TEEKAY CORP
Form 6-K
October 01, 2009

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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, 2009
Commission file number 1- 12874
TEEKAY CORPORATION
(Exact name of Registrant as specified in its charter)
4th Floor, Belvedere Building
69 Pitts Bay Road
Hamilton, HM 08 Bermuda
(Address of principal executive office)

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

Form 20-F þ Form 40- F o

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

Yes o No þ

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

Yes o No þ

TEEKAY CORPORATION AND SUBSIDIARIES
REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009
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ITEM 1 FINANCIAL STATEMENTS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009 $	2008 $	2009 $	2008 $
REVENUES	532,473	810,832	1,149,024	1,551,247
OPERATING EXPENSES				
Voyage expenses	62,925	189,515	153,594	358,976
Vessel operating expenses *(note 16)*	140,529	160,944	289,857	309,379
Time-charter hire expense	116,451	142,702	253,279	287,622
Depreciation and amortization	108,192	106,700	214,745	204,407
General and administrative *(note 16)*	52,695	71,298	103,835	140,363
Gain on sale of vessels and equipment net of write-downs (*note 13*)	(11,083)	(2,925)	(11,201)	(3,421)
Restructuring charge (*note 14a*)	5,003	4,617	10,561	6,117
Total operating expenses	474,712	672,851	1,014,670	1,303,443
Income from vessel operations	57,761	137,981	134,354	247,804
OTHER ITEMS				
Interest expense	(37,280)	(63,253)	(81,470)	(151,959)
Interest income	5,023	18,832	11,701	52,722
Realized and unrealized gain (loss) on non-designated derivative instruments *(note 16)*	157,485	116,263	204,730	(34,948)
Equity income (loss) from joint ventures *(note 11b)*	27,380	(2,063)	38,802	(5,672)
Foreign exchange loss (*notes 8 and 16*)	(25,165)	(3,014)	(13,853)	(36,595)
Other income (*note 14b*)	3,823	6,294	5,405	10,482
Net income before income tax recovery (expense)	189,027	211,040	299,669	81,834
Income tax recovery (expense) *(note 18)*	4,598	11,201	(1,270)	8,718
Net income	193,625	222,241	298,399	90,552
Less: Net income attributable to non-controlling interests	(34,266)	(38,822)	(57,535)	(12,262)
Net income attributable to stockholders of Teekay Corporation	159,359	183,419	240,864	78,290

Per common share of Teekay Corporation *(note 17)*				
Basic earnings	2.20	2.53	3.32	1.08
Diluted earnings	2.19	2.50	3.30	1.07
Cash dividends declared	0.31625	0.27500	0.63250	0.55000
Weighted average number of common shares outstanding *(note 17)*				
Basic	72,535,899	72,377,684	72,526,101	72,511,041
Diluted	72,798,023	73,279,213	72,887,474	73,357,190

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)

	As at June 30, 2009 $	As at December 31, 2008 $
ASSETS		
Current		
Cash and cash equivalents *(note 8)*	472,671	814,165
Restricted cash *(note 9)*	35,440	35,841
Accounts receivable	189,388	300,462
Vessels held for sale (*note 13*)	34,970	69,649
Net investment in direct financing leases *(note 4)*	33,620	22,941
Prepaid expenses	99,872	117,651
Other assets	30,077	33,794
Total current assets	896,038	1,394,503
Restricted cash long-term *(note 9)*	610,523	614,715
Vessels and equipment *(note 8)*		
At cost, less accumulated depreciation of $1,516,538 (2008 $1,351,786)	5,736,758	5,784,597
Vessels under capital leases, at cost, less accumulated amortization of $122,966 (2008 $106,975) *(note 9)*	912,978	928,795
Advances on newbuilding contracts *(note 11a)*	231,220	553,702
Total vessels and equipment	6,880,956	7,267,094
Net investment in direct financing leases non-current *(note 4)*	440,701	56,567
Loans to joint ventures	22,588	28,019
Derivative instruments *(note 16)*	37,279	154,248
Investment in joint ventures *(note 11b)*	126,315	103,956
Other non-current assets	136,488	127,940
Intangible assets net *(note 6)*	246,640	264,768
Goodwill *(note 6)*	203,191	203,191
Total assets	9,600,719	10,215,001
LIABILITIES AND EQUITY		
Current		
Accounts payable	53,297	59,973
Accrued liabilities	240,859	315,987
Current portion of derivative liabilities *(note 16)*	151,810	166,725
Current portion of long-term debt *(note 8)*	204,549	245,043

Current obligation under capital leases *(note 9)*	149,285	147,616
Current portion of in-process revenue contracts *(note 6)*	66,593	74,777
Loan from joint venture partners	21,274	21,019
Total current liabilities	887,667	1,031,140
Long-term debt *(note 8)*	4,274,903	4,707,749
Long-term obligation under capital leases *(note 9)*	668,587	669,725
Derivative instruments *(note 16)*	265,858	676,540
Deferred income taxes (*note 18*)	6,244	6,182
Asset retirement obligation	22,238	18,977
In-process revenue contracts *(note 6)*	216,769	243,088
Other long-term liabilities	225,100	209,195
Total liabilities	6,567,366	7,562,596
Commitments and contingencies *(notes 9, 11 and 16)*		
Equity		
Common stock and additional paid-in capital *(note 10)*	649,138	642,911
Retained earnings	1,702,019	1,507,617
Non-controlling interest	727,391	583,938
Accumulated other comprehensive loss *(note 15)*	(45,195)	(82,061)
Total equity	3,033,353	2,652,405
Total liabilities and equity	9,600,719	10,215,001

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,	
	2009	**2008**
	$	**$**
Cash and cash equivalents provided by (used for)		
OPERATING ACTIVITIES		
Net income	298,399	90,552
Non-cash items:		
Depreciation and amortization	214,745	204,407
Amortization of in-process revenue contracts	(37,769)	(34,870)
Gain on sale of marketable securities		(4,576)
Gain on sale of vessels and equipment	(27,634)	(3,421)
Write-down of intangible assets	1,076	
Write-down of vessels and equipment	16,433	
Loss on repurchase of bonds		1,310
Equity (income) loss (net of dividends received)	(35,860)	5,672
Income tax expense (recovery)	1,270	(8,718)
Employee stock option compensation	6,059	6,183
Foreign exchange loss and other	7,920	16,736
Unrealized (gains) losses on derivative instruments	(271,471)	29,472
Change in non-cash working capital items related to operating activities (*note 7*)	82,343	(75,554)
Expenditures for drydocking	(26,243)	(28,227)
Net operating cash flow	229,268	198,966
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	(297,224)	1,284,496
Debt issuance costs	(664)	(5,108)
Scheduled repayments of long-term debt	(137,777)	(198,320)
Prepayments of long-term debt	(632,910)	(639,321)
Repayments of capital lease obligations	(4,617)	(4,495)
Proceeds from loans from joint venture partner		1,041
Repayment of loans from joint venture partner	(4,973)	
Decrease (increase) in restricted cash	5,805	(11,503)
Net proceeds from issuance of Teekay LNG Partners L.P. units (*note 5*)	67,095	148,345
Net proceeds from issuance of Teekay Offshore Partners L.P. units (*note 5*)		134,265
Net proceeds from issuance of Teekay Tankers Ltd. shares (*note 5*)	65,556	
Issuance of Common Stock upon exercise of stock options	160	4,009
Repurchase of Common Stock		(20,512)
Distribution from subsidiaries to non-controlling interests	(53,093)	(34,546)
Cash dividends paid	(45,861)	(40,028)
Other financing activities		(2,715)

Net financing cash flow	(444,055)	615,608
INVESTING ACTIVITIES		
Expenditures for vessels and equipment	(344,888)	(410,495)
Proceeds from sale of vessels and equipment	198,837	79,224
Purchases of marketable securities		(542)
Proceeds from sale of marketable securities		11,058
Acquisition of additional 30.1% of Teekay Petrojarl ASA *(note 3)*		(257,142)
Investment in joint ventures	(7,522)	
Advances to joint ventures	(1,420)	(211,491)
Investment in direct financing lease assets		(30)
Direct financing lease payments received	3,251	11,298
Other investing activities	25,035	19,806
Net investing cash flow	(126,707)	(758,314)
(Decrease) increase in cash and cash equivalents	(341,494)	56,260
Cash and cash equivalents, beginning of the period	814,165	442,673
Cash and cash equivalents, end of the period	472,671	498,933

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 INCOME
(in thousands of U.S. dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009 $	2008 $	2009 $	2008 $
Net income	193,625	222,241	298,399	90,552
Other comprehensive income:				
Unrealized gain (loss) on marketable securities	3,531	2,068	1,090	(3,766)
Reclassification adjustment for gain on sale of marketable securities		(1,868)		(4,575)
Pension adjustments	437		874	1,058
Unrealized change on qualifying cash flow hedging instruments	21,046	446	20,929	6,577
Realized change on qualifying cash flow hedging instruments	5,943	(1,039)	18,686	(4,061)
Other comprehensive income (loss)	30,957	(393)	41,579	(4,767)
Comprehensive income	224,582	221,848	339,978	85,785
Less: Comprehensive income attributable to non-controlling interests	(37,020)	(39,382)	(62,246)	(13,081)
Comprehensive income attributable to stockholders of Teekay Corporation	187,562	182,466	277,732	72,704

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

1. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited interim consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles. They include the accounts of Teekay Corporation (or *Teekay*), which is incorporated under the laws of the Republic of The Marshall Islands, and its wholly-owned or controlled subsidiaries (collectively, the *Company*). Certain information and footnote disclosures required by United States generally accepted accounting principles for complete annual financial statements have been omitted and, therefore, it is suggested that these interim financial statements be read in conjunction with the Company s audited financial statements for the year ended December 31, 2008, included on Form 20-F filed on June 30, 2009. In the opinion of management, these financial statements reflect all adjustments, of a normal recurring nature, necessary to present fairly, in all material respects, the Company s consolidated financial position, results of operations, and cash flows for the interim periods presented. The results of operations for the six months ended June 30, 2009 are not necessarily indicative of those for a full fiscal year.

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current period.

The Company evaluated events and transactions occurring after the balance sheet date and through the day the financial statements were issued. The date of issuance of the financial statements was October 1, 2009.

Changes in Accounting Policies

In December 2007, the Financial Accounting Standards Board (or *FASB*) issued Statement of Financial Accounting Standards (or *SFAS*) No. 160, *Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS No. 160). SFAS No. 160 amends Accounting Research Bulletin (or *ARB*) 51 to establish accounting and reporting standards for the non-controlling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. This statement provides that non-controlling interests in subsidiaries held by parties other than the Company be identified, labeled and presented in the statement of financial position within equity, but separate from the stockholders equity. SFAS No. 160 states that the amount of consolidated net income attributable to the stockholders and to the non-controlling interest be clearly identified on the consolidated statements of income. The statement provides for consistency regarding changes in stockholders ownership including when a subsidiary is deconsolidated. Any retained non-controlling equity investment in the former subsidiary will be initially measured at fair value. On January 1, 2009, the Company adopted SFAS No. 160 prospectively. The Company has applied the presentation and disclosure provisions of SFAS No. 160 to its consolidated financial statements retrospectively.

The consolidated net income attributable to the stockholders of Teekay Corporation would be different in the three and six months ended June 30, 2009 had the previous requirements in paragraph 15 of ARB 51 continued to have been applied rather than SFAS 160. Under paragraph 15, losses attributable to the non-controlling interest that exceed its equity capital are charged against the majority interest, as there is no obligation of the non-controlling interest to cover such losses. However, if future earnings do materialize, the majority interest should be credited to the extent of such losses previously absorbed. Pro forma consolidated net income attributable to stockholders of Teekay Corporation and pro forma earnings per share had ARB 51 been applied are as follows:

	Three Months Ended June 30, 2009 $	Six Months Ended June 30, 2009 $
Pro forma net income attributable to the stockholders of Teekay Corporation	164,652	247,045

Pro forma earnings per share:		
Basic	2.27	3.41
Diluted	2.26	3.39

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (or *SFAS No. 141 (R)*). SFAS No. 141 (R) requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. This Statement also requires that the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full fair values of the assets and liabilities as if they had occurred on the acquisition date. In addition, SFAS No. 141 (R) requires that all acquisition related costs be expensed as incurred, rather than capitalized as part of the purchase price and those restructuring costs that an acquirer expected, but was not obligated to incur, to be recognized separately from the business combination. SFAS No. 141 (R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company s adoption of SFAS No. 141(R) prospectively from January 1, 2009 did not have a material impact on the consolidated financial statements.

The Company also adopted Emerging Issues Task Force Issue 08-06 (or *EITF 08-06*), *Equity Method Investment Accounting Considerations*. This Issue addresses the impact that SFAS 141 (R) and SFAS 160 might have on the accounting for equity method investments, including accounting for changes in value and changes in ownership levels. The adoption of EITF 08-06 did not have a material impact on the consolidated financial statements.

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In February 2008, the FASB issued FASB Staff Position No. 157-2 (or *FSP 157-2*) which delayed the effective date of SFAS No. 157, *Fair Value Measurements*, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). For purposes of applying this FSP, nonfinancial assets and nonfinancial liabilities would include all assets and liabilities other than those meeting the definition of a financial asset or financial liability as defined in paragraph 6 of SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This FSP defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and the interim periods within those fiscal years for items within the scope of this FSP. The Company s adoption of the provisions of SFAS No. 157 related to those items covered by FSP 157-2 from January 1, 2009 did not have a material impact on the Company s consolidated financial statements. See Note 12 of the notes to the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (or *SFAS No. 161*), which requires expanded disclosures about a company s derivative instruments and hedging activities, including increased qualitative, and credit-risk disclosures to enable investors to better understand how these instruments and activities are accounted for; how and why they are used; and their effects on an entity s financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption permitted. On January 1, 2009, the Company adopted the provisions of SFAS No. 161. See Note 16 of the notes to the consolidated financial statements.

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets*. This FSP amends the factors that should be considered in developing renewal or extension of assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. This FSP is effective for the Company for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The adoption of FSP 142-3 did not have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued FSP 107-1 and Accounting Principles Board Opinion 28-1 (or *APB 28-1*), which extends the requirements of SFAS No. 107, Disclosures about Fair Value of Financial Instruments to interim financial statements of publicly-traded companies. Prior to FSP No. 107-1 and APB 28-1, fair values for these assets and liabilities were only disclosed once a year. FSP No. FAS 107-1 and APB 28-1 require that disclosures provide qualitative and quantitative information on fair value estimates for all financial instruments not measured on the balance sheet at fair value, when practicable, with the exception of certain financial instruments listed in SFAS No. 107. FSP No. FAS 107-1 and APB 28-1 are effective prospectively for interim reporting periods ending after June 15, 2009. On April 1, 2009, the Company adopted the provisions of FSP No. 107-1 and APB 28-1. See Note 12 of the notes to the consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (or *SFAS No. 165*). SFAS No. 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for selecting that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. SFAS No. 165 is for interim and annual reporting periods ending after June 15, 2009. The Company adopted the provisions of SFAS No. 165. See Note 20 of the notes to the consolidated financial statements.

2. Segment Reporting

The Company is primarily engaged in the international marine transportation of crude oil and clean petroleum products through the operation of its tankers, and of liquefied natural gas (or *LNG*) and liquefied petroleum gas (or *LPG*) through the operation of its tankers and LNG and LPG carriers, and in the offshore processing and storage of crude oil. The Company s revenues are earned in international markets.

The Company has four operating segments: its shuttle tanker and floating storage and offtake (or *FSO*) segment (or *Teekay Navion Shuttle Tankers and Offshore*), its floating production storage and offtake (or *FPSO*) segment (or *Teekay Petrojarl*), its liquefied gas segment (or *Teekay Gas Services*) and its conventional tanker segment (or *Teekay Tanker Services*). In order to provide investors with additional information about its conventional tanker segment, the Company has divided this operating segment into the fixed-rate tanker segment and the spot tanker segment. The Company s shuttle tanker and FSO segment consists of shuttle tankers and FSO units. The Company s FPSO segment consists of FPSO units and other vessels used to service its FPSO contracts. The Company s liquefied gas segment consists of LNG and LPG carriers. The Company s fixed-rate tanker segment consists of conventional crude oil and product tankers subject to long-term, fixed-rate time-charter contracts. The Company s spot tanker segment consists of conventional crude oil tankers and product carriers operating in the spot tanker market or subject to time-charters or contracts of affreightment that are priced on a spot-market basis or are short-term, fixed-rate contracts. The Company considers contracts that have an original term of less than three years in duration to be short-term. Segment results are evaluated based on income from vessel operations. The accounting policies applied to the reportable segments are the same as those used in the preparation of the Company s consolidated financial statements.

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

The following tables present results for these segments for the three and six months ended June 30, 2009 and 2008:

Three Months ended June 30, 2009	Shuttle Tanker and FSO Segment	FPSO Segment	Liquefied Gas Segment	Fixed-Rate Tanker Segment	Spot Tanker Segment	Total
Revenues	138,324	97,572	57,265	76,011	163,301	532,473
Voyage expenses	16,167		(34)	1,758	45,034	62,925
Vessel operating expenses	41,961	47,021	12,049	17,103	22,395	140,529
Time charter hire expense	25,695			11,913	78,843	116,451
Depreciation and amortization	28,738	25,745	15,471	14,009	24,229	108,192
General and administrative (1)	13,848	7,553	5,440	6,986	18,868	52,695
Loss (gain) on sale of vessels and equipment, net of write-downs	941			3,280	(15,304)	(11,083)
Restructuring charge	2,536		1,030	354	1,083	5,003
Income (loss) from vessel operations	8,438	17,253	23,309	20,608	(11,847)	57,761

Three Months ended June 30, 2008	Shuttle Tanker and FSO Segment	FPSO Segment	Liquefied Gas Segment	Fixed-Rate Tanker Segment	Spot Tanker Segment	Total
Revenues	183,176	90,785	53,496	66,218	417,157	810,832
Voyage expenses	46,024		452	948	142,091	189,515
Vessel operating expenses	45,417	57,418	13,125	16,387	28,597	160,944
Time charter hire expense	32,242			11,445	99,015	142,702
Depreciation and amortization	31,207	22,565	14,209	11,289	27,430	106,700
General and administrative (1)	15,739	11,509	6,070	7,263	30,717	71,298
(Gain) loss on sale of vessels and equipment, net of write-downs	(3,150)				225	(2,925)
Restructuring charge	3,327		221	58	1,011	4,617
Income (loss) from vessel operations	12,370	(707)	19,419	18,828	88,071	137,981

Six Months ended June 30, 2009	Shuttle Tanker and FSO Segment	FPSO Segment	Liquefied Gas Segment	Fixed-Rate Tanker Segment	Spot Tanker Segment	Total
Revenues	288,189	189,498	114,848	142,603	413,886	1,149,024

Voyage expenses	34,575		258	3,062	115,699	153,594
Vessel operating expenses	87,745	91,450	23,836	34,912	51,914	289,857
Time charter hire expense	57,873			22,903	172,503	253,279
Depreciation and amortization	57,991	51,525	30,068	26,300	48,862	214,746
General and administrative (1)	26,977	17,339	10,598	12,667	36,254	103,835
Loss (gain) on sale of vessels and equipment, net of write-downs	941			3,280	(15,422)	(11,201)
Restructuring charge	5,298		3,212	505	1,546	10,561
Income from vessel operations	16,789	29,184	46,876	38,974	2,530	134,353

Six Months ended June 30, 2008	Shuttle Tanker and FSO Segment	FPSO Segment	Liquefied Gas Segment	Fixed-Rate Tanker Segment	Spot Tanker Segment	Total
Revenues	349,435	183,314	109,628	127,033	781,837	1,551,247
Voyage expenses	84,925		602	1,628	271,821	358,976
Vessel operating expenses	84,340	105,455	24,748	32,757	62,079	309,379
Time charter hire expense	67,280			23,165	197,177	287,622
Depreciation and amortization	59,278	40,568	28,404	20,962	55,195	204,407
General and administrative (1)	31,735	24,036	11,555	12,553	60,484	140,363
Gain on sale of vessels and equipment, net of write- downs	(3,150)				(271)	(3,421)
Restructuring charge	3,327		221	1,558	1,011	6,117
Income from vessel operations	21,700	13,255	44,098	34,410	134,341	247,804

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

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

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

	June 30, 2009 $	December 31, 2008 $
Shuttle tanker and FSO segment	1,683,936	1,722,432
FPSO segment	1,285,098	1,331,325
Liquefied gas segment	2,676,786	2,919,194
Fixed-rate tanker segment	1,027,891	951,592
Spot tanker segment	2,048,691	1,935,537
Cash and portion of restricted cash	472,671	821,286
Accounts receivable and other assets	405,646	533,635
Consolidated total assets	9,600,719	10,215,001

3. Acquisition of Additional 35.3% of Teekay Petrojarl ASA

As of October 1, 2006, the Company acquired a 64.7% interest in Petrojarl ASA (subsequently renamed Teekay Petrojarl ASA, or *Teekay Petrojarl*). In June and July 2008, the Company acquired the remaining 35.3% interest (26.5 million common shares) in Teekay Petrojarl at a price between NOK 59 and NOK 62.95 per share. The total purchase price of approximately NOK 1.5 billion ($304.9 million) for this remaining interest was paid in cash. As a result of these transactions, the Company s owns 100% of Teekay Petrojarl.

Teekay Petrojarl s operating results are reflected in the Company s consolidated financial statements from October 1, 2006, the designated effective date of the Company s acquisition of the original 64.7% interest in Teekay Petrojarl, which was accounted for using the purchase method of accounting. The acquisition of the remaining 35.3% interest has also been accounted for using the purchase method of accounting, based upon estimates of fair value.

4. Net Investment in Direct Financing Leases

The Company commenced two time-charter contracts with 20-year terms in January and May 2009 and leases equipment that reduces volatile organic compound emissions (or *VOC equipment*). The two time charters and leasing of the VOC equipment are accounted for as direct financing leases. The following table lists the components of the net investments in direct financing leases:

	June 30, 2009 $	December 31, 2008 $
Total minimum lease payments to be received	838,726	94,409
Estimated residual value of leased property (unguaranteed)	188,233	
Initial direct costs and other	1,324	674
Less: Unearned income	(553,962)	(15,575)
Net investments in direct financing leases	474,321	79,508

As at June 30, 2009, minimum lease payments to be received by the Company in each of the next five succeeding fiscal years are approximately $31.5 million (remainder of 2009), $59.0 million (2010), $56.7 million (2011), $52.3 million (2012) and $40.8 million (2013). The VOC equipment lease will end in 2014 and the time charter leases will both end in 2029.

5. Public Offerings

During June 2009, the Company s subsidiary Teekay Tankers Limited (or *Teekay Tankers*) completed a follow-on public offering by issuing an additional 7.0 million shares of its Class A Common Stock at a price of $9.80 per share, for gross proceeds of $68.6 million. As a result of the above transactions, the Company s ownership of Teekay Tankers has been reduced from 54.0 percent to 42.2 percent, and the Company recorded an increase to stockholders equity of $1.7 million, which represents the Company s dilution gain from the issuance of shares. Teekay maintained voting control of Teekay Tankers and continues to consolidate the subsidiary. Teekay Tankers used the total net offering proceeds of approximately $65.6 million to acquire a 2003-built Suezmax tanker from Teekay Corporation for $57.0 million and to repay a portion of its outstanding debt under its revolving credit facility.

During March 2009, the Company s subsidiary Teekay LNG Partners L.P. (or *Teekay LNG*) completed a follow-on public offering by issuing an additional 4.0 million of its common units at a price of $17.60 per unit, for gross equity proceeds of $71.8 million (including its general partner s proportionate capital contribution). As a result of this, the Company s ownership of Teekay LNG has been reduced from 57.7 percent to 53.0 percent (including the Company s 2% general partner interest), and the Company recorded a decrease to stockholders equity of $2.3 million, which represents the Company s dilution loss from the issuance of units. Teekay LNG used the total net offering proceeds of approximately $68.5 million to prepay amounts outstanding on two of its revolving credit facilities.

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In connection with Teekay LNG s initial public offering in May 2005, Teekay entered into an omnibus agreement with Teekay LNG, Teekay LNG s general partner and others governing, among other things, when the Company and Teekay LNG may compete with each other and to provide the applicable parties certain rights of first offer on LNG carriers and Suezmax tankers. In December 2006, the omnibus agreement was amended in connection with the initial public offering of the Company s subsidiary Teekay Offshore Partners L.P. (or *Teekay Offshore*) initial public offering to govern, among other things, when the Company, Teekay LNG and Teekay Offshore may compete with each other and to provide the applicable parties certain rights of first offer on LNG carriers, oil tankers, shuttle tankers, FSO units and FPSO units.

See Note 20(c) of the notes to the consolidated financial statements for the information about a follow-on public offering by Teekay Offshore Partners L.P. on August 4, 2009.

6. Goodwill, Intangible Assets and In-Process Revenue Contracts

Goodwill

There were no changes in the carrying amount of goodwill for the six months ended June 30, 2009 from December 31, 2008.

	Shuttle Tanker and FSO Segment $	FPSO Segment $	Liquefied Gas Segment $	Fixed-Rate Tanker Segment $	Spot Tanker Segment $	Total $
Balance as of December 31, 2008 and June 30, 2009	130,908		35,631	10,811	25,841	203,191

Intangible Assets

As at June 30, 2009, the Company s intangible assets consisted of:

	Weighted-Average Amortization Period (Years)	Gross Carrying Amount $	Accumulated Amortization $	Net Carrying Amount $
Contracts of affreightment	10.2	124,250	(83,487)	40,763
Time-charter contracts	10.4	232,602	(72,350)	160,252
Other intangible assets	1.0	58,950	(13,325)	45,625
	12.1	415,802	(169,162)	246,640

As at December 31, 2008, the Company s intangible assets consisted of:

	Weighted-Average Amortization Period (Years)	Gross Carrying Amount $	Accumulated Amortization $	Net Carrying Amount $
Contracts of affreightment	10.2	124,251	(78,961)	45,290
Time-charter contracts	10.4	233,678	(60,875)	172,803

Other intangible assets	1.0	58,950	(12,275)	46,675
	12.1	416,879	(152,111)	264,768

Aggregate amortization expense of intangible assets for the three and six months ended June 30, 2009 was $8.5 million ($12.0 million 2008) and $17.1 million ($24.9 million 2008), respectively. Amortization of intangible assets for the next five years is expected to be $17.0 million (remainder of 2009), $27.2 million (2010), $23.5 million (2011), $19.1 million (2012), $14.2 million (2013), and $145.7 million (thereafter).

In-Process Revenue Contracts

As part of the Company s acquisitions of Teekay Petrojarl in 2006 and 2008 and of 50% of OMI Corporation (or *OMI*) in 2007, the Company assumed certain FPSO service contracts and charter-out contracts with terms that are less favorable than prevailing market terms at the time of acquisition. The Company has recognized a liability based on the estimated fair value of these contracts. The Company is amortizing this liability over the remaining term of the contracts on a weighted basis based on the projected revenue to be earned under the contracts.

Amortization of these in-process revenue contracts for the three and six months ended June 30, 2009 was $18.7 million ($13.7 million 2008) and $37.8 million ($34.9 million 2008), respectively, and is recorded in revenues. Amortization for the next five years is expected to be $36.1 million (remainder of 2009), $60.0 million (2010), $47.1 million (2011), $41.3 million (2012), $39.5 million (2013) and $59.4 million (thereafter).

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7. Supplemental Cash Flow Information

The changes in non-cash working capital items related to operating activities for the six months ended June 30, 2009 and 2008 are as follows:

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	$	$
Accounts receivable	111,074	(85,501)
Prepaid expenses and other assets	25,080	(6,047)
Accounts payable	(6,676)	4,391
Accrued and other liabilities	(47,135)	11,603
	82,343	(75,554)

8. Long-Term Debt

	June 30, 2009	December 31, 2008
	$	$
Revolving Credit Facilities	2,031,537	2,656,658
Senior Notes (8.875%) due July 15, 2011	194,524	194,642
USD-denominated Term Loans due through 2021	1,827,205	1,670,005
Euro-denominated Term Loans due through 2023	410,139	414,144
USD-denominated Unsecured Demand Loan due to Joint Venture Partners	16,047	17,343
	4,479,452	4,952,792
Less current portion	204,549	245,043
	4,274,903	4,707,749

As of June 30, 2009, the Company had fourteen long-term revolving credit facilities (or the *Revolvers*) available, which, as at such date, provided for borrowings of up to $3.6 billion, of which $1.6 billion was undrawn. Interest payments are based on LIBOR plus margins; at June 30, 2009 and December 31, 2008, the margins ranged between 0.45% and 0.95%, respectively. At June 30, 2009 and December 31, 2008, the three-month LIBOR was 0.60% and 1.43%, respectively. The total amount available under the Revolvers reduces by $106.2 million (remainder of 2009), $218.0 million (2010), $803.3 million (2011), $233.8 million (2012), $301.3 million (2013) and $1,9 billion (thereafter). The Revolvers are collateralized by first-priority mortgages granted on 67 of the Company s vessels, together with other related security, and include a guarantee from Teekay or its subsidiaries for all outstanding amounts.

The 8.875% Senior Notes due July 15, 2011 (or the *8.875% Notes*) rank equally in right of payment with all of Teekay s existing and future senior unsecured debt and senior to Teekay s existing and future subordinated debt. The 8.875% Notes are not guaranteed by any of Teekay s subsidiaries and effectively rank behind all existing and future secured debt of Teekay and other liabilities, secured and unsecured, of its subsidiaries. During the six months ended June 30, 2009, the Company repurchased nil (2008 $19.7 million) principal amount of the 8.875% Notes (see also Note 14).

As of June 30, 2009, the Company had fourteen U.S. Dollar-denominated term loans outstanding, which totaled $1.8 billion. Certain of the term loans with a total outstanding principal balance of $485.4 million as at June 30, 2009, bear interest at a weighted-average fixed rate of 5.19%. Interest payments on the remaining term loans are based on LIBOR plus a margin. At June 30, 2009 and December 31, 2008, the margins ranged between 0.3% and 1.0%. At June 30, 2009, three-month LIBOR was 0.6% (December 31, 2008 1.43%). 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 twelve of the term loans also have balloon or bullet repayments due at maturity. The term loans are collateralized by first-priority mortgages on 29 of the Company s vessels, together with certain other security. In addition, at June 30, 2009, all but $121.5 million (December 31, 2008 $126.1 million) of the outstanding term loans were guaranteed by Teekay or its subsidiaries.

The Company has two Euro-denominated term loans outstanding, which, as at June 30, 2009 totaled 292.3 million Euros ($410.1 million). The Company repays the loans with funds generated by two Euro-denominated long-term time-charter contracts. Interest payments on the loans are based on EURIBOR plus a margin. At June 30, 2009 and December 31, 2008, the margins ranged between 0.6% and 0.66% and the one-month EURIBOR at June 30, 2009 was 0.75% (December 31, 2008 2.6%). The Euro-denominated term loans reduce in monthly payments with varying maturities through 2023 and are collateralized by first-priority mortgages on two of the Company s vessels, together with certain other security, and are guaranteed by a subsidiary of Teekay.

Both Euro-denominated term loans are revalued at the end of each period using the then prevailing Euro/U.S. Dollar exchange rate. Due substantially to this revaluation, the Company recognized unrealized foreign exchange losses of $25.2 million and $13.9 million (2008 losses of $3.0 million and $36.6 million) during the three and six months ended June 30, 2009, respectively.

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The Company has two U.S. Dollar-denominated loans outstanding owing to joint venture partners, which, as at June 30, 2009, totaled $14.9 million and $1.1 million, respectively, including accrued interest. Interest payments on the first loan, which are based on a fixed interest rate of 4.84%, commenced in February 2008. This loan is repayable on demand no earlier than February 27, 2027.

Among other matters, the Company s long-term debt agreements generally provide for maintenance of certain vessel market value-to-loan ratios and minimum consolidated financial covenants. Certain loan agreements require that a minimum level of free cash be maintained. As at June 30, 2009 and December 31, 2008, this amount was $100.0 million. Certain of the loan agreements also require that the Company maintain an aggregate level of free liquidity and undrawn revolving credit lines with at least six months to maturity, of at least 7.5% of total debt. As at June 30, 2009 and December 31, 2008, this amount was $263.8 million and $293.0 million, respectively. The Company was in compliance with debt covenants as at June 30, 2009.

9. Capital Leases and Restricted Cash

Capital Leases

Suezmax Tankers. As at June 30, 2009, the Company was a party, as lessee, to capital leases on five Suezmax tankers. Under the terms of the lease arrangements, the Company is required to purchase these vessels after the end of their respective lease terms for fixed prices as well as assuming the existing vessel financing upon the lenders consent. At their inception, the weighted-average interest rate implicit in these leases was 7.4%. These capital leases are variable-rate capital leases; however, any change in the lease payments resulting from changes in interest rates is offset by a corresponding change in the charter hire payments received by the Company. As at June 30, 2009, the remaining commitments under these capital leases, including the purchase obligations, approximated $214.8 million, including imputed interest of $14.9 million, repayable as follows:

Year	Commitment
Remainder of 2009	$122.4 million
2010	$8.4 million
2011	$84.0 million

RasGas II LNG Carriers. As at June 30, 2009, the Company was a party, as lessee, to 30-year capital lease arrangements for the three LNG carriers (or the *RasGas II LNG Carriers*) that operate under time-charter contracts with Ras Laffan Liquefied Natural Gas Co. Limited (II) (or *RasGas II*), a joint venture between Qatar Petroleum and ExxonMobil RasGas Inc., a subsidiary of ExxonMobil Corporation. All amounts below relating to the RasGas II LNG Carriers capital leases include the non-controlling interest s 30% share.

Under the terms of the RasGas II LNG Carriers capital lease arrangements, the lessor claims tax depreciation on the capital expenditures it incurred to acquire these vessels. As is typical in these leasing arrangements, tax and change of law risks are assumed by the lessee.

Payments under the lease arrangements are based on tax and financial assumptions at the commencement of the leases. If an assumption proves to be incorrect, the lessor is entitled to increase the lease payments to maintain its agreed after-tax margin. During 2008 the Company has agreed under the terms of its tax lease indemnification guarantee to increase its capital lease payments for its three LNG carriers to compensate the lessor for losses suffered as a result of changes in tax rates. The estimated increase in lease payments is approximately $8.1 million over the term of the leases, with a carrying value of $8.0 million as at June 30, 2009. The Company s carrying amount of this tax indemnification is $9.4 million. Both amounts are included as part of other long-term liabilities in the accompanying consolidated balance sheets. The tax indemnification is for the duration of the lease contract with the third party plus the years it would take for the lease payments to be statute barred. Although there is no maximum potential amount of future payments however, the Company may terminate the lease arrangements at any time. If the lease arrangements terminate, the Company would be required to pay termination sums to the lessor sufficient to repay the lessor s investment in the vessels and to compensate it for the tax-effect of the terminations, including recapture of any tax depreciation.

At their inception, the weighted-average interest rate implicit in these leases was 5.2%. These capital leases are variable-rate capital leases. As at June 30, 2009, the commitments under these capital leases approximated $1.1 billion, including imputed interest of $0.6 billion, repayable as follows:

Year	**Commitment**
Remainder of 2009	$12.0 million
2010	$24.0 million
2011	$24.0 million
2012	$24.0 million
2013	$24.0 million
Thereafter	$953.1 million

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Spanish-Flagged LNG Carrier. As at June 30, 2009, the Company was a party, as lessee, to a capital lease on one Spanish-flagged LNG carrier, which is structured as a Spanish tax lease. Under the terms of the Spanish tax lease, the Company will purchase the vessel at the end of the lease term in 2011. The purchase obligation has been fully funded with restricted cash deposits described below. At its inception, the implicit interest rate was 5.8%. As at June 30, 2009, the commitments under this capital lease, including the purchase obligation, approximated 117.4 million Euros ($164.7 million), including imputed interest of 11.7 million Euros ($16.4 million), repayable as follows:

Year	Commitment
Remainder of 2009	25.7 million Euros ($36.0 million)
2010	26.9 million Euros ($37.8 million)
2011	64.8 million Euros ($90.9 million)

FPSO Units. As at June 30, 2009, the Company was a party, as lessee, to capital leases on one FPSO unit, the *Petrojarl Foinaven,* and the topside production equipment for another FPSO unit, the *Petrojarl Banff*. However, prior to being acquired by Teekay Corporation, Teekay Petrojarl legally defeased its future charter obligations for these assets by making up-front, lump-sum payments to unrelated banks, which have assumed Teekay Petrojarl s liability for making the remaining periodic payments due under the long-term charters (or *Defeased Rental Payments*) and termination payments under the leases.

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

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

Restricted Cash

Under the terms of the capital leases for the four LNG carriers described above in this Note 9, the Company is required to have on deposit with financial institutions an amount of cash that, together with interest earned on the deposits, will equal the remaining amounts owing under the leases, including the obligations to purchase the LNG carriers at the end of the lease periods, where applicable. These cash deposits are restricted to being used for capital lease payments and have been fully funded with term loans and, for one vessel, a loan from the Company s joint venture partner (see Note 8).

As at June 30, 2009 and December 31, 2008, the amount of restricted cash on deposit for the three RasGas II LNG Carriers was $481.9 million and $487.4 million, respectively. As at June 30, 2009 and December 31, 2008, the weighted-average interest rates earned on the deposits were 1.2% and 4.8%, respectively.

As at June 30, 2009 and December 31, 2008, the amount of restricted cash on deposit for the Spanish-flagged LNG carrier was 107.3 million Euros ($150.6 million) and 104.7 million Euros ($146.2 million), respectively. As at June 30, 2009 and December 31, 2008, the weighted-average interest rate earned on these deposits was 5.0%.

The Company also maintains restricted cash deposits relating to certain term loans and other obligations, which cash deposits totaled $13.5 million and $17.0 million as at June 30, 2009 and December 31, 2008, respectively.

10. Capital Stock

The authorized capital stock of Teekay at June 30, 2009 was 25,000,000 shares of Preferred Stock, with a par value of $1 per share, and 725,000,000 shares of Common Stock, with a par value of $0.001 per share. As at June 30, 2009, Teekay had 73,047,006 shares of Common Stock (December 31, 2008 73,011,488) issued and no shares of Preferred Stock issued. As at June 30, 2009, Teekay had 72,547,809 shares of Common Stock outstanding (December 31 2008 72,512,291).

Dividends may be declared and paid out of surplus only, but if there is no surplus, dividends may be declared or paid out of the net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of common stock are entitled to share equally in any dividends that the board of directors may declare from time to time out of funds legally available for dividends.

During 2008, Teekay announced that its Board of Directors had authorized the repurchase of up to $200 million of shares of its Common Stock in the open market. As at June 30, 2009, Teekay had not repurchased any shares of Common Stock pursuant to such authorizations.

11. Commitments and Contingencies

a) Vessels Under Construction

As at June 30, 2009, the Company was committed to the construction of two Suezmax tankers, four LPG carriers, and four shuttle tankers. One Suezmax tanker was delivered in September 2009 with the remaining vessels scheduled for delivery between October 2009 and August 2011, at a total cost of approximately $753.7 million, excluding capitalized interest. As at June 30, 2009, payments made towards these commitments totaled $208.5 million (excluding $23.2 million of capitalized interest and other miscellaneous construction costs), and long-term financing arrangements existed for $545.2 million of the unpaid cost of these vessels. As at June 30, 2009, the remaining payments required to be made under these newbuilding contracts were $88.8 million (2009), $293.2 million (2010), and $163.2 million (2011).

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b) Joint Ventures

The Company has a 33% interest in a consortium that will charter four newbuilding 160,400-cubic meter LNG carriers for a period of 20 years to the Angola LNG Project, which is being developed by subsidiaries of Chevron Corporation, Sociedade Nacional de Combustiveis de Angola EP, BP Plc, Total S.A. and ENI SpA. Final award of the charter was made in December 2007. The vessels will be chartered at fixed rates, with inflation adjustments, commencing in 2011. The remaining members of the consortium are Mitsui & Co., Ltd. and NYK Bulkship (Europe) Ltd., which hold 34% and 33% interests in the consortium, respectively. In connection with this award, the consortium has entered into agreements with Samsung Heavy Industries Co. Ltd. to construct the four LNG carriers at a total cost of approximately $906.0 million (of which the Company s 33% portion is $299.0 million), excluding capitalized interest. As at June 30, 2009, payments made towards these commitments by the joint venture company totaled $181.2 million (of which the Company s 33% contribution was $59.8 million), excluding capitalized interest and other miscellaneous construction costs. As at June 30, 2009, the remaining payments required to be made under these contracts were $113.2 million (2010), $475.6 million (2011) and $135.9 million (2012). In accordance with existing agreements, the Company is required to offer to Teekay LNG its 33% interest in these vessels and related charter contracts no later than 180 days before the scheduled delivery dates of the vessels. Deliveries of the vessels are scheduled between August 2011 and January 2012. The Company has also provided certain guarantees in relation to the performance of the joint venture company.

For the three and six months ended June 30, 2009, the Company recorded equity income of $17.6 million and $24.0 million, respectively, of its share of the Angola LNG Project earnings. This amount is included in equity income (loss) from joint ventures in the consolidated statement of income. Substantially all of the equity income related to unrealized gains on interest rate swaps.

One of the Kenai LNG Carriers, the *Arctic Spirit*, came off charter from the Marathon Oil Corporation/ConocoPhillips joint venture on March 31, 2009, and the Company has entered into a joint development and option agreement with Merrill Lynch Commodities, Inc. (*MLCI*), giving MLCI the option to purchase the vessel for conversion to an LNG floating production, storage and offload unit (*FLNG*). The agreement provides for a purchase price of $105 million if the Company chooses to participate in the project (as described below), or $110 million if the Company chooses not to participate. Under the option agreement, the *Arctic Spirit* is reserved for MLCI until December 31, 2009 and MLCI may extend the option quarterly through 2010. If MLCI exercises the option and purchases the vessel from the Company, it is expected that MLCI will convert the vessel to an FLNG (although it is not required to do so) and charter it under a long-term charter contract to a third party. The Company has the right to participate up to 50% in the conversion and charter project on terms that will be determined as the project progresses. The agreement with MLCI also provides that if the conversion of the *Arctic Spirit* to an FLNG proceeds, the Company will offer a similar option for a designee of MLCI to purchase the second Kenai LNG carrier for $125 million when it comes off charter.

c) Legal Proceedings and Claims

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

d) Other

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

12. Fair Value Measurements

SFAS No. 157 clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosures about the use of fair value measurements. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

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

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

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

The following tables present the Company s assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

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

Vessels held for sale The fair value of the Company s vessels held for sale approximates their carrying amounts reported in the accompanying consolidated balance sheets.

Loans to joint ventures The fair value of the Company s loans to joint ventures approximates their carrying amounts reported in the accompanying consolidated balance sheet.

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

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

Derivative instruments The fair value of the Company s derivative instruments is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, taking into account, as applicable, current interest rates, foreign exchange rates, bunker fuel prices, spot tanker market rates for vessels, and the current credit worthiness of both the Company and the swap counterparties. Given the current volatility in the credit markets, it is reasonably possible that the amounts recorded as derivative assets and liabilities could vary by material amounts in the near term.

The estimated fair value of the Company s financial instruments and other non-financial assets carried at fair value are as follows:

		June 30, 2009	
	Fair Value Hierarchy Level	Carrying Amount Asset (Liability) $	Fair Value Asset (Liability) $
Cash and cash equivalents and restricted cash	Level 1	1,118,634	1,118,634
Vessels held for sale	Level 2	34,970	34,970