

TEEKAY CORP
Form 6-K
August 31, 2011

Table of Contents

**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, 2011

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 Form 40-F

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

Yes No

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

Yes No

TEEKAY CORPORATION AND SUBSIDIARIES
REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011
INDEX

	PAGE
PART I: FINANCIAL INFORMATION	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Unaudited Consolidated Statements of Loss</u> <u>for the three and six months ended June 30, 2011 and 2010</u>	3
<u>Unaudited Consolidated Balance Sheets</u> <u>as at June 30, 2011 and December 31, 2010</u>	4
<u>Unaudited Consolidated Statements of Cash Flows</u> <u>for the six months ended June 30, 2011 and 2010</u>	5
<u>Unaudited Consolidated Statement of Changes in Total Equity</u> <u>for the six months ended June 30, 2011</u>	6
<u>Unaudited Consolidated Statements of Comprehensive Loss</u> <u>for the three and six months ended June 30, 2011 and 2010</u>	7
<u>Notes to the Unaudited Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	35
<u>PART II: OTHER INFORMATION</u>	37
<u>SIGNATURES</u>	38
<u>Exhibit 1.3</u>	

Table of Contents**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,	
	2011	2010	2011	2010
	\$	\$	\$	\$
REVENUES	484,922	552,229	972,946	1,125,104
OPERATING EXPENSES				
Voyage expenses	51,889	66,367	97,015	138,917
Vessel operating expenses (<i>note 15</i>)	174,717	150,792	336,294	305,327
Time-charter hire expense	53,414	75,388	116,445	154,639
Depreciation and amortization	105,236	111,234	210,274	219,464
General and administrative (<i>notes 9 and 15</i>)	51,273	50,256	121,491	98,347
Loss on sale of vessels and equipment net of write-downs of vessels and equipment (<i>note 7</i>)	5,812	22	9,405	782
Restructuring charges (<i>note 12</i>)	458	4,195	5,419	7,978
Total operating expenses	442,799	458,254	896,343	925,454
Income from vessel operations	42,123	93,975	76,603	199,650
OTHER ITEMS				
Interest expense	(33,516)	(33,926)	(66,310)	(66,078)
Interest income	2,457	2,209	4,922	6,483
Realized and unrealized loss on non-designated derivative instruments (<i>note 15</i>)	(102,140)	(219,225)	(78,883)	(307,072)
Equity (loss) income from joint ventures	(6,053)	(21,827)	341	(24,493)
Foreign exchange (loss) gain (<i>notes 8 and 15</i>)	(7,157)	27,488	(27,497)	56,514
Loss on notes repurchase (<i>note 8</i>)		(537)		(12,645)
Other income (<i>note 13</i>)	958	1,277	1,052	3,699
Net loss before income taxes	(103,328)	(150,566)	(89,772)	(143,942)
Income tax (expense) recovery (<i>note 16</i>)	(2,022)	5,147	(2,833)	12,454
Net loss	(105,350)	(145,419)	(92,605)	(131,488)
Less: Net loss (income) attributable to non-controlling interests	8,898	(7,729)	(33,504)	(35,662)
Net loss attributable to stockholders of Teekay Corporation	(96,452)	(153,148)	(126,109)	(167,150)

Per common share of Teekay Corporation*(note 17)*

Basic loss attributable to stockholders of Teekay Corporation	(1.36)	(2.10)	(1.77)	(2.29)
Diluted loss attributable to stockholders of Teekay Corporation	(1.36)	(2.10)	(1.77)	(2.29)
Cash dividends declared	0.3163	0.3163	0.6325	0.6325

**Weighted average number of common
shares outstanding** *(note 17)*

Basic	70,935,484	72,961,471	71,438,446	72,875,508
Diluted	70,935,484	72,961,471	71,438,446	72,875,508

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

Table of Contents

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

	As at June 30, 2011 \$	As at December 31, 2010 \$
ASSETS		
Current		
Cash and cash equivalents (<i>note 8</i>)	497,549	779,748
Restricted cash	94,626	86,559
Accounts receivable, including non-trade of \$22,558 (2010 \$35,960)	267,112	244,879
Net investment in direct financing leases (<i>note 5</i>)	25,445	26,791
Prepaid expenses	119,366	94,282
Current portion of derivative assets (<i>note 15</i>)	40,281	27,215
Other assets	6,367	2,616
Assets held for sale	8,300	
Total current assets	1,059,046	1,262,090
Restricted cash non-current	493,970	489,712
Vessels and equipment (<i>note 8</i>)		
At cost, less accumulated depreciation of \$2,160,465 (2010 \$1,997,411)	5,715,875	5,692,812
Vessels under capital leases, at cost, less accumulated amortization of \$189,089 (2010 \$172,113)	869,543	880,576
Advances on newbuilding contracts (<i>note 10a</i>)	345,445	197,987
Total vessels and equipment	6,930,863	6,771,375
Net investment in direct financing leases non-current (<i>note 5</i>)	448,248	460,725
Marketable securities	20,302	21,380
Loans to joint ventures and joint venture partners, bearing interest between 4.4% to 8.0%	32,971	32,750
Derivative assets (<i>note 15</i>)	64,332	55,983
Deferred income tax asset (<i>note 16</i>)	14,920	17,001
Investment in joint ventures (<i>note 10b</i>)	217,584	207,633
Investment in term loans (<i>note 4</i>)	186,418	116,014
Other non-current assets	103,851	117,351
Intangible assets net	146,471	155,893
Goodwill	203,191	203,191
Total assets	9,922,167	9,911,098

LIABILITIES AND EQUITY

Current

Accounts payable	53,620	44,990
Accrued liabilities	367,247	377,119
Current portion of derivative liabilities (<i>note 15</i>)	128,195	144,111
Current portion of long-term debt (<i>note 8</i>)	541,969	276,508
Current obligation under capital leases	271,940	267,382
Current portion of in-process revenue contracts	42,360	43,469
Loans from joint venture partners	14,500	59
Total current liabilities	1,419,831	1,153,638
Long-term debt, including amounts due to joint venture partners of \$13,384 (2010 - \$13,282) (<i>note 8</i>)	4,013,025	4,155,556
Long-term obligation under capital leases	471,072	470,752
Derivative liabilities (<i>note 15</i>)	334,704	387,124
Asset retirement obligation	24,591	23,018
In-process revenue contracts	132,012	152,637
Other long-term liabilities	191,391	194,640
Total liabilities	6,586,626	6,537,365
Commitments and contingencies (<i>notes 5, 10 and 15</i>)		
Redeemable non-controlling interest (<i>note 10d</i>)	39,604	41,725
Equity		
Common stock and additional paid-in capital (\$0.001 par value; 725,000,000 shares authorized; 69,994,770 shares outstanding (2010 - 72,012,843); 74,229,217 shares issued (2010 - 73,749,793)) (<i>note 9</i>)	670,242	672,684
Retained earnings	1,028,684	1,313,934
Non-controlling interest	1,602,411	1,353,561
Accumulated other comprehensive loss (<i>note 14</i>)	(5,400)	(8,171)
Total equity	3,295,937	3,332,008
Total liabilities and equity	9,922,167	9,911,098

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

Table of Contents

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

	Six Months Ended June 30,	
	2011	2010
	\$	\$
Cash and cash equivalents provided by (used for)		
OPERATING ACTIVITIES		
Net loss	(92,605)	(131,488)
Non-cash items:		
Depreciation and amortization	210,274	219,464
Amortization of in-process revenue contracts	(21,734)	(24,824)
Loss on sale of vessels and equipment	311	261
Write-down of vessels and equipment	9,094	521
Loss on repurchase of notes		12,645
Equity (income) loss	(341)	24,493
Income tax expense (recovery)	2,833	(12,454)
Share-based compensation	13,974	8,110
Unrealized foreign exchange loss (gain)	37,023	(57,465)
Unrealized (gain) loss on derivative instruments	(74,928)	227,402
Other	(7,069)	3,704
Change in operating assets and liabilities	(47,461)	(25,983)
Expenditures for drydocking	(22,172)	(24,072)
Net operating cash flow	7,199	220,314
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt (note 8)	548,573	845,106
Debt issuance costs	(1,320)	(12,538)
Scheduled repayments of long-term debt	(123,450)	(107,077)
Prepayments of long-term debt	(341,783)	(741,898)
Repayments of capital lease obligations	(2,282)	(1,759)
Proceeds from loans from joint venture partner	14,500	591
Repayment of loans from joint venture partner	(59)	(1,264)
Increase in restricted cash	(4,353)	(1,769)
Net proceeds from issuance of Teekay LNG Partners L.P. units (note 6)	158,326	
Net proceeds from issuance of Teekay Offshore Partners L.P. units (note 6)		94,491
Net proceeds from issuance of Teekay Tankers Ltd. shares (note 6)	107,234	103,036
Issuance of Common Stock upon exercise of stock options	5,171	2,437
Repurchase of Common Stock (note 9)	(83,660)	
Distribution from subsidiaries to non-controlling interests	(101,284)	(73,736)
Cash dividends paid	(46,472)	(46,058)
Net financing cash flow	129,141	59,562

INVESTING ACTIVITIES

Expenditures for vessels and equipment	(358,607)	(92,428)
Proceeds from sale of vessels and equipment	5,055	27,591
Investment in term loan (<i>note 4</i>)	(70,404)	
Investment in joint ventures	(6,544)	(306)
Advances to joint ventures and joint venture partners	(1,881)	(4,868)
Investment in direct financing lease assets		(4,199)
Direct financing lease payments received	13,823	13,819
Other investing activities	19	(528)
Net investing cash flow	(418,539)	(60,919)
(Decrease) increase in cash and cash equivalents	(282,199)	218,957
Cash and cash equivalents, beginning of the period	779,748	422,510
Cash and cash equivalents, end of the period	497,549	641,467

Supplemental cash flow information (*note 18*)

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

Table of Contents

TEEKAY CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY
(in thousands of U.S. dollars)

	Thousands of Shares of Common Stock Outstanding #	Common Stock and Additional Paid-in Capital \$	TOTAL EQUITY			Total \$
			Retained Earnings \$	Accumulated Other Comprehensive Income (Loss) \$	Non- controlling Interest \$	
Balance as at December 31, 2010	72,013	672,684	1,313,934	(8,171)	1,353,561	3,332,008
Net (loss) income			(126,109)		30,983	(95,126)
Other comprehensive income (loss):						
Unrealized loss on marketable securities				(1,078)		(1,078)
Pension adjustments, net of taxes				192		192
Unrealized loss on qualifying cash flow hedging instruments (<i>note 15</i>)				5,989	2,105	8,094
Realized loss on qualifying cash flow hedging instruments (<i>note 15</i>)				(2,332)	(797)	(3,129)
Comprehensive income (loss)					32,291	(91,047)
Dividends declared			(46,475)		(101,284)	(147,759)
Reinvested dividends	1	3				3
Exercise of stock options	479	5,171				5,171
Repurchase of Common Stock (<i>note 9</i>)	(2,498)	(21,590)	(62,070)			(83,660)
Employee stock option compensation (<i>note 9</i>)		13,974				13,974
Dilution gains on public offerings of Teekay Tankers and Teekay LNG (<i>note 6</i>)			44,247			44,247
Sale of 49% interest of OPCO to Teekay Offshore (<i>note 6</i>)			(94,843)		94,843	

Increase to non-controlling interest from share and unit issuances of subsidiaries and other					223,000	223,000
Balance as at June 30, 2011	69,995	670,242	1,028,684	(5,400)	1,602,411	3,295,937

Table of Contents

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

	Three Months Ended June		Six Months Ended June 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Net loss	(105,350)	(145,419)	(92,605)	(131,488)
Other comprehensive income (loss):				
Unrealized loss on marketable securities	(2,546)	(3,296)	(1,078)	(5,073)
Pension adjustments, net of taxes		64	192	413
Unrealized gain (loss) on qualifying cash flow hedging instruments	2,596	(16,002)	8,094	(19,942)
Realized (gain) loss on qualifying cash flow hedging instruments	(2,144)	884	(3,129)	1,897
Other comprehensive income (loss)	(2,094)	(18,350)	4,079	(22,705)
Comprehensive loss	(107,444)	(163,769)	(88,526)	(154,193)
Less: Comprehensive loss (income) attributable to non-controlling interests	8,719	(5,446)	(34,811)	(32,922)
Comprehensive loss attributable to stockholders of Teekay Corporation	(98,725)	(169,215)	(123,337)	(187,115)

Table of Contents

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. 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 information and footnote disclosures required by GAAP for complete annual financial statements have been omitted and, therefore, these interim financial statements should be read in conjunction with the Company's audited financial statements for