



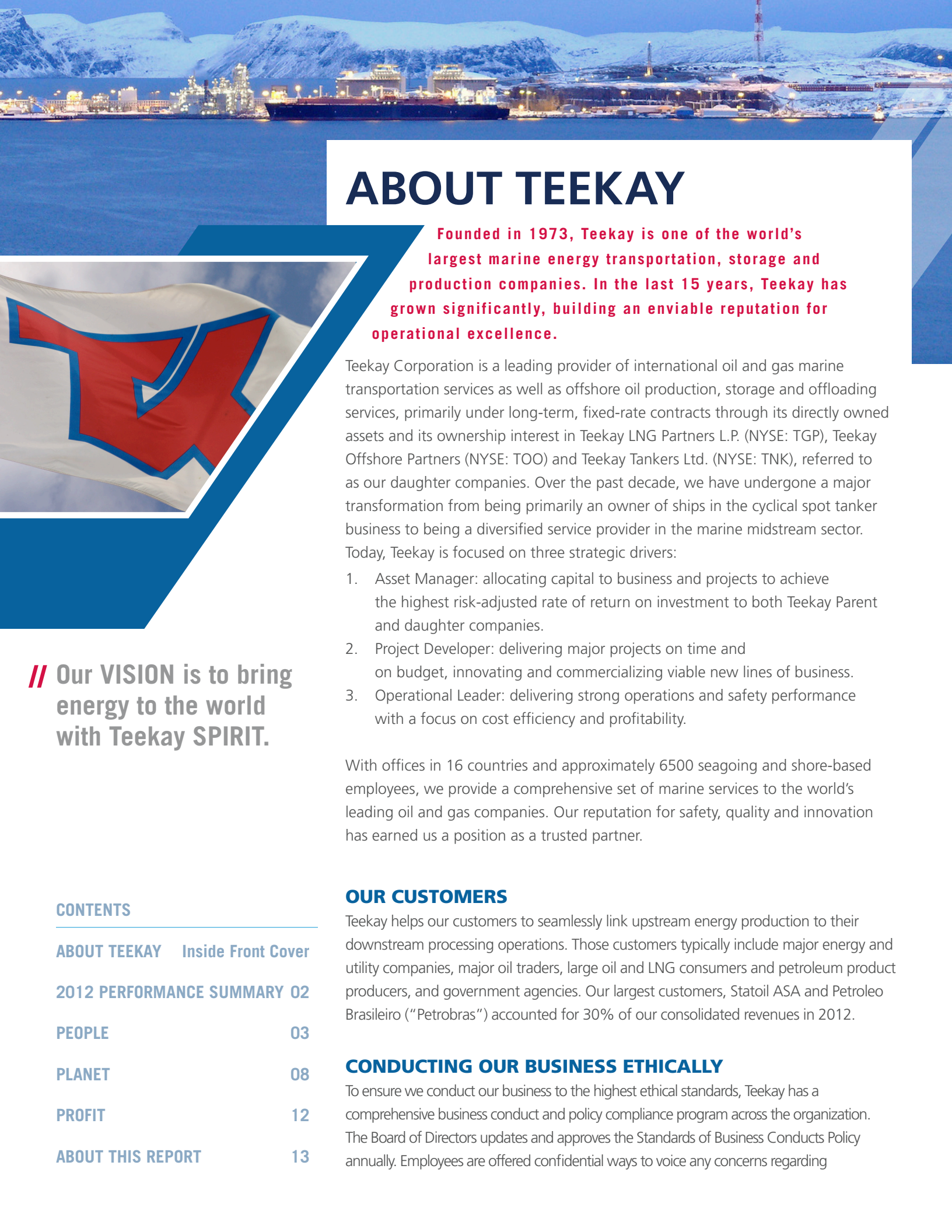
TEEKAY CORPORATION

2012

TEEKAY
Bringing energy
to the world with
Teekay SPIRIT

SUSTAINABILITY REPORT





ABOUT TEEKAY

Founded in 1973, Teekay is one of the world's largest marine energy transportation, storage and production companies. In the last 15 years, Teekay has grown significantly, building an enviable reputation for operational excellence.

Teekay Corporation is a leading provider of international oil and gas marine transportation services as well as offshore oil production, storage and offloading services, primarily under long-term, fixed-rate contracts through its directly owned assets and its ownership interest in Teekay LNG Partners L.P. (NYSE: TGP), Teekay Offshore Partners (NYSE: TOO) and Teekay Tankers Ltd. (NYSE: TNK), referred to as our daughter companies. Over the past decade, we have undergone a major transformation from being primarily an owner of ships in the cyclical spot tanker business to being a diversified service provider in the marine midstream sector. Today, Teekay is focused on three strategic drivers:

1. Asset Manager: allocating capital to business and projects to achieve the highest risk-adjusted rate of return on investment to both Teekay Parent and daughter companies.
2. Project Developer: delivering major projects on time and on budget, innovating and commercializing viable new lines of business.
3. Operational Leader: delivering strong operations and safety performance with a focus on cost efficiency and profitability.

With offices in 16 countries and approximately 6500 seagoing and shore-based employees, we provide a comprehensive set of marine services to the world's leading oil and gas companies. Our reputation for safety, quality and innovation has earned us a position as a trusted partner.

// Our VISION is to bring energy to the world with Teekay SPIRIT.

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OUR CUSTOMERS

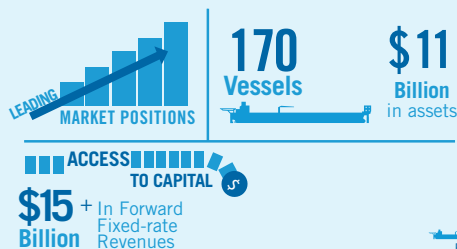
Teekay helps our customers to seamlessly link upstream energy production to their downstream processing operations. Those customers typically include major energy and utility companies, major oil traders, large oil and LNG consumers and petroleum product producers, and government agencies. Our largest customers, Statoil ASA and Petroleo Brasileiro ("Petrobras") accounted for 30% of our consolidated revenues in 2012.

CONDUCTING OUR BUSINESS ETHICALLY

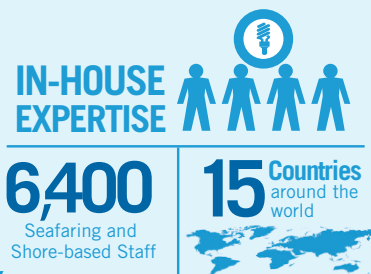
To ensure we conduct our business to the highest ethical standards, Teekay has a comprehensive business conduct and policy compliance program across the organization. The Board of Directors updates and approves the Standards of Business Conducts Policy annually. Employees are offered confidential ways to voice any concerns regarding

TEEKAY CORPORATION

(Consolidated)

NYSE:TK
teekay.com

SERVING OUR CUSTOMERS' MARINE ENERGY NEEDS



Teekay LNG NYSE: TGP

\$3.0 Billion Market Cap

6% Current Yield

\$2.70/Unit Annualized Distribution

Excellent Long-term Market Fundamentals

Third Largest Independent Operator of LNG Carriers

MOL	30	7
NYK	28	2
TGP	27	2
Colar	9	11
Maran Gas	5	15
BW Gas	14	2
K-Line	12	1

Fleet On Order

LONG-TERM
Fixed-rate contracts of 10 to 25 Years

29 LNG Carriers

29 LPG Carriers

11 Conventional Tankers

PURSUE STEADY GROWTH

teekaylng.com

Teekay Offshore NYSE: TDO

A MARKET LEADER
WITH HIGH GROWTH POTENTIAL

Largest Global Fleet of Shuttle Tankers

Teekay	34	3
Knutsen	22	4
Transpetro	3	7
Viken / PJMR	5	
AET	2	2

Existing On Order

A Leading Leased FPSO Operator

SBM	12	3
BW Offshore	13	
Modoc	9	2
TDO / TK	9	1
Bumi Armada	4	2
Bluewater	5	

Fleet On Order

\$2.8 Billion Market Cap

6% Current Yield

\$2.10/Unit Annualized Distribution

36 Shuttles

6 Conventional Tankers

6 FSOs

4 FPSOs

teekayoffshore.com

Teekay Tankers NYSE: TNK

The Original Teekay Franchise

WORLD'S LARGEST
MID-SIZED
CONVENTIONAL
TANKER FLEET

Largest Operator of Mid-Size Conventional Tankers

Teekay	86
SCF	60
Heidmar Pools	57
AET / MISC	54
Stena Sonangol	26
Tsakos	26
OSG Pools	22

Fleet On Order

\$227 Million Market Cap

4% Current Yield

\$0.12/Share Annualized Dividend

34 Conventional Tankers

teekaytankers.com

MASTER LIMITED PARTNERSHIPS

FIXED DIVIDEND PAYOUT COMPANY



PETER EVENSEN
President, CEO
Teekay

OUR BUSINESS UNITS

Teekay Gas Services

- Provides liquefied natural gas and liquefied petroleum gas transportation services to major energy and utility companies
- Offers solutions for floating storage and regasification units and compressed natural gas

Teekay Shuttle & Offshore

- Leading operator of offshore loading shuttle tankers
- Offers comprehensive shuttle tanker services
- Delivers innovative methods of storing and transferring offshore oil

Teekay Petrojarl Production

- Provides production, processing and storage services to oil companies operating offshore oil field installations

Teekay Tanker Services

- Provides conventional crude oil tankers and product carrier services including Aframax, Long Range (LR), Media Range (MR) and Suezmax vessels

June 17, 2013

Source: Clarkson Research Services, Platou, Company Websites, Industry Sources.






Stay updated with our iPhone/iPad App

// **Our CORE VALUES**
of Safety and Sustainability, Passion, Integrity, Reliability, Innovation and Teamwork (SPIRIT), guide us everyday.

accounting, fraud or financial auditing matters. Teekay conducts periodic office training on its Standards of Business Conduct policy as well as anti-corruption focused training every 2 years.

SUSTAINABILITY AT TEEKAY

At Teekay, sustainability is central to our SPIRIT values and means ensuring we are successful in all aspects of our business. In addition to financial metrics, we evaluate our performance according to the health and success of our employees, and our impact on the environment. In short, we measure our performance according to People, Planet and Profit.

	Unit	2010	2011	2012
PEOPLE 				
Total staff	Persons	6,400	6,400	6,500
> Sea staff		5,500	5,400	5,600
> Shore staff	Persons	900	1,000	900
Total Recordable Case Frequency ¹	Per million person-hours	2.40	2.33	2.45
Total Recordable Injury Frequency ²	Per million person-hours	3.84	5.87	4.58
Lost Time Injuries ³	Number	17	16	15
Fatalities	Number	0	1	1
PLANET 				
Greenhouse Gas Emissions	Metric tonnes CO ₂ -eq.	5,424,189	5,178,226	4,498,030
Sulphur Dioxide Emissions	Metric tonnes	57,430	52,544	43,230
Nitrogen Oxide Emissions	Metric tonnes	104,508	99,129	66,361
Spill volume	Litres	283	4,010	1,791
> Spills above 1 barrel (159 L)		1	3	4
> Spills below 1 barrel (159 L)	Number	9	12	10
Water Discharges to Sea	Cubic metres	131,314	100,273	45,420
> Produced water from FPSOs	Cubic metres	109	55	43
Solid Waste Disposal at Sea Per Vessel ⁴	Cubic metres	3.4	2.8	0.12
Total Vessel Waste Generated	Cubic metres	14,002	12,789	12,758
> Disposed to shore facilities		5,454	4,773	5,300
> Incinerated onboard		3,162	3,114	3,723
> Recycled ashore	Cubic metres	3,913	3,912	2,840
> Disposed at sea		1,473	990	894
PROFIT 				
Total Assets	USD (thousands)	9,912,348	11,137,677	11,002,025
Revenues	USD (thousands)	2,095,753	1,953,782	1,956,235
Cash Flow from Vessel Operations	USD (thousands)	690,043	632,489	684,687
Adjusted Net Income (loss)	USD (thousands)	(121,098)	(103,096)	(54,862)
Total Equity	USD (thousands)	3,332,008	3,303,794	3,191,474
Net Debt (net of cash and restricted cash)	USD (thousands)	5,023,978	4,899,139	3,814,179
Our Fleet	Number of vessels ⁵	151	151	146
> Shuttle Tanker and FSO		41	42	40
> FPSO Segment		9	12	13
> Liquefied Gas Segment	Number of vessels	26	26	34
> Spot Tanker Sub-Segment		35	32	26
> Fixed Rate Tanker Sub-Segment		40	39	33

¹ Excludes Teekay Petrojarl. Sum of lost time injuries, restricted work cases, and medical treatment cases per unit of exposure hours.

² Data is for Teekay Petrojarl only, which uses a slightly different measure.

³ Sum of fatalities, permanent total disabilities, permanent partial disabilities and lost workday cases.

⁴ MARPOL approved category 2, 3 and 4 wastes only and excluding bulk carrier cargo residues.

⁵ As of year-end, including chartered-in vessels and newbuildings on order, but excluding vessels managed for third parties.



PEOPLE

Our goal is to be recognized for the quality of our ships and the excellence of our people.



OUR STAFF

With offices in 16 countries and thousands of seafarers who sail on every ocean in the world, Teekay truly is a 'transnational' organization. In 2012, Teekay had approximately 6,500 staff worldwide. This included 900 shore-based employees and 5,600 sea staff.

SUSTAINABLE ORGANIZATION PERFORMANCE (SOP)

SOP is the maintenance of high performance levels at Teekay with respect to financial indicators, people management, as well as environmental and societal contributions. We focus on three main drivers and enablers of performance:



Leadership

Senior leadership empowering others

Line managers who support and help employees

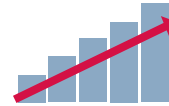
Vision and values that are perceived as valid by all



Engagement

Organizational purpose with which employees are engaged

Line managers with a motivating and engaging management style aligned to the needs of the organization, as well as their team



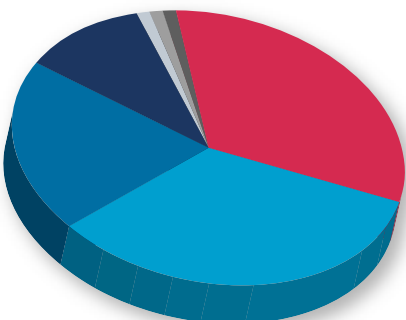
Organization Development

Sharing knowledge and learning across functions and departments

Organizational design that breaks down barriers with flexibility and agility to meet short and long-term needs

People management that aligns individual and organization goals, with structured career planning and opportunities

All-Fleet Nationality Groups (end 2012)



Europe:	35%	Indonesia:	2%
Philippines:	34%	Angola:	1%
India:	18%	Brazil:	1%
Australia:	9%		

ATTRACTING AND RETAINING STAFF

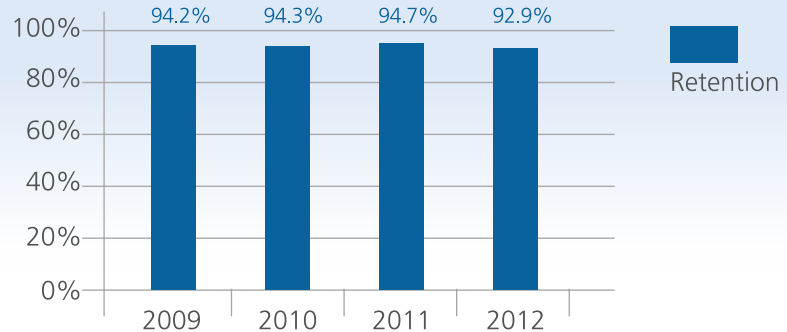
Our seafarers are employed directly by Teekay, and we recognize that engagement and company loyalty are key elements as an employer of choice. This allows us to attract and retain the quality talent that, in turn, drives company performance in pursuit of our business strategy. Our continued success is also linked to maintaining an effective partnership with all employees – and with labour organizations – based on mutual respect and clearly-defined responsibilities.

We have a strong focus on retaining our staff. For the past five years, voluntary attrition of seafarers and shore staff has compared very favourably with general industry levels.



// Teekay selects employees on assessed ability to perform the necessary work. That includes the person's skill and knowledge, past record of achievement and suitability. Selection and promotion decisions are made without discrimination on the basis of age, national or ethnic origin, colour, religion, age, sex, marital or family status, disability, pardoned conviction or sexual orientation.

All-Fleet Seafarer Retention



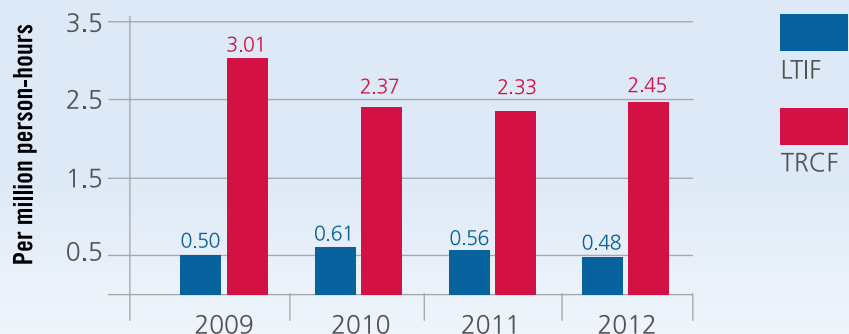
HEALTH AND SAFETY

Teekay seeks a continuous improvement in a health and safety culture across the company. We have a goal of zero injuries to personnel and zero harm to the environment.

Teekay Safety & Quality (TSQ)

Teekay Safety & Quality (TSQ) was formed in 2012 to further embed a safety culture. Leadership in operational risk management is a primary goal of TSQ. The safety culture improvement program is currently ongoing, through implementing an effective health & safety road map for 2013-2018. In addition, TSQ focuses on environmental leadership through a five-year environmental strategy and uses this as a driver to refocus the organization on Environmental Leadership Program (ELP) in 2013.

All-Fleet LTIF/TRCF



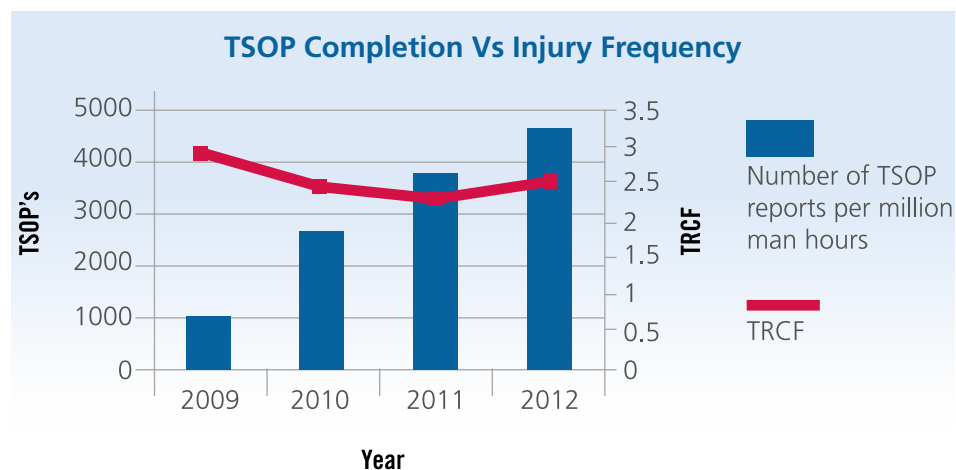
LTIF = Lost Time Injury Frequency

TRCF = Total Recordable Case Frequency

// In June 2012, Teekay received 85 Devlin Awards at the Chamber of Shipping America's (CSA) annual Ship Safety Achievement Awards. Nine vessels in the fleet received awards for having 10 or more years without a loss-time injury.

Safety In Action – Teekay Safety Observation Process

Teekay has a proactive process that focuses on the safety behaviours of our crews and gives them a voice for safety issues. It helps them to “look out for their work mates” before near misses, incidents or an injury occurs. This Teekay Safety Observation Process (TSOP) includes planned events that involve observing a colleague at work and then discussing with them any safety aspects identified. These include both areas for compliment and improvement. 2012 saw our best ever TSOP results.

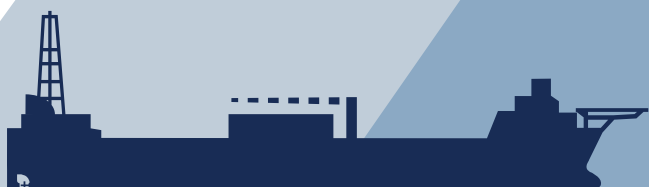


PIRACY MITIGATION

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and the Gulf of Aden off the coast of Somalia. In recent years, the frequency and severity of piracy incidents has significantly increased, particularly in the Gulf of Aden and Indian Ocean.

The International Maritime Organization continues to update the guidance contained within its Best Management Practice for Protection against Somalia Based Piracy (BMP) and we operate strictly within those guidelines.

In 2012, we again had zero pirate-related incidents but continue to view piracy as a significant risk to our employees and operations alike. That's why piracy mitigation is one of our top priorities.





// In addition to the bridge simulator and LNG simulator at the training centre in Glasgow, we set up a second LNG simulator at our office in Manila to deliver flag state recognized courses for Gas Officers.

EMPLOYEE ASSISTANCE

Teekay appreciates that challenges in the lives of employees can materially impact their well-being and personal and professional goals. For this reason, we provide employee assistance programs on shore and at sea.

In 2012, we piloted a confidential support program in our international fleet. It provides advice, support and information to reduce the impact of financial and family issues, legal problems and mental health challenges.

TRAINING AND DEVELOPMENT

Teekay is committed to a culture that supports learning and development by ensuring that all employees have the opportunity to maximize their contribution. Our learning and development guidelines have been designed to create a learning culture that encourages and supports development activities by:

- Preparing individuals to meet our strategies and changing business needs
- Extending development opportunities to our employees
- Attracting and retaining highly skilled people
- Providing managers with the skills required to lead, coach, mentor and motivate their teams
- Spending our training dollars wisely and seeing a return on our investment.

Amongst our seafarers, Teekay believes in “home grown officers” that live up to Teekay’s Core Values and Operational Leadership commitments. That’s why the selection criteria and training of the 251 cadets participating in our Future Leaders Development Program is designed to equip them with technical skills and leadership savvy. Our intention is for these cadets to be our future masters and chief engineers, as well as senior managers ashore.

In partnership with external providers, Teekay has developed four leadership courses to support Officers at different stages of their leadership journey. Our Continuing Professional Development (CPD) course for Masters and Chief Engineers has been hailed as an industry best practice.

Meanwhile, our Oil to Gas and Oil to Shuttle cross training programs for manning our growing LNG and Shuttle Tanker Fleets ensure we carry Teekay’s best practices to every new vessel being delivered. Through our Competence Management System, SCOPE (Seafarer Competence for Operational Excellence) we do not only have a vehicle for identifying and closing competence gaps through practical assessment, we also provide our seafarers opportunities to showcase their readiness for career advancement.

Donations

Teekay and its employees support various community initiatives. Here are some highlights from 2012:

\$3,500 Iselinsenteret, Phillipines

\$3,500 Shoe4Africa

\$10,000 St. Paul's Hospital, Vancouver

\$10,000 Vancouver Maritime Museum

\$18,000 CARE, Norway

\$24,000 Junior Achievement of British Columbia Student Program

\$24,000 Greater Vancouver Food Bank Society

\$24,000 Variety – The Children's Charity, British Columbia

\$25,000 Marine Mammal Rescue Centre, Vancouver

COMMUNITY INVOLVEMENT

Teekay has long been an active member in communities all over the world where our employees live and work. In 2012, we developed a strategic community investment program that focuses on marine stewardship and conservation, and seamen welfare.

Volunteering

In addition to financial support, employees are encouraged to get involved in their local communities. For example, Teekay's Norway staff is involved in Shoe4Africa and a local handball team for people with disabilities. Meanwhile, Singapore supported Hair for Hope.

Trainees/Cadets

Teekay has a strong Cadet strategy that underpins our Global Manning Strategy. We currently have more than 250 cadets in our international operations that support our "national flag" operations in Australia, Norway and Spain. Additionally, we provide shore opportunities for young people through trainee, co-op and intern positions to help them gain experience in the marine industry.



Hair for Hope is the Children's Cancer Foundation signature fundraising event. Every shaven head in Hair for Hope represents the understanding by an individual of the ordeals that a child with cancer is subjected to. Eight Teekay staff in Singapore agreed to shave their heads for the cause.



Sustainability Story: Galway Spirit Crew Assists in Rescue Operation

On April 23, 2012, while enroute from Japan to Singapore, Teekay's MV Galway Spirit received an urgent call from the MV Zante, a nearby container vessel. The Zante advised

that their junior engineer had last been seen onboard 32 miles ago. A search area was established and the Galway Spirit quickly moved to cover the area.

For more than five hours, the Galway Spirit crew aided in the rescue operation, positioning three lookouts on deck and all available crew on the bridge. Although the Galway Spirit intercepted everything spotted – including debris, buoys and even a whale - there was no sign of the engineer. At approximately 8:00 pm, in complete darkness, the Galway

Spirit transited the established zone. With heavy hearts, the Galway Spirit crew formally ended their search.

To the crew's complete delight, on the morning of April 24, Singapore Port Operation Control Centre advised that the engineer had been found and was safe after having spent 20 hours in the water! The master of the Zante thanked the Galway Spirit crew for "their dedication to the safety of life at sea and unprecedented unity in helping a fellow colleague in distress."

PLANET

Our environmental management systems are certified to the international ISO 14001 standard, and we invest significant resources in lowering emissions and optimizing energy efficiency.

GREENHOUSE GAS MANAGEMENT

Due to concern over the risk of climate change, a number of countries have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas (GHG) emissions. These measures include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. Teekay recognizes this trend and is acting accordingly to stay current with these developments.

In 2012, the greenhouse gases created from our global operations decreased from 5,178,226 metric tonnes in 2011 to 4,498,030 metric tonnes. This decrease is mostly due to lower fuel consumption in our conventional fleet. Ongoing slow steaming, the usage of favorable ocean currents, and the installation of Propeller Boss Cap Fins in our fleet contributed to reduced fuel consumption and air emissions.

OTHER AIR EMISSIONS

The main air emissions from our operations are sulphur oxides (SOx), nitrogen oxides (NOx), volatile organic compounds (VOCs), and refrigerant gasses, each of which have negative impacts on the environment, including contributions to smog, acid rain and ozone depletion.

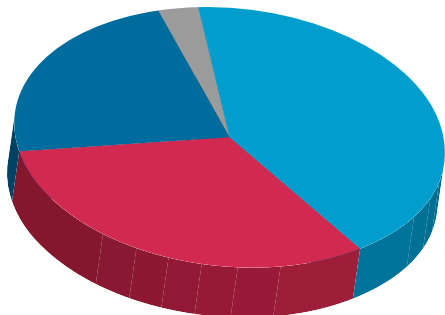
Annex VI to the IMO's International Convention for the Prevention of Pollution from Ships sets limits on sulphur oxide and nitrogen oxide emissions from ship exhausts and prohibits emissions of ozone depleting substances, emissions of volatile compounds from cargo tanks and the incineration of specific substances.

Sulphur Oxides

When combusted, the fuel used by ships generates sulphur oxides. In 2012, the average sulphur content of fuels used in the Teekay fleet was 2.25 percent, and sulphur oxide emissions were 43,230 metric tonnes. This is well below the current global regulated limited of 3.5 percent and represents a decline of 18 percent from 2011.

We expect the sulphur content of our ships to decrease over the coming three years as we work to comply with several regulatory requirements mandating low sulphur fuel. For example, as of January 1, 2015, all vessels operating within Emissions Control Areas worldwide must comply with 0.1% sulfur requirements.

Greenhouse Gas Emissions by Fleet



■ LNG: 42% ■ Shuttle: 23%
■ Conventional: 32% ■ Other: 3%

// Teekay has developed and implemented a new Environmental Strategy for 2013-2018

Nitrogen Oxides

Nitrogen oxides are another by-product of high-temperature fuel combustion. As a result of overall reduced fuel consumption, our total nitrogen oxide emissions declined 33%, from 99,129 in 2011 to 66,361 in 2012.

NOx emissions can be addressed by lowering engine combustion temperatures or by modifying engine combustion with technologies like slide fuel valves. In 2012, we continued to install these valves in our ships.

Volatile Organic Compounds (VOCs)

Ship-derived emissions of VOCs come from the loading, unloading, and transportation of oil cargos. Teekay has researched methods to better measure VOC emissions. However, due to the high variability of emissions and the absence of a recognized method to estimate them, VOC emissions are currently not reported here for the Teekay fleet. Nonetheless, Teekay has implemented a number of practices to minimize those emissions including VOC recovery systems on North Sea Shuttle Tankers that reduce emissions by 50 to 75 percent during loading and 100 percent during transit.

Refrigerant Gases

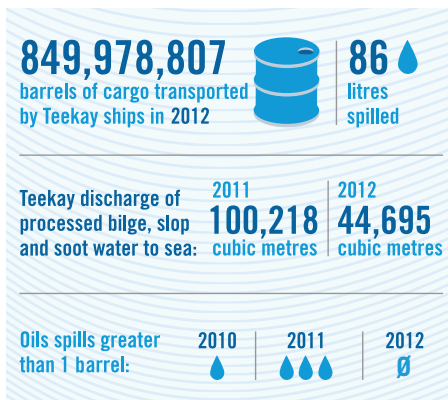
Teekay uses refrigerant gases for air conditioning and refrigeration. When leaked into the atmosphere, these refrigerants can contribute to ozone depletion and climate change. In 2012, Teekay purchased 4,617 kg of refrigerant gas. Where practical, Teekay is replacing traditional chlorofluorocarbon refrigerants with hydrofluorocarbons.

WATER

Ballast Water

Teekay ships are designed and built to carry oil and gas. However, if the ship discharges all or some of its cargo, ballast may be taken on board to achieve the required safe operating conditions. However, the challenge with ballast is that there are thousands of aquatic species that may be carried in ships' ballast water, including bacteria and other microbes, micro-algae, and various life stages of aquatic plant and animal species.





Note: Excluding FPSO data

// As of January 2013, Annex V to MARPOL prohibits the discharge of all garbage into the sea, except as provided otherwise. As a result, Teekay updated our Garbage Management Plan to reflect these “no discharge” rules.

The introduction and spread of alien invasive species in ballast is a serious problem that can create ecological, economic, health and environmental impacts, including loss of native biological diversity. To mitigate this, Teekay vessels exchange ballast water mid-voyage as required by regional regulations. In 2012, to reflect new International Maritime Organization regulations, Teekay took further action to identify suitable and cost-effective systems for eventual installation throughout the fleet.

Spills and Discharges

Teekay works diligently to avoid oil and gas spills of any kind. There were no spills greater than one barrel in the Teekay Conventional Fleet. In our FPSO fleet, all spills were minor.

WASTE

In 2012, Teekay vessels were responsible for generating 12,758 m³ of solid waste and food scraps. 64% of that waste was sent to shore facilities for disposal or recycling. About 29% was incinerated onboard and 7% was disposed of at sea in accordance with Marpol 73/78 (the International Convention for the Prevention of Pollution From Ships).

To prepare for new at-sea garbage disposal restrictions under MARPOL Annex V, we had set a goal of zero waste disposed at sea by the end of 2012. We are taking further actions to ensure that all ships are ready to achieve new garbage restrictions under Annex V of MARPOL in 2013.

INNOVATION

Teekay's innovation strategy focuses resources on a variety of initiatives that add value for customers, shareholders and employees. Our efforts focus on improving productivity and enabling growth. It is worth highlighting two new innovations in the past year:

In 2012, Teekay Offshore Partners entered into an agreement to acquire a HiLoad Dynamic Positioning unit from Remora, a Norway-based marine technology company. The HiLoad DP was inspired by one of the world's most fascinating creatures, the Remora, a fish that uses suction to attach itself to larger creatures like sharks and whales. As a self-propelled dynamic positioning system, the unit is able to attach to and keep tankers in position when loading oil from offshore installations. This innovative process offers a number of environmental benefits. For example, it allows conventional tankers to transport the oil long haul directly to the refinery, with no need for a shuttle tanker.

// Our environmental efforts extend to our on-shore operations too. Green 15, our office environmental program, consists of fifteen actions that all offices are encouraged to adopt.

In 2012, we also made further progress with the development of an offshore wind foundation installation vessel. It takes advantage of Teekay's expertise in harsh weather environments while extending the life of existing shuttle tankers by utilizing the dynamic positioning technology and large deck space. It reduces wind farm installation costs by up to 30 percent.

Selected highlights from Teekay's Green 15 program



- Report office energy consumption
- Maintain a lights off policy



- Implement power management on all computers
- Set printers and copiers to double-sided by default



- Implement practices to reduce the environmental impact of office procurement
- Be active in community environmental efforts



- Actively reduce employee travel
- Reduce the environmental impact of employee commuting



Sustainability Story:
Setting New Standards in Eco-Efficiency

Teekay has forged new ground in ship design with the innovative design of a next generation of tankers. The One Spirit is a revolutionary vessel with the potential to dramatically change the future of shipping. Its eco-design reduces fuel consumption by 30%, dramatically reducing voyage costs and providing a more environmentally efficient solution to transportation.

- The One Spirit design has three key innovations:
- Aerodynamic hull (total savings of 17 percent with wave impacts)
 - "G" type engine de-rated (savings six percent)
 - Slower propeller, 20 percent larger in diameter

The vessel design is so efficient, it is already compliant with 2025 Energy Efficiency Design Index (EEDI) requirements.



PROFIT

During 2012, Teekay's financial management objectives focused on three key themes:

- Improving profitability
- Executing and integrating growth projects
- Diversifying sources of capital

With an overarching objective of returning Teekay to sustainable profitability, during 2012 we undertook several initiatives across our organization to streamline our business, enhance financial accountability and make tangible progress towards reducing and eliminating loss-making business activities. Specific profitability improvement initiatives included:

- Re-aligning our internal business units with our external public company structure;
- Re-organizing on-shore ship management operations of our conventional tankers into Teekay Marine Limited (TML), a new joint venture company with Anglo Eastern;
- Reviewing and re-organizing on-shore management processes in our shuttle tanker business;
- Continuing to re-deliver vessels employed on loss-making time-chartered in contracts;
- Re-contracting existing offshore and LNG vessels at higher rates; and
- Adding profitable fixed-rate growth, including Teekay LNG Partners' February 2012 acquisition of a 52 percent interest in six liquefied natural gas (LNG) carriers from A.P. Moller Maersk.

With approximately \$3 billion invested in new growth projects across the Teekay Group during fiscal 2011, project execution was another key priority in fiscal 2012. Furthermore, we continue to migrate our operating assets from the parent company (*Teekay Parent*) to our publicly-traded daughter entities, Teekay LNG Partners L.P., Teekay Offshore Partners L.P. and Teekay Tankers Ltd. (*the Daughter Entities*) which enables us to monetize the value of these assets and raise equity financing.

Through a combination of asset sales from Teekay Parent to the Daughter Entities and, increasingly, direct acquisitions by our Daughter Entities, Teekay Parent has benefited from growing dividend cash flows as a result of its common unit/share ownership in the Daughter Entities and incentive distribution rights cash flows as a result of its general partner interests in Teekay LNG and Teekay Offshore. Through the sale of assets to the Daughter Entities, Teekay Parent is increasing its financial strength and flexibility, in the form of lower debt and greater liquidity

As the Daughter Entities have grown in scale and market capitalization, they are more capable of growing directly, both through organic new building projects and through accretive acquisitions of quality assets.



// Economic Development

Our business operations create wealth for community stakeholders through the economic value we distribute. These include:

- Employee wages and benefits
- Payments to suppliers
- Taxes
- Payments to providers of financial capital
- Direct community investments and donations



With the significant growth in offshore and LNG investments, broadening our capital base has become an important priority and during 2012 we took steps to further diversify our sources of capital. In 2012 and early 2013, Teekay LNG and Teekay Corporation completed their first issuances in the Norwegian Kroner (NOK) bond market, benefiting from the track record and marketplace name recognition of Teekay Offshore, which completed its second NOK bond issuance in 2012. Between these three entities, the Teekay Group raised a combined U.S. dollar equivalent of more than \$580 million in the NOK bond market since the start of 2012.

In addition to completing approximately \$105 million of equity private placements in 2012 at Teekay Offshore, Teekay Corporation successfully financed a portion of the Cidade de Itajai FPSO conversion project by selling a 50 percent interest in the unit to Odebrecht Oil & Gas S.A. for equity proceeds of \$35 million and a proportionate share of assumed debt.

In December 2012, Teekay Parent completed a new \$200 million corporate revolving credit facility secured by a portion of its common unit holdings in Teekay Offshore and Teekay LNG, providing additional liquidity and financial flexibility.

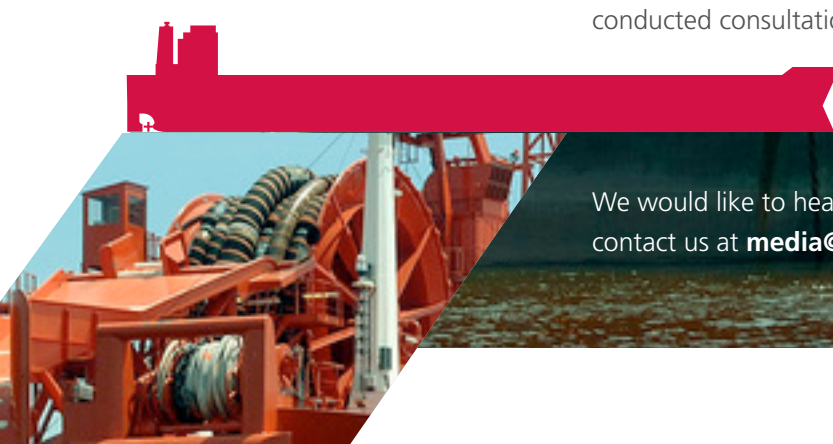
Finally, in April 2013 we completed our first issuance of a perpetual preferred units at Teekay Offshore, raising approximately \$150 million of equity proceeds.

ABOUT THIS REPORT

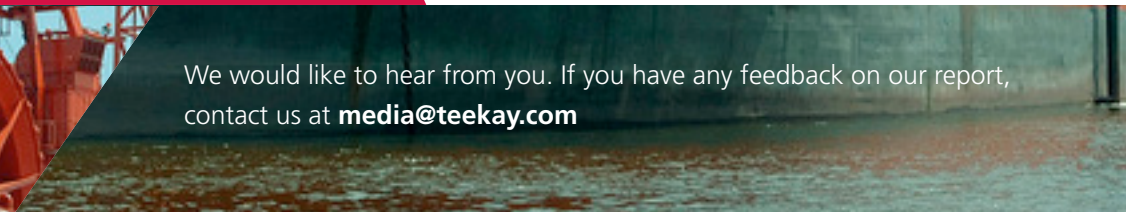
This report focuses on the entities over which Teekay has direct operational control. This includes assets in Teekay Corporation, Teekay LNG, Teekay Offshore or Teekay Tankers. Further information on our FPSO fleet can be found in Teekay Petrojarl's separate 2012 Sustainability Report available at


<http://www.teekay.com/business/sustainability/Sustainability-Reports/>

We have applied the principle of materiality to decide what to include in this report. Materiality refers to topics and indicators that reflect an organization's significant economic, environmental, and social impacts or that substantively influence the assessments and decisions of stakeholders. To assist us in identifying what is material to Teekay, we benchmarked against similar organizations and conducted consultations with staff across Teekay's global offices.



We would like to hear from you. If you have any feedback on our report, contact us at media@teekay.com





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