

financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could materially differ from our assumptions and estimates. Accounting estimates and assumptions that we consider to be the most critical to an understanding of our consolidated financial statements because they inherently involve significant judgments and uncertainties, are discussed in this section and “Item 5—Operating and Financial Review and Prospects” in our Annual Report on Form 20-F for the year ended December 31, 2017. There were no significant changes in accounting estimates and assumptions from those discussed in such Annual Report on Form 20-F.

Goodwill

Based on conditions that existed at June 30, 2018, we do not believe that there is a reasonable possibility that the goodwill attributable to our reporting units with goodwill might be impaired. However, certain factors that impact this assessment are inherently difficult to forecast and, as such, we cannot provide any assurance that an impairment will or will not occur in the future. An assessment for impairment involves a number of assumptions and estimates that are based on factors that are beyond our control. Some of these factors are referenced in the following section entitled “Forward-Looking Statements.”

FORWARD-LOOKING STATEMENTS

This Report on Form 6-K for the three and six months ended June 30, 2018, contains certain forward-looking statements (as such term is defined in Section 21A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) concerning future events and our operations, performance and financial condition, including, among others, statements regarding:

- our future financial condition and results of operations and our future revenues, expenses and capital expenditures, and our expected financial flexibility to pursue capital expenditures, acquisitions and other expansion opportunities;

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- meeting our going concern requirements and our liquidity needs, and the liquidity needs of Teekay LNG and Teekay Tankers, including our working capital deficit, anticipated funds and sources of financing for liquidity needs and the sufficiency of cash flows, and our estimation that we will have sufficient liquidity for at least the next 12 months;
- our ability and plans to refinance existing debt obligations, obtain financing for new and existing projects and capital expenditures, including unfinanced newbuildings, and negotiate extensions or redeployments of existing assets;
- our business strategy and other plans and objectives for future operations;
- our future growth prospects and future trends of the markets in which we operate;
- offshore, LNG, LPG, LR2 and tanker market conditions and fundamentals, including the balance of supply and demand in these markets and spot tanker charter rates, fleet growth, scrapping levels, price of oil, and oil production in the tanker market, including the effects of OPEC production increases, sanctions on Iran and the anticipated impact of new IMO fuel regulations in 2020;
- operating expenses, availability of crew and crewing costs, number of off-hire days, dry-docking requirements and durations and the adequacy and cost of insurance;
- our expectations and estimates regarding future charter business, including with respect to minimum charter hire payments, revenues and our vessels' ability to perform to specifications and maintain their hire rates in the future;
- certainty of completion, estimated delivery and completion dates, commencement dates of charters, intended financing and estimated costs for newbuildings;
- the expected completion of the sale of our ownership interest in Sevan in the fourth quarter of 2018;
- the expected technical and operational capabilities of newbuildings;
- our ability to obtain charter contracts for newbuildings or other vessels;
- our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term time charter;
- compliance with financing agreements and the expected effect of restrictive covenants in such agreements;
- the completion, terms and effect of proposed debt refinancings and sale-leaseback financing transactions and working capital loan for Teekay Tankers' RSA management operations;
- the outcome and cost of disputes, claims and potential claims against or involving us;
- Teekay LNG's expectations regarding its ability to sell the European Spirit and African Spirit;
- our expectations regarding the completion of the Yamal LNG project, including the timing for the project's second LNG train;
- the future resumption of a LNG plant in Yemen operated by YLNG and expected repayment of deferred hire amounts on Teekay LNG’s two 52%-owned vessels, the Marib Spirit and Arwa Spirit, on charter to YLNG, and the expected reduction to Teekay LNG's equity income in 2018 as a result of the charter payment deferral;
- our expectations regarding the ability of Awilco and our other customers to make charter payments to us and fulfill purchase obligations at the end of charter contracts, including obligations relating to two of Teekay LNG carriers completing charters with Awilco in 2029;
- our expectations on the potential financial exposure relating to Teekay LNG’s guarantee of tax indemnification obligations of the Teekay Nakilat Joint Venture under lease arrangements for the RasGas II LNG Carriers and the potential timing of payment by the Teekay Nakilat Joint Venture;
- our expectations regarding whether the UK taxing authority can successfully challenge the tax benefits available under certain of Teekay LNG's former and current leasing arrangements, and the potential financial exposure to Teekay LNG if such a challenge is successful;
- our expectation that the owner of two of Teekay LNG's Suezmax tanker under capital lease, the Toledo Spirit, will cancel the related charter contract for the vessel in 2018 and sell it to a third party, rather than requiring Teekay LNG to purchase the vessel under capital lease;
- our expectations regarding the schedule and performance of the Bahrain LNG Joint Venture and Bahrain LNG project and our expectations regarding the supply, modification, charter and timing of completion of the conversion of the FSU vessel for the project;

- the expected cost of supervision and crew training in relation to the Pan Union Joint Venture and Teekay LNG's expected recovery of a portion of those costs;
- the future valuation or impairment of goodwill;
- the expected lifespan of our vessels, including our expectations as to any impairment of our vessels;
- expected uses of proceeds from vessel or financing transactions;
- the ability of the counterparties for our derivative contracts to fulfill their contractual obligations;
- our hedging activities relating to foreign exchange, interest rate and spot market risks, and potential variance in the amounts recorded as derivative assets and liabilities;
- our exposure to foreign currency fluctuations;
- our expectations regarding uncertain tax positions;
- the timing and amounts of dividends distributed by our equity-accounted joint ventures; and
- the potential impact and timing for adoption of new accounting guidance.

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Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words “believe”, “anticipate”, “expect”, “estimate”, “project” “will be”, “will continue”, “will likely result”, or words or phrases of similar meanings. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. 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: failure to achieve or the delay in achieving expected benefits of our financing initiatives; changes in oil prices; changes in vessel values; changes in production of or demand for oil, petroleum products, LNG and LPG, either generally or in particular regions; changes in anticipated levels of vessel newbuilding orders or rates of vessel scrapping; competitive factors in the markets in which we operate; loss of any customer, time-charter or vessel; changes in the financial stability of our charterers; changes in trading patterns significantly affecting overall vessel tonnage requirements; the timing of implementation of new laws and regulations; spot tanker market rate fluctuations; changes in the typical seasonal variations in tanker charter rates; changes in the offshore production of oil or demand for shuttle tankers, FSOs, FPSOs, LNG or LPG carriers, UMS or towage vessels; effects of the issuance of additional shares of common stock and other equity securities on cash distributions; the outcome of discussions or legal action with third parties relating to existing or potential disputes or claims; delays in the start-up of offshore oil fields related to the CoA contracts of the actual vessel equivalent requirements of new CoAs; potential inability to obtain charters related to newbuildings or other vessels; 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 our ability to renew or replace long-term contracts or complete existing contract negotiations; shipyard production or vessel conversion delays and cost overruns; our exposure to interest rate and currency exchange rate fluctuations; the failure of Teekay Tankers to achieve expected benefits from the merger with TIL; changes in our expenses; changes in tax regulations or the outcome of tax positions; our future capital expenditure requirements and the inability to secure financing for such requirements; our potential inability to raise financing to refinance debt maturities; the failure to complete the proposed sale-leaseback and RSA working capital financing transactions and/or potential changes to the expected terms of the transactions; the inability of us to complete vessel sale transactions; 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; the potential inability of Awilco to make payments under or relating to charter contracts; the potential failure of the YLNG project in Yemen to recommence operations or for YLNG to pay deferred charter hire amounts; the outcome of any claims by the lessor or taxing authorities relating to tax indemnification obligations of Teekay Nakilat Joint Venture under lease arrangements and the outcome of discussions with HMRC in relation to the correct tax treatment to be applied to the lease arrangements; conditions in the capital markets and lending markets; potential inability to implement our growth strategy; and other factors discussed in our filings from time to time with the SEC, including our Report on Form 20-F for the fiscal year ended December 31, 2017. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

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ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from foreign currency fluctuations and changes in interest rates, bunker fuel prices and spot tanker market rates for vessels. We use foreign currency forward contracts, cross-currency and interest rate swaps, bunker fuel swap contracts and forward freight agreements to manage currency, interest rate, bunker fuel price and spot tanker market rate risks, but we do not use these financial instruments for trading or speculative purposes, except as noted below under Spot Tanker Market Rate Risk. Please read “Item 1 – Financial Statements: Note 14 – Derivative Instruments and Hedging Activities.”

Foreign Currency Fluctuation Risk

Our primary economic environment is the international shipping market. Transactions in this market generally utilize the U.S. Dollar. Consequently, a substantial majority of our revenues and most of our operating costs are in U.S. Dollars. We incur certain voyage expenses, vessel operating expenses, dry-docking and overhead costs in foreign currencies, the most significant of which are the Australian Dollar, British Pound, Canadian Dollar, Euro, Norwegian Kroner and Singapore Dollar. There is a risk that currency fluctuations will have a negative effect on the value of cash flows.

We reduce our exposure at times by entering into foreign currency forward contracts. In most cases, we hedge our net foreign currency exposure for the following nine to 12 months. We generally do not hedge our net foreign currency exposure beyond three years forward. As at June 30, 2018, the Company was not committed to any foreign currency forward contracts.

Although the majority of our transactions, assets and liabilities are denominated in U.S. Dollars, certain of our subsidiaries have foreign currency-denominated liabilities. There is a risk that currency fluctuations will have a negative effect on the value of our cash flows. We have not entered into any forward contracts to protect against the translation risk of our foreign currency-denominated liabilities. As at June 30, 2018, we had Euro-denominated term loans of 186.2 million Euros ($217.6 million). We receive Euro-denominated revenue from certain of our time-charters. These Euro cash receipts generally are sufficient to pay the principal and interest payments on our Euro-denominated term loans. Consequently, we have not entered into any foreign currency forward contracts with respect to our Euro-denominated term loans, although there is no assurance that our net exposure to fluctuations in the Euro will not increase in the future.

We enter into cross-currency swaps in connection with our NOK bond issuances, and pursuant to these swaps we receive the principal amount in NOK on the maturity date of the swap, in exchange for payment of a fixed U.S. Dollar amount. In addition, the cross-currency swaps exchange a receipt of floating interest in NOK based on NIBOR plus a margin for a payment of U.S. Dollar fixed interest. The purpose of the cross-currency swaps is to economically hedge the foreign currency exposure on the payment of interest and principal of our NOK bonds due in 2018, 2020 and 2021. In addition, the cross-currency swaps economically hedge the interest rate exposure on the NOK bonds due in 2018, 2020 and 2021. We have not designated, for accounting purposes, these cross-currency swaps as cash flow hedges of our outstanding NOK-denominated bonds due in 2018, 2020 and 2021. As at June 30, 2018, we were committed to the following cross-currency swaps:

Notional Amount NOK [(1)]	Notional Amount USD [(1)]	Floating Rate Receivable		Fixed Rate Payable	Fair Value / Carrying Amount of Asset / (Liability) [(1)]	Remaining Term (years)
		Reference Rate	Margin			
900,000	150,000	NIBOR	4.35 %	6.43 %	$ (40,214)	0.2

1,000,000	134,000	NIBOR	3.70 %	5.92 %	(10,761)	1.9
1,200,000	146,500	NIBOR	6.00 %	7.72 %	6,449	3.3
					(44,526)	

(1) In thousands of Norwegian Kroner and U.S. Dollars.

Interest Rate Risk

We are exposed to the impact of interest rate changes primarily through our floating-rate borrowings that require us to make interest payments based on LIBOR, NIBOR or EURIBOR. Significant increases in interest rates could adversely affect our operating margins, results of operations and our ability to service our debt. We use interest rate swaps to reduce our exposure to market risk from changes in interest rates. Generally, our approach is to economically hedge a substantial majority of floating-rate debt associated with our vessels that are operating on long-term fixed-rate contracts. We manage the rest of our floating-rate debt exposure based on our outlook for interest rates and other factors.

We are exposed to credit loss in the event of non-performance by the counterparties to the interest rate swap agreements. In order to minimize counterparty risk, we only enter into derivative transactions with counterparties that are rated A- or better by Standard & Poor's or A3 or better by Moody's at the time of the transaction. In addition, to the extent possible and practical, interest rate swaps are entered into with different counterparties to reduce concentration risk.

The table below provides information about our financial instruments at June 30, 2018, that are sensitive to changes in interest rates, including our debt and obligations related to capital leases and interest rate swaps. For long-term debt and obligations related to capital leases, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and weighted-average interest rates by expected contractual maturity dates.

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	Expected Maturity Date								
	Remainder of 2018	2019	2020	2021	2022	Thereafter	Total	Fair Value Liability	Rate (1)
	(in millions of U.S. dollars)								
Long-Term Debt:									
Variable Rate ($U.S.)(2)	274.3	217.0	373.5	627.4	203.5	331.5	2,027.2	(1,978.8)	4.2%
Variable Rate (Euro)(3)(4)	20.1	25.1	26.3	27.5	28.8	89.8	217.6	(213.2)	1.0%
Variable Rate (NOK)(4)(5)	110.5	—	122.7	147.3	—	—	380.5	(387.7)	5.7%
Fixed-Rate Debt ($U.S.)	5.0	10.0	595.8	37.3	—	125.0	773.1	(768.8)	7.7%
Average Interest Rate	5.4%	5.4%	8.4%	5.4%	—%	5.0%	7.7%		
Obligations Related to Capital Leases									
Variable-Rate ($U.S.)(6)	38.1	26.2	26.7	27.3	27.9	361.3	507.5	(501.7)	5.0%
Fixed-Rate ($U.S.)(6)	23.0	38.7	40.6	42.7	45.0	654.7	844.7	(804.8)	5.4%
Average Interest Rate(7)	5.4%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%		
Interest Rate Swaps:									
Contract Amount ($U.S.)(8)	94.4	236.4	253.9	430.8	25.9	215.4	1,256.8	(14.6)	2.9%
Average Fixed Pay Rate(2)	3.4%	2.6%	3.0%	2.6%	3.7%	3.4%	2.9%		
Contract Amount (Euro)(4)(9)	129.5	9.9	10.6	11.4	12.3	43.9	217.6	(26.1)	3.1%
Average Fixed Pay Rate(3)	2.5%	3.7%	3.7%	3.7%	3.7%	3.9%	3.1%		

(1) Rate refers to the weighted-average interest rate for our long-term debt and obligations related to capital lease, including the margin we pay on our floating-rate, which, as of June 30, 2018, ranged from 0.3% and 4.0% for U.S. Dollar denominated debt. The average interest rate for our obligations related to capital leases is the weighted-average interest rate implicit in our lease obligations at the inception of the leases.

(2) Interest payments on U.S. Dollar-denominated debt and interest rate swaps are based on LIBOR.

(3) Interest payments on Euro-denominated debt and interest rate swaps are based on EURIBOR. The repayment amounts give effect to the refinancing completed in July 2018 of one of Teekay LNG's debt facilities that was scheduled to mature in 2018 with a new 100 million Euro ($117 million) facility maturing in 2024.

(4) Euro-denominated and NOK-denominated amounts have been converted to U.S. Dollars using the prevailing exchange rate as of June 30, 2018.

(5) Interest payments on our NOK-denominated debt and on our cross-currency swaps are based on NIBOR. Our NOK-denominated debt has been economically hedged with cross-currency swaps, to swap all interest and principal payments at maturity into U.S. Dollars, with the interest payments fixed at rates between 5.92% to 7.72%, and the transfer of principal fixed at $430.5 million upon maturities.

(6) The amount of obligations related to capital leases represents the present value of minimum lease payments together with our purchase obligation, as applicable.

(7) The average interest rate is the weighted-average interest rate implicit in the obligations related to fixed-rate capital leases at the inception of the leases.

(8) The average variable receive rate for our interest rate swaps is set quarterly at the 3-month LIBOR or semi-annually at the 6-month LIBOR.

(9) The average variable receive rate for our Euro-denominated interest rate swaps is set at 1-month EURIBOR.

Equity Price Risk

We are exposed to the changes in the unit price of Teekay Offshore. We have stock purchase warrants entitling us to purchase an aggregate of 15.5 million (including the additional 1.0 million Brookfield Transaction Warrants received

upon Brookfield's exercise of its option to acquire an additional 2% of ownership interests in Teekay Offshore's general partner from us in July 2018) common units of Teekay Offshore for an exercise price of $0.01 per common unit, which warrants become exercisable when Teekay Offshore's common unit volume-weighted average price is equal to or greater than $4.00 per common unit for 10 consecutive trading days until September 25, 2024. In addition, we hold 1.8 million warrants to purchase common units of Teekay Offshore that were issued in connection with Teekay Offshore's private placement of Series D Preferred Units in June 2016 with an exercise price of $4.55, which have a seven-year term and will be net settled in either cash or common units at Teekay Offshore's option.

Commodity Price Risk

From time to time we may use bunker fuel swap contracts relating to a portion of our bunker fuel expenditures. As at June 30, 2018, we were not committed to any bunker fuel swap contracts.

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Spot Tanker Market Rate Risk

We are exposed to fluctuations in spot tanker market rates which can adversely affect our revenues. To reduce its exposure, Teekay Tankers uses forward freight agreements (or FFAs) in non-hedge-related transactions to increase or decrease its exposure to spot market rates, within defined limits. Teekay Tankers also use FFAs as an investment tool to trade in the open market. Volatility in the spot tanker market may cause significant increases or decreases in net gains and losses from FFA trading. FFAs are contracts used to buy or sell a fixed volume of freight on specified trade routes. FFAs settle in cash based on the difference between the contracted charter rate and the average rate of an identified index. Net gains and losses from FFAs are recorded within realized and unrealized gains(losses) on non-designated derivative instruments in our consolidated statements of loss.

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ITEM 4 - CONTROLS AND PROCEDURES

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) during the six months ended June 30, 2018, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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TEEKAY CORPORATION AND SUBSIDIARIES
JUNE 30, 2018
PART II – OTHER INFORMATION
Item 1 – Legal Proceedings
See "Part I – Item 1 – Financial Statements: Note 10d – Commitments and Contingencies – Legal Proceedings and Claims" in this Report.
Item 1A – Risk Factors
In addition to the other information set forth in this Report on Form 6-K, you should carefully consider the risk factors discussed in Part I, "Item 3. Key Information – Risk Factors" in our Annual Report on Form 20-F for the year ended December 31, 2017, which could materially affect our business, financial condition or results of operations and the price and value of our securities.
Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds
None
Item 3 – Defaults Upon Senior Securities
None
Item 4 – Mine Safety Disclosures
Not applicable
Item 5 – Other Information
The Company's 2018 Annual Meeting of Shareholders was held on June 15, 2018. The following persons were elected Directors for a term of three years by the votes set forth opposite their names:

Terms Expiring in 2021	Votes For	Votes Against or Withheld	Shares which Abstained	Broker Non-Votes
C. Sean Day	46,313,325	4,865,474	N/A	N/A
Alan Semple	45,582,953	5,595,846	N/A	N/A
Bill Utt	45,787,745	5,391,054	N/A	N/A

The terms of Peter S. Janson, Bjorn Moller, Tore I. Sandvold, Rudolph Krediet, Heidi Locke Simon and David Schellenberg continued after the meeting.
Item 6 - Exhibits
None

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

- REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 033-97746) FILED WITH THE SEC ON OCTOBER 4, 1995;
- REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-42434) FILED WITH THE SEC ON JULY 28, 2000;
- REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-119564) FILED WITH THE SEC ON OCTOBER 6, 2004;
- REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-147683) FILED WITH THE SEC ON NOVEMBER 28, 2007;
- REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-166523) FILED WITH THE SEC ON MAY 5, 2010;
- REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-187142) FILED WITH THE SEC ON MARCH 8, 2013;
- REGISTRATION STATEMENT ON FORM F-3 (NO. 333-212787) FILED WITH THE SEC ON JULY 29, 2016;
- REGISTRATION STATEMENT ON FORM F-3 (NO. 333-213213) FILED WITH THE SEC ON AUGUST 19, 2016; AND
-

REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-221806) FILED WITH THE SEC ON NOVEMBER 29, 2017.

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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 27, 2018 By: /s/ Vincent Lok
Vincent Lok
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)