



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 882 048 152  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: UGLAND STENA STORAGE AS  
Forretningsadresse: Ruseløkkveien 30  
0251 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2023 - 31.12.2023

### Konsern

Morselskap i konsern: Nei

### Regnskapsregler

Regler for små foretak benyttet: Ja  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Angelique Burgess  
Dato for fastsettelse av årsregnskapet: 21.06.2024

### Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert  
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 26.06.2025



### Resultatregnskap

Beløp i: NOK	Note	2023	2022
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Other Operating Expenses	4,5	494 000	741 000
<b>Sum kostnader</b>		<b>494 000</b>	<b>741 000</b>
<b>Driftsresultat</b>		<b>-494 000</b>	<b>-741 000</b>
<b>Finansinntekter og finanskostnader</b>			
Annen renteinntekt		202 000	66 000
Other financial income		1 279 000	
Foreign exchange gain		11 872 000	18 525 000
<b>Sum finansinntekter</b>		<b>13 353 000</b>	<b>18 591 000</b>
Annen rentekostnad			1 000
<b>Sum finanskostnader</b>			<b>1 000</b>
<b>Netto finans</b>		<b>13 353 000</b>	<b>18 590 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>12 859 000</b>	<b>17 849 000</b>
Tax credit	6		-96 000
<b>Ordinært resultat etter skattekostnad</b>		<b>12 859 000</b>	<b>17 945 000</b>
<b>Årsresultat</b>	7	<b>12 859 000</b>	<b>17 945 000</b>
<b>Overføringer og disponeringer</b>			
Transferred from/to other equity		12 859 000	17 945 000
<b>Sum overføringer og disponeringer</b>		<b>12 859 000</b>	<b>17 945 000</b>



### Balanse

Beløp i: NOK	Note	2023	2022
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Finansielle anleggsmidler</b>			
Investering i annet foretak i samme konsern		209 000	209 000
<b>Sum finansielle anleggsmidler</b>		<b>209 000</b>	<b>209 000</b>
<b>Sum anleggsmidler</b>		<b>209 000</b>	<b>209 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Accounts receivable		5 000	
Receivables from related parties		55 006 000	39 006 000
<b>Sum fordringer</b>		<b>55 011 000</b>	<b>39 006 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and cash equivalents		434 000	4 848 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>434 000</b>	<b>4 848 000</b>
<b>Sum omløpsmidler</b>		<b>55 445 000</b>	<b>43 854 000</b>
<b>SUM EIENDELER</b>		<b>55 654 000</b>	<b>44 063 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Share capital	8	1 100 000	1 100 000
Overkurs		12 360 000	12 360 000
Annen innskutt egenkapital		35 174 000	35 174 000
<b>Sum innskutt egenkapital</b>		<b>48 634 000</b>	<b>48 634 000</b>



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Opptjent egenkapital</b>			
Other equity	7	7 008 000	-5 851 000
<b>Sum opptjent egenkapital</b>		<b>7 008 000</b>	<b>-5 851 000</b>
<b>Sum egenkapital</b>		<b>55 642 000</b>	<b>42 783 000</b>
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Other Short-term liabilities		12 000	1 280 000
<b>Sum kortsiktig gjeld</b>		<b>12 000</b>	<b>1 280 000</b>
<b>Sum gjeld</b>		<b>12 000</b>	<b>1 280 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>55 654 000</b>	<b>44 063 000</b>



## Brønnøysundregistrene

### ÅRSREGNSKAP FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Journalnummer: 2024 580524

#### Enheten

Organisasjonsnummer: 882 048 152  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: UGLAND STENA STORAGE AS  
Forretningsadresse: Ruseløkkveien 30  
0251 OSLO

#### Regnskapsår

Årsregnskapets periode: 01.01.2023 - 31.12.2023

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Morselskap i konsern: Nei

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Benyttet ved utarbeidelsen av  
årsregnskapet til selskapet: Regnskapslovens alminnelige regler

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Brønnøysundregistrene, 06.07.2024



Organisasjonsnr: 882 048 152  
UGLAND STENA STORAGE AS

## RESULTATREGNSKAP

Beløp i: NOK	Note	2023	2022
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Other Operating Expenses	4,5	494 000	741 000
<b>Sum kostnader</b>		<b>494 000</b>	<b>741 000</b>
<b>Driftsresultat</b>		<b>-494 000</b>	<b>-741 000</b>
<b>Finansinntekter og finanskostnader</b>			
Annen renteinntekt		202 000	66 000
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<b>Sum finansinntekter</b>		<b>13 353 000</b>	<b>18 591 000</b>
Annen rentekostnad			1 000
<b>Sum finanskostnader</b>			<b>1 000</b>
<b>Netto finans</b>		<b>13 353 000</b>	<b>18 590 000</b>
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Organisasjonsnr: 882 048 152  
UGLAND STENA STORAGE AS

## BALANSE

Beløp i: NOK Note 2023 2022

### BALANSE - EIENDELER

#### Anleggsmidler

##### Immaterielle eiendeler

##### Finansielle anleggsmidler

Investering i annet foretak i samme konsern	209 000	209 000
Sum finansielle anleggsmidler	209 000	209 000
Sum anleggsmidler	209 000	209 000

#### Omløpsmidler

##### Varer

##### Fordringer

Accounts receivable	5 000	
Receivables from related parties	55 006 000	39 006 000
Sum fordringer	55 011 000	39 006 000

##### Bankinnskudd, kontanter og lignende

Cash and cash equivalents	434 000	4 848 000
Sum bankinnskudd, kontanter og lignende	434 000	4 848 000
Sum omløpsmidler	55 445 000	43 854 000

SUM EIENDELER 55 654 000 44 063 000

### BALANSE - EGENKAPITAL OG GJELD

#### Egenkapital

##### Innskutt egenkapital

Share capital	8	1 100 000	1 100 000
Overkurs		12 360 000	12 360 000
Annen innskutt egenkapital		35 174 000	35 174 000
Sum innskutt egenkapital		48 634 000	48 634 000

##### Opptjent egenkapital

Other equity	7	7 008 000	-5 851 000
Sum opptjent egenkapital		7 008 000	-5 851 000

Sum egenkapital 55 642 000 42 783 000

Sum langsiktig gjeld 0 0



<b>Kortsiktig gjeld</b>		
Other Short-term liabilities	12 000	1 280 000
<b>Sum kortsiktig gjeld</b>	<b>12 000</b>	<b>1 280 000</b>
<b>Sum gjeld</b>	<b>12 000</b>	<b>1 280 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>	<b>55 654 000</b>	<b>44 063 000</b>



Organisasjonsnr: 882 048 152  
UGLAND STENA STORAGE AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

## Note

Antall årsverk i regnskapsåret  
0.00

Sum Beløp

Balanseført verdi 31.12. Varige driftsmidler Immaterielle eiend.

## Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

## Begrunnelse for at datterselskap er utelatt fra konsolideringen

Samlet beløp - tilknyttet selskap Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - felles kontrollert virksomhet Årets Fjorårets

Pantstillelse Beløp

Beholdning av egne aksjer Antall Pålydende Andel av aksjek.



KPMG AS  
Sjøgangen 6  
N-7010 Trondheim

Telephone +47 45 40 40 63  
Internet [www.kpmg.no](http://www.kpmg.no)  
Enterprise 935 174 627 MVA

To the General Meeting of Ugland Stena Storage AS

## Independent Auditor's Report

### Opinion

We have audited the financial statements of Ugland Stena Storage AS (the Company), which comprise the balance sheet as at 31 December 2023, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors (management) is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Offices in:

- medlemmer av Den norske Revisorforening



Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Trondheim, 21 June 2024  
KPMG AS

Yngve Olsen  
*State Authorized Public Accountant*



Skatteetaten

Vår dato  
19.09.2022

Din/Deres dato

Saksbehandler  
Kjell Knutsen

800 80 000  
Skatteetaten.no

Din/Deres referanse

Telefon  
94897296

Org.nr  
974761076

Vår referanse  
2022/5746331

Postadresse  
Postboks 9200 Grønland  
0134 OSLO

U.off.

UGLAND STENA STORAGE AS  
Postboks 2734 Solli  
0204 OSLO

## Dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på engelsk for 882048152 Ugland Stena Storage AS

Vi viser til søknad mottatt 31. august 2022 om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk.

Skatteetaten gir på bakgrunn av en konkret helhetsvurdering selskapet dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at engelsk språk benyttes ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

### Bakgrunn

Fra søknaden siteres:

Ugland Stena Storage AS er et datterselskap av TPO Investment Inc. og er del av det globale Teekay-konsernet. Konsernet er etablert med selskaper over hele verden, blant annet i Houston og Freeport USA, Eksempelvis Teekay Shipping (Canada) Ltd og Teekay Shipping (USA), Inc.

Teekay-konsernet bruker felles IT systemer, og produserer regnskapsinformasjon på engelsk. Dermed blir det aktuelt for Ugland Stena Storage AS å bruke engelsk både for at eierne skal forstå regnskapet og for konsolideringshensyn.

Selskapet anser det som sannsynlig at flere aktører har interesse av at regnskapsinformasjon blir formidlet på engelsk. Ugland Stena Storage AS har i dag utenlandske tjenesteleverandører (leverandører), som man heller ikke kan utelukke at vil etterspørre regnskapsinformasjon på engelsk. Andre brukere av regnskapet vil kunne være, men er ikke begrenset til, kunder og banker.

Med bakgrunn i ovenstående punkter, er det et ønske og en forenkling for Ugland Stena Storage AS å kunne utarbeidet årsregnskap på engelsk.

### Skattekontorets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*



I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *“informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte, kunder og lokalsamfunnet.

Det er etter skatteetatens vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I dette tilfellet er det opplyst at selskapet er en del av en internasjonal struktur og at det er aktuelt for Ugland Stena Storage AS å bruke engelsk for at eierne skal forstå regnskapet. Selskapet mener det også er sannsynlig at flere aktører, som for eksempel utenlandske leverandører, kunder og banker, har interesse av at regnskapsinformasjon blir formidlet på engelsk. Skattekontoret er også kjent med at engelsk er mye brukt i bransjen selskapet opererer i. Skattekontoret finner at disse forholdene samlet tilsier at dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk kan gis.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Gro Stangeland  
underdirektør  
Innsats, storbedrift  
Skatteetaten

Kjell Knutsen

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.*



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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-12874

TEEKAY CORPORATION  
(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands  
(Jurisdiction of incorporation or organization)

Not Applicable  
(Translation of Registrant's name into English)

4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda  
Telephone: (441) 298-2530  
(Address and telephone number of principal executive offices)

N. Angelique Burgess  
4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda  
Telephone: (441) 298-2530  
Fax: (441) 292-3931  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered, or to be registered, pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value of \$0.001 per share	TK	New York Stock Exchange



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**Securities registered, or to be registered, pursuant to Section 12(g) of the Act.**

None

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

91,006,182 shares of Common Stock, par value of \$0.001 per share.

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant (1) has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Auditor Name: KPMG LLP Auditor Location: Vancouver BC, Canada Auditor Firm ID: 85



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### PART I

*This Annual Report of Teekay Corporation on Form 20-F for the year ended December 31, 2023 (or Annual Report) should be read in conjunction with the consolidated financial statements and accompanying notes included in this Annual Report.*

*Unless otherwise indicated, references in this Annual Report to "Teekay," "the Company," "we," "us" and "our" and similar terms refer to Teekay Corporation and its subsidiaries. References in this Annual Report to "Teekay Tankers" refer to our subsidiary, Teekay Tankers Ltd. (NYSE: TNK). In addition, references in this Annual Report to "Altera" refer to Altera Infrastructure L.P., previously known as Teekay Offshore Partners L.P. (NYSE: TOO), which was a subsidiary of Teekay Corporation until September 2017, and an equity-accounted investment until May 2019, and to "Seapeak" refer to Seapeak LLC (NYSE: SEAL), previously known as Teekay LNG Partners L.P. (NYSE: TGP) (or Teekay LNG Partners), which was a subsidiary of Teekay Corporation until January 2022. References to the "Teekay Gas Business" refer to the following, prior to their sale by Teekay to Stonepeak Partners L.P. and Seapeak in January 2022: Teekay's general partner interest in Teekay LNG Partners; all of Teekay LNG Partners' common units held by Teekay; and certain subsidiaries of Teekay that collectively contained the shore-based management operations of Teekay LNG Partners and certain of its joint ventures.*

*The sale of the Teekay Gas Business by Teekay occurred on January 13, 2022. The presentation of certain information in the Company's consolidated financial statements included in this Annual Report reflects that the Teekay Gas Business is a discontinued operation of the Company. See "Item 18 – Financial Statements: Note 21 – Discontinued Operations" for further information.*

In addition to historical information, this Annual Report contains forward-looking statements that involve risks and uncertainties. Such forward-looking statements relate to future events and our operations, objectives, expectations, performance, financial condition and intentions. When used in this Annual Report, the words "expect," "intend," "plan," "believe," "anticipate," "estimate" and variations of such words and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this Annual Report include, in particular, statements regarding:

- our future financial condition and results of operations and our future revenues, expenses and capital expenditures, and our expected financial flexibility and sources of liquidity to pursue capital expenditures, acquisitions and other expansion opportunities;
- the dividend policy of our publicly-listed subsidiary, Teekay Tankers, including any future dividends;
- our liquidity needs and meeting our going concern requirements, including anticipated funds and sources of financing for liquidity needs and the sufficiency of cash flows, and our estimation that we will have sufficient liquidity for at least the next 12 months;
- our ability and plans to obtain financing for new projects and commitments, refinance existing debt obligations and fulfill our debt obligations;
- our plans for Teekay Parent, which excludes our interests in Teekay Tankers and includes Teekay Corporation and its remaining subsidiaries, to increase its intrinsic value per share;
- the expected scope, duration and effects of the unfolding conflicts in Ukraine and Israel/Gaza Strip, respectively, including their respective impacts on global supply and demand for crude oil and petroleum products and fleet utilization, our industry and our business and the consequences of any future epidemic or pandemic crises or geopolitical tensions;
- conditions and fundamentals of the markets in which we operate, including the balance of supply and demand in these markets and charter and spot rates, estimated growth in world fleets, oil production, refinery capacity and competition for providing services, and changes to trade routes and the development of adjacent markets;
- our expectations regarding tax liabilities, including whether applicable tax authorities may agree with our tax positions, and whether or not we qualify as a passive foreign investment company;
- the implementation and impact on us of the OECD's Pillar Two tax regime;
- our expectations regarding the effect of economic substance regulations in the Marshall Islands and Bermuda and their future status under those regulations;
- our expectations as to the useful lives of our vessels;
- our future growth prospects and competitive position;
- the impact of future changes in the demand for and price of oil;
- expected costs, capabilities, acquisitions and conversions, and the commencement of any related charters or other contracts;
- our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term time charter or on short-term charter contracts;
- our expectations regarding customer payments, including the ability of our customers to make charter payments to us;
- the status and outcome of any pending legal claims, actions or disputes;
- the future valuation or impairment of our assets, including goodwill;
- our expectations and estimates regarding future charter business;
- our compliance with financing agreements and the expected effect of restrictive covenants in such agreements;
- operating expenses, availability of crew and crewing costs, relationships with labor unions, number of off-hire days, dry-docking requirements and durations, insurance costs and the adequacy of insurance coverage, and expectations as to cost-saving initiatives;
- the effectiveness of our risk management policies and procedures and the ability of the counterparties to our derivative and other contracts to fulfill their contractual obligations;



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- the impact on us and the shipping industry of environmental liabilities and developments, including climate change;
- the impact of any sanctions on our operations and our ongoing compliance with such sanctions;
- the impact and expected cost of, and our ability to comply with, new and existing governmental regulations and maritime self-regulatory organization standards applicable to our business, including, among others, the expected cost to install ballast water treatment systems (or BWTS) on our vessels;
- the impact of increasing scrutiny and changing expectations from certain investors, lenders, customers and other stakeholders with respect to environmental, social and governance (or ESG) policies and practices, and the Company's ability to meet its corporate ESG goals;
- our ability to obtain all permits, licenses and certificates with respect to the conduct of our operations;
- the expectations as to the chartering of unchartered vessels and the timing of the purchase and delivery of vessels;
- our entering into joint ventures or partnerships with companies;
- our hedging activities relating to foreign exchange, interest rate and spot market risks, and the effects of fluctuations in foreign currency exchange, interest rate and spot market rates on our business and results of operations;
- the potential impact of new accounting guidance or the adoption of new accounting standards;
- our potential need to renew portions of our tanker fleet; and
- our business strategy and other plans and objectives for future operations, including, among others, our pursuit of investment opportunities in the shipping sector and potentially in new and adjacent markets.

Forward-looking statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially include, but are not limited to, those factors discussed below in "Item 3 – Key Information – Risk Factors" and other factors detailed from time to time in other reports we file with the U.S. Securities and Exchange Commission (or the SEC).

We do not intend to revise any forward-looking statements in order to reflect any change in our expectations or events or circumstances that may subsequently arise. You should carefully review and consider the various disclosures included in this Annual Report and in our other filings made with the SEC that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

### **Item 1. Identity of Directors, Senior Management and Advisors**

Not applicable.

### **Item 2. Offer Statistics and Expected Timetable**

Not applicable.

### **Item 3. Key Information**

#### **Risk Factors**

*Some of the risks summarized below and discussed in greater detail in the following pages relate principally to the industries in which we operate and to our business in general. Other risks relate principally to the securities market and to ownership of our common stock. The occurrence of any of the events described in this section could materially and adversely affect our business, financial condition, operating results and ability to pay dividends on, and the trading price of our common stock.*

#### **Risk Factor Summary**

##### *Risks Related to Our Industry*

- Changes in the oil markets could result in decreased demand for our vessels and services.
- The cyclical nature of the tanker industry may lead to volatile changes in charter rates and significant fluctuations in the utilization of our vessels, which may adversely affect our earnings.
- Changes in the spot tanker market may result in significant fluctuations in the utilization of our vessels and our profitability.
- Our vessels operate in the highly competitive international tanker market.
- High oil prices could negatively impact tanker freight rates.
- Marine transportation is inherently risky, and an incident involving loss or damage to a vessel, significant loss of product or environmental contamination by any of our vessels could harm our reputation and business.
- Terrorist attacks, increased hostilities, political change, or war could lead to further economic instability, increased costs and business disruption.
- Acts of piracy on ocean-going vessels continue to be a risk, which could adversely affect our business.



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- Public health threats, including pandemics, epidemics, and other public health crises, could have adverse effects on our operations and financial results.
- Governments could requisition our vessels during a period of war or emergency.

### *Risks Related to Our Business*

- Economic downturns, including disruptions in the global credit markets, could adversely affect our ability to grow.
- Economic downturns may affect our customers' ability to charter our vessels and pay for our services and may adversely affect our business and results of operations.
- We may not be able to grow or to manage our growth effectively.
- An increase in operating costs, due to increased inflation or otherwise, could adversely affect our cash flows and financial condition.
- The timing of dry dockings of our vessels during peak market conditions could adversely affect our profitability.
- Delays in the delivery of and installation of new vessel equipment could result in significant vessel downtime and have adverse impacts on our results of operations.
- Technological innovation could reduce our charter hire income and the value and operational lives of our vessels.
- Over time, the value of our vessels may decline, which could adversely affect our existing loans and obligations related to finance leases, our ability to obtain new financing, or our operating results.
- We depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make any dividend payments or share repurchases.
- Financing agreements containing operating and financial restrictions may restrict our business and financing activities.
- We may be required to make substantial capital expenditures should we decide to expand the size of our fleet, involving significant installment payments. Our financial leverage could increase or our shareholders' ownership interest in us could be diluted.
- Teekay Tankers' obligations related to finance leases and revolving credit facility may limit our flexibility in obtaining additional financing, pursuing other business opportunities, paying dividends, repurchasing shares and may incur additional debt and obligations in the future.
- Our ability to repay or refinance debt and lease obligations and to fund our capital expenditures will depend on certain financial, business and other factors. To the extent we are able to finance these obligations and expenditures, our ability to pay cash dividends and repurchase shares may be diminished or our financial leverage may increase, or our shareholders may be diluted.
- Many of our seafaring employees are covered by collective bargaining agreements and the failure to renew those agreements or any future labor agreements may disrupt operations and adversely affect our cash flows.
- We may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business, and the cost of attracting and retaining such personnel may increase.
- We anticipate that Teekay Tankers may need to accelerate its fleet renewal in coming years, the success of any such program will depend on newbuilding and second-hand vessel availability and prices, market conditions and available financing, and which may require significant expenditures.
- Increased demand for and supply of vessels fitted with scrubbers to comply with IMO sulfur reduction requirements could reduce demand for our existing vessels and impair our ability to time charter-out our vessels at competitive rates.
- Our insurance may be insufficient to cover losses that may occur to our property or result from our operations.
- Maritime claimants could arrest, or port authorities could detain, our vessels, which could interrupt our cash flow.
- Exposure to interest rate fluctuations will result in fluctuations in our cash flows and operating results.
- Our cash, cash equivalents and short-term investments are exposed to credit risk, which may be adversely affected by market conditions, interest rates and failures of financial institutions.
- We may be unable to take advantage of favorable opportunities in the spot market to the extent any of our vessels are employed on medium to long-term time charters.
- Teekay Tankers' U.S. Gulf lightering business competes with alternative methods of delivering crude oil to ports and exports to offshore for consolidation onto larger vessels, which may limit our earnings in this market.
- Teekay Tankers' full service lightering (or FSL) operations are subject to specific risks that could lead to accidents, oil spills or property damage.
- Our and many of our customers' substantial operations outside the United States (or U.S.) expose us and them to political, governmental and economic instability, which could harm our operations.
- Exposure to currency exchange rate fluctuations could result in fluctuations in our cash flows and operating results.
- Our operating results are subject to seasonal fluctuations.
- Our failure to renew or replace fixed-rate charters could cause us to trade the related vessels in the spot market, which could adversely affect our operating results and make them more volatile.
- Changes in market conditions may limit our access to capital and our growth.



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- We have recognized asset impairments in the past and we may recognize additional impairments in the future.
- The loss of any key customer or its inability to pay for our services could result in a significant loss of revenue in a given period.
- We may be unable to make or realize benefits from investments or acquisitions, and growth through any such transaction may harm our financial condition and performance.

### *Legal and Regulatory Risks*

- We are bound to adhere to sanctions from many jurisdictions, including the United States, United Kingdom, European Union, and Canada, due to our domicile and location of offices.
- Past port calls by our vessels or third-party vessels participating in Revenue Sharing Agreements (or RSAs) to countries that are subject to sanctions imposed by the United States, European Union and the United Kingdom could harm our business.
- Failure to comply with the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, the UK Criminal Finances Act, the UK Economic Crime and Corporate Transparency Act and similar laws in other jurisdictions could result in fines, criminal penalties, contract terminations and an adverse effect on our business.
- The shipping industry is subject to substantial environmental and other regulations, which may significantly limit operations and increase expenses and adversely impact insurance coverage.
- Climate change and greenhouse gas restrictions may adversely impact our operations and markets.
- Increasing scrutiny and changing expectations from certain investors, lenders, customers and other market participants with respect to ESG policies and practices may impose additional costs on us or expose us to additional risks.
- Our operations may be subject to economic substance requirements in the Marshall Islands and other offshore jurisdictions, which could impact our business.
- Regulations relating to ballast water discharge may adversely affect our operational results and financial condition.
- The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

### *Information and Technology Risks*

- A cyber-attack could materially disrupt our business.
- We rely on our information systems to conduct our business, and failure to protect these systems against viruses and security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.
- Our failure to comply with data privacy laws could damage our customer relationships and expose us to litigation risks and potential fines.

### *Risks Related to an Investment in Our Securities*

- Because we are incorporated in the Marshall Islands, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States.
- Because we are organized under the laws of the Marshall Islands, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

### *Tax Risks*

- U.S. tax authorities could treat us as a "passive foreign investment company", which could have adverse U.S. federal income tax consequences to our U.S. shareholders and other adverse consequences to us and all of our shareholders.
- We are subject to taxes. The imposition of taxes, including as a result of a change in tax law or accounting requirements, may reduce our cash available for distribution to shareholders, cash flows and results of operations.

### **Risks Related to Our Industry**

#### ***Changes in the oil markets could result in decreased demand for our vessels and services.***

Demand for our vessels and services in transporting oil depends upon world and regional oil markets. Any decrease in shipments of crude oil in those markets could have a material adverse effect on our business, financial condition and results of operations. Historically, those markets have been volatile as a result of the many conditions and events that affect the price, production and transport of oil, including competition from alternative energy sources. Past slowdowns of the U.S. and world economies have resulted in reduced consumption of oil products and decreased demand for our vessels and services, which reduced vessel earnings. Additional slowdowns could have similar effects on our operating results and may limit our ability to expand or renew our fleet.



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### ***The cyclical nature of the tanker industry may lead to volatile changes in charter rates and significant fluctuations in the utilization of our vessels, which may adversely affect our earnings.***

Historically, the tanker industry has been cyclical, experiencing volatility in profitability due to changes in the supply of and demand for tanker capacity and changes in the supply of and demand for oil and oil products. The cyclical nature of the tanker industry may cause significant increases or decreases in the revenues we earn from our vessels and may also cause significant increases or decreases in the value of our vessels. If the tanker market is depressed, our earnings may decrease. Our exposure to industry business cycles is more acute because of our exposure to the spot tanker market, which is more volatile than the tanker industry generally. Our ability to operate profitably in the spot market and to recharter our other vessels upon the expiration or termination of their charters will depend upon, among other factors, the economic conditions in the tanker market.

The factors affecting the supply of and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

Key factors that influence the supply of tanker capacity include:

- environmental concerns and regulations;
- the number of newbuilding deliveries;
- the scrapping rate of older vessels;
- conversion of tankers to other uses; and
- the number of vessels that are out of service.

Key factors that influence demand for tanker capacity include:

- supply of oil and oil products;
- demand for oil and oil products;
- regional availability of refining capacity;
- global and regional economic and political conditions;
- the distance oil and oil products are to be moved by sea;
- demand for floating storage of oil;
- changes in seaborne and other transportation patterns;
- weather and natural disasters;
- competition from alternative sources of energy; and
- international sanctions, embargoes, import and export restrictions, nationalizations and wars.

Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price and the supply of, and demand for, tanker capacity. Changes in demand for transportation of oil over longer distances and in the supply of tankers to carry that oil may materially affect our revenues, profitability and cash flows. Following our sale in January 2022 of the Teekay Gas Business, which operated primarily under long-term, fixed-rate charter contracts, our revenues are more volatile and dependent on revenues generated by our tanker fleet.

The conflict in Ukraine and the consequent sanctions imposed on Russia have significantly increased tanker demand and rates by reshaping global oil trading patterns, including the rerouting of Russian oil exports away from Europe and the subsequent backfilling of imports into Europe from other more distant sources. Changes in or resolution of the conflict in Ukraine and the lifting of those sanctions may lead to a reversal of these trading patterns or other effects that could significantly decrease tanker demand and rates.

Although the Hamas-Israel war so far has not had a direct material effect on the tanker industry, war, terrorism and geopolitical tensions in the Middle East could have material adverse effects. Since mid-December 2023, Houthi rebels in Yemen have carried out numerous attacks on vessels in the Red Sea area. As a result of these attacks, many shipping companies have routed their vessels away from the Red Sea, which has affected trading patterns, rates and expenses. Further escalation, or expansion of hostilities relating to the Israel-Hamas war could continue to affect the price of crude oil and the oil industry, the tanker industry, demand for our services, and our business, results of operations, financial condition and cash flows.

### ***Changes in the spot tanker market may result in significant fluctuations in the utilization of our vessels and our profitability.***

During 2023 and 2022, we derived approximately 93% and 89%, respectively, of our consolidated revenues from continuing operations in Teekay Tankers. These revenues earned are primarily from vessels operating in the spot tanker market, either directly or by means of participation in RSAs (which includes vessels operating under full service lightering (or FSL) contracts and charters with an initial term of less than one year). Due to our involvement in the spot-charter market, declining spot rates in a given period generally will result in corresponding declines in our operating results for that period.

The spot-charter market is highly volatile and fluctuates based upon tanker and oil supply and demand. The successful operation of our vessels in the spot-charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to load cargo. Future spot rates may not be sufficient to enable our vessels trading in the spot tanker market to operate profitably or to provide sufficient cash flow to service our debt and obligations related to finance leases.

In addition, as charter rates for spot charters are fixed for a single voyage that may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.



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In addition, the impact of changes in the spot tanker market may be further impacted by our tankers participating in RSAs as an RSA may include vessels of third-party owners that do not perform as well as our vessels. As a result, we may earn less net revenue than we could by operating our vessels independently. For further information about the RSAs, please read "Item 4 – Information on the Company: B. Business Overview – Revenue Sharing Agreements".

### ***Our vessels operate in the highly competitive international tanker market.***

The operation of oil tankers and transportation of crude oil and refined petroleum products are extremely competitive businesses. Competition arises primarily from other tanker owners, including major oil companies and independent tanker companies, some of which have substantially greater financial strength and capital than us. Competition for the transportation of oil and oil products can be intense and depends on price and the location, size, age, and condition of the tanker and the acceptability of the tanker and its operators to the charterers. Our competitive position may erode over time. In addition, we may not be able to compete profitably to the extent we seek to expand our business into new geographic regions. New markets may require different skills, knowledge, or strategies than those we use in our current markets, and the competitors in those new markets may have greater financial strength and capital resources than we do.

### ***High oil prices could negatively impact tanker freight rates.***

High oil prices could negatively impact tanker freight rates due to reduced oil demand and weaker refining margins. In addition, fuel, or bunkers, is a significant operating expense for our vessels employed in the spot market and can have a significant impact on earnings. For any vessels which may be employed on time charters, the charterer is generally responsible for the cost and supply of fuel; however, such cost may affect the time charter rates we may be able to negotiate for such vessels. Changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including, among other factors, geopolitical developments, supply and demand for oil and gas, actions by the Organization of Petroleum Exporting Countries (or OPEC) and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns.

### ***Marine transportation is inherently risky, and an incident involving loss or damage to a vessel, significant loss of product or environmental contamination by any of our vessels could harm our reputation and business.***

Our vessels, crew and cargoes are at risk of being damaged, injured or lost because of events such as:

- marine disasters;
- bad weather or natural disasters;
- mechanical or electrical failures;
- grounding, capsizing, fire, explosions and collisions;
- piracy (hijackings and kidnappings);
- cyber-attacks;
- acute-onset illness in connection with global or regional pandemics or similar public health crises;
- mental health of crew members;
- human error; and
- war and terrorism.

An accident involving any of our vessels could result in any of the following:

- significant litigation with our customers or other third parties;
- death or injury to persons, loss of property or damage to the environment and natural resources;
- delays in the delivery of cargo;
- liabilities or costs to recover any spilled oil or other petroleum products and to restore the environment affected by the spill;
- loss of revenues from charters;
- governmental fines, penalties, or restrictions on conducting business;
- higher insurance rates; and
- damage to our reputation and customer relationships generally.

Any of these events could have a material adverse effect on our business, financial condition, and operating results, and the associated costs could exceed our insurance coverage.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay drydocking costs if our insurance does not cover them in full. The total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs or loss, which could adversely affect our business, results of operations and financial condition. In addition, any damage to, or environmental contamination involving, oil production facilities serviced by our vessels could result in the suspension or curtailment of operations by our customers, which would, in turn, result in loss of revenues.



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### ***Terrorist attacks, increased hostilities, political change, or war could lead to further economic instability, increased costs, and business disruption.***

Terrorist attacks, and current or future conflicts in Ukraine, the Middle East, the Red Sea, Libya, East Asia, Southeast Asia, West Africa and elsewhere, and political change, may adversely affect the tanker industry and our business, operating results, financial condition, and ability to raise capital and fund future growth. Recent hostilities in Ukraine, the Middle East (including the Israel-Hamas war) and elsewhere may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the U.S. or elsewhere, which may contribute further to economic instability and disruption of oil production and distribution, which could result in reduced demand for our services and have an adverse impact on our operations and our ability to conduct business.

Furthermore, Russia's invasion of Ukraine, in addition to sanctions announced by several world leaders and nations against Russia and any further sanctions, may also adversely impact our business given Russia's role as a major global exporter of crude oil. Our business could be harmed by trade tariffs, trade embargoes or other economic sanctions by the U.S., the European Union or other countries against Russia, companies with Russian connections or the Russian energy sector and harmed by any retaliatory measures by Russia or other countries in response. While much uncertainty remains regarding the global impact of Russia's invasion of Ukraine, it is possible that such tensions could adversely affect our business, financial condition, results of operation and cash flows. In addition, it is possible that third parties with which we have charter contracts may be impacted by events in Russia, Ukraine, or the Middle East, which could adversely affect our operations and financial condition.

In addition, oil facilities, shipyards, vessels, pipelines, oil fields or other infrastructure could be targets of terrorist attacks or warlike operations and our vessels could be targets of hijackers, terrorists, or warlike operations. For example, the conflict in Ukraine has resulted in missile attacks on commercial vessels in the Black Sea, and since mid-December 2023, Houthi rebels in Yemen have carried out numerous attacks on vessels in the Red Sea area resulting in many shipping companies routing their vessels away from the Red Sea, which has affected trading patterns, rates, and expenses. Any such attacks could lead to, among other things, bodily injury or loss of life, vessel or other property damage, increased vessel operational costs, including insurance costs, and the inability to transport oil to or from certain locations. Terrorist attacks, war, hijacking, or other events beyond our control that adversely affect the distribution, production or transportation of oil to be shipped by us could entitle customers to terminate charters which would harm our cash flow and business.

### ***Acts of piracy on ocean-going vessels continue to be a risk, which could adversely affect our business.***

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, Gulf of Guinea, and the Indian Ocean off the coast of Somalia. While there continues to be a significant risk of piracy incidents in the Gulf of Guinea, there have been increases in the frequency and severity of unmanned aerial vehicle and missile attacks in the southern Red Sea. There has also been an escalation in the Straits of Malacca and Singapore in the number of piracy incidents year on year. In addition, the threat of armed robbery and theft continues to exist to varying degrees in certain ports of South America, the Gulf of Mexico as well as in the Sulu & Celebes Seas. If these piracy attacks result in regions in which our vessels are deployed being named on the Joint War Committee Listed Areas, war risk insurance premiums payable for such coverage may increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which are incurred to the extent we employ onboard security guards and escort vessels, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention or hijacking as a result of an act of piracy or other attacks against our vessels, or an increase in cost or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

### ***Public health threats, including pandemics, epidemics, and other public health crises, could have an adverse effect on our operations and financial results.***

Public health threats and highly communicable diseases, such as COVID-19, could adversely affect our operations, the operations of our customers or suppliers and the global economy. In response to a pandemic or epidemic, countries, ports, and organizations, including those where we conduct a large part of our operations, could implement measures to combat such outbreaks, such as quarantines and travel restrictions. Such measures could cause severe trade disruptions. In addition, pandemics, epidemics, and other public health crises may result in a significant decline in global demand for crude oil and refined petroleum products, as was the case during COVID-19. As our business is the transportation of crude oil and refined oil products on behalf of oil majors, oil traders and other customers, any significant decrease in demand for the cargo we transport could adversely affect demand for our vessels and services. The extent to which any pandemic, epidemic or any other public health crises may impact our business, results of operations and financial condition, including possible impairments, will depend on future developments, which are uncertain and cannot be predicted.

### ***Governments could requisition our vessels during a period of war or emergency, which may adversely affect our business and results of operations.***

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could adversely affect our business, results of operations and financial condition.



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### **Risks Related to Our Business**

#### ***Economic downturns, including disruptions in the global credit markets, could adversely affect our ability to grow.***

Economic downturns, bank failures and financial crises in the global markets could produce illiquidity in the capital markets, market volatility, heightened exposure to interest rate and credit risks, and reduced access to capital markets. If global financial markets and economic conditions deteriorate in the future, we may face restricted access to the capital markets or bank lending, which may make it more difficult and costly to fund future growth. Decreased access to such resources could have a material adverse effect on our business, financial condition, and results of operations. Global financial markets and economic conditions have been, and continue to be, volatile. Global economic growth weakened during 2023, due in part to inflationary pressures and higher interest rates. Growth in 2024 is expected to remain below long-term average levels.

#### ***Economic downturns may affect our customers' ability to charter our vessels and pay for our services and may adversely affect our business and results of operations.***

Economic downturns in the global financial markets or economy generally may lead to a decline in our customers' operations or ability to pay for our services, which could result in decreased demand for our vessels and services. Our customers' inability to pay could also result in their default on our current contracts and charters. A decline in the amount of services requested by our customers or their default on our contracts with them could have a material adverse effect on our business, financial condition and results of operations.

#### ***We may not be able to grow or to manage our growth effectively.***

Our future growth will depend upon a number of factors, some of which are beyond our control. These factors include our ability to:

- identify suitable tankers or shipping companies for acquisitions or joint ventures;
- successfully integrate any acquired tankers or businesses with our existing operations; and
- obtain required financing for our existing and any new operations.

In addition, competition from other companies, many of which have significantly greater financial resources than we do, may reduce our acquisition opportunities or cause us to pay higher prices. Our failure to effectively identify, purchase, develop and integrate any tankers or businesses could adversely affect our business, financial condition, and results of operations.

Furthermore, any acquisition of a vessel or business may not be profitable at or after the time of acquisition and may not generate cash flows sufficient to justify the investment. Tanker asset values have increased significantly since 2022, and as of early 2024 are approaching all-time highs on a non-inflation adjusted basis. In addition, acquisitions expose us to risks that may harm our business, financial condition, and operating results.

To the extent we acquire existing vessels, they typically do not carry warranties as to their condition, unlike newbuilding vessels. While we generally inspect existing vessels prior to purchase, such an inspection would normally not provide us with as much knowledge of a vessel's condition as we would possess if it had been built for us and operated by us during its life. Repair and maintenance costs for existing vessels are difficult to predict and may be substantially higher than for vessels we have operated since they were built. These costs could decrease our cash flows and liquidity and harm our financial condition and performance.

#### ***An increase in operating costs, due to increased inflation or otherwise, could adversely affect our cash flows and financial condition.***

Our levels of vessel operating expenses depend upon a variety of factors, many of which are beyond our control, such as competition for crew and inflation. Inflation has increased significantly on a worldwide basis since mid-2021, with many countries facing their highest inflation rates in decades. Inflation has increased our vessel operating expenses, voyage expenses and certain other expenses. To the extent our charter rates do not cover increased vessel operating expenses or voyage expenses for which we are responsible, or if other costs and expenses increase, our earnings would decrease and our cash flows and financial condition would be adversely affected.

#### ***The timing of dry dockings of our vessels during peak market conditions could adversely affect our profitability.***

We periodically dry dock each of our vessels for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. Generally, each vessel is dry docked every two and a half years to five years depending on the age of the vessel. Depending on the type of dry docking required, a vessel will incur a number of days of downtime when it will not be in service. During times of favorable market conditions, any increase in the number of required dry dockings in a given timeframe and the lost revenue days arising from this downtime could result in a material loss of earnings.

#### ***Delays in the delivery of and installation of new vessel equipment could result in significant vessel downtime and have adverse impacts on our results of operations.***

In order to maximize fleet performance and efficiency, we plan to invest from time to time in new technologies to be installed on our fleet. However, the delivery and installation of any new equipment depends on a number of factors, some of which are within our control, such as the location of the vessels on a given date, and other factors which are outside of our control, such as the delivery due date, the availability of qualified personnel to install new equipment and potential bottlenecks in the supply chain. Depending on the type of new equipment to be installed, we may need to coordinate delivery and installation in line with vessel dry dockings. Any delays in the delivery or installation of new equipment could result in an increase in the number of dry docking days and adversely impact our results of operation.



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### ***Technological innovation could reduce our charter hire income and the value and operational lives of our vessels.***

The charter hire rates and the value and operational life of a vessel are determined by a number of factors, including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter various harbors and ports, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new tankers are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically-advanced vessels could adversely affect the amount of charter hire payments, if any, we receive for our vessels and the resale value of our vessels could significantly decrease. As a result, our business, financial condition and results of operations could be adversely affected.

### ***Over time, the value of our vessels may decline, which could adversely affect our existing loans and obligations related to finance leases, our ability to obtain new financing, or our operating results.***

Vessel values for oil tankers can fluctuate substantially over time due to a number of different factors. Vessel values may decline from existing levels. If the operation of a tanker is not profitable, rather than continue to incur costs to maintain and finance the vessel, we may seek to dispose of it. Our inability to dispose of the vessel at a fair market value or the disposition of the vessel at a fair market value that is lower than its book value could result in a loss on its sale and adversely affect our results of operations and financial condition. In addition, vessel value declines may result in impairment charges against our earnings. As of December 31, 2023, Teekay Tankers' revolving credit facility and its obligations related to finance leases contained loan-to-value financial covenants tied to the value of the vessels that collateralize the credit facility and finance leases. Teekay Tankers is required to maintain vessel value to outstanding loan and lease principal balance ratios ranging from 100%-125%. As at December 31, 2023, Teekay Tankers was in compliance with these requirements. However, a decline in the market value of these tankers may result in a default of the applicable financing arrangement or may require Teekay Tankers to prepay portions of the outstanding principal or pledge additional collateral to avoid a default. If Teekay Tankers is unable to cure any such breach within the prescribed cure period in a particular financing facility, the relevant financiers could accelerate Teekay Tankers' debt or obligations under finance leases and foreclose on its vessels and other assets pledged as collateral or require an early termination of the credit facility or finance lease. In certain circumstances, such a breach could result in cross-defaults under Teekay Tankers' other financing agreements. In addition, a significant decline in the market value of our tankers may prevent us from refinancing tankers with a similar amount of debt or obtaining additional debt using the tankers as collateral, thereby requiring us to either reduce debt levels in facilities collateralized by the tankers or seek alternative financing structures.

In addition, if we determine at any time that a vessel's future useful life and earnings require us to impair its value on our consolidated financial statements, we may need to recognize a significant charge against our earnings.

### ***We depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make any dividend payments or repurchase shares.***

Our subsidiaries, which are all directly and indirectly wholly owned by us, own all of our substantive operating assets. As a result, our ability to satisfy our financial obligations and to pay any dividends to, or repurchase shares from, our shareholders depends on the ability of our subsidiaries to generate profits available for distribution to us and our subsidiaries being permitted by law and contract to make such distributions to us; to the extent that they are unable to generate or distribute profits to us, we may be unable to pay our creditors or any dividends to, or repurchase shares from, our shareholders.

### ***Financing agreements containing operating and financial restrictions may restrict our business and financing activities.***

The operating and financial restrictions and covenants in our revolving credit facility, finance leases and in any of our future financing agreements could adversely affect our ability to finance future operations or capital needs or to pursue and expand our business activities. For example, these financing arrangements restrict our ability to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends or make other distributions or repurchase or redeem our capital stock;
- prepay, redeem or repurchase certain debt;
- issue certain preferred shares or similar equity securities;
- make loans and investments;
- enter into a new line of business;
- incur or permit certain liens to exist;
- enter into transactions with affiliates;
- create unrestricted subsidiaries;
- transfer, sell, convey or otherwise dispose of assets;
- make certain acquisitions and investments;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.



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In addition, certain of our debt agreements and finance leases require us to comply with certain financial covenants. Our ability to comply with covenants and restrictions contained in debt instruments and finance leases may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If any such event were to occur, we may fail to comply with these covenants. If we breach any of the restrictions, covenants, ratios or tests in our financing agreements and we are unable to cure such breach within the prescribed cure period, our obligations may, at the election of the relevant lender, become immediately due and payable, and the lenders' commitment under our credit facilities, if any, to make further loans available to us may terminate. In certain circumstances, this could lead to cross-defaults under our other financing agreements which in turn could result in obligations becoming due and commitments being terminated under such agreements. A default under our financing agreements could also result in foreclosure on any of our vessels and other assets securing related loans and finance leases or our need to sell assets or take other actions in order to meet our debt and obligations related to finance leases.

Furthermore, the termination of any of our charter contracts by our customers could result in the repayment of the debt facilities or finance leases to which the chartered vessels relate.

***We may be required to make substantial capital expenditures should we decide to expand the size of our fleet. We generally will be required to make significant installment payments for any acquisitions of newbuilding vessels prior to their delivery and generation of revenue. Depending on whether we finance our expenditures through cash from operations or by issuing debt or equity securities, our financial leverage could increase or our shareholders' ownership interests in us could be diluted.***

We will be required to make substantial capital expenditures should we decide to increase the size of our fleet, including acquiring tankers from third parties. Our acquisitions may also include newbuildings. We generally will be required to make installment payments on any newbuildings prior to their delivery. We typically pay 10% to 20% of the purchase price of a newbuilding tanker upon signing the purchase contract, even though delivery of the completed vessel does not occur until much later (approximately two to three years from the order). To fund expansion capital expenditures, we may be required to use cash balances or cash from operations, incur borrowings or raise capital through the incurrence of debt or issuance of additional equity securities. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain funds for capital expenditures could have a material adverse effect on our business, results of operations and financial condition. Even if we are successful in obtaining the necessary funds, incurring additional debt may significantly increase our interest expense and financial leverage, which could limit our financial flexibility and ability to pursue other business opportunities. In addition, issuing additional equity securities may result in significant shareholder ownership dilution.

***Teekay Tankers has obligations related to finance leases and a revolving credit facility and may incur additional debt and finance lease obligations in the future.***

As of December 31, 2023, Teekay Tankers had no outstanding long-term debt and \$321.8 million was available to it under its revolving credit facility. In addition, Teekay Tankers' obligations related to finance leases were approximately \$140.8 million as of December 31, 2023. We will continue to have the ability to incur additional debt, subject to limitations in Teekay Tankers' revolving credit facility. Our level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired, or such financing may not be available on favorable terms, if at all;
- we will need a portion of our cash flow to make principal and interest payments on our debt and lease payments on our obligations related to finance leases, reducing the funds that would otherwise be available for operations, business opportunities, share repurchases and dividends to our shareholders;
- incurring additional debt and finance lease obligations in the future may make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our industry or the economy generally; and
- incurring additional debt and finance lease obligations in the future may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt and obligations related to finance leases depends upon, among other things, our financial and operating performance, which is affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness and obligations related to finance leases, we will be forced to take actions such as reducing or delaying our business activities, acquisitions, investments, or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

***Our ability to repay or refinance debt and lease obligations and to fund capital expenditures will depend on certain financial, business and other factors, many of which are beyond our control. To the extent we are able to finance these obligations and expenditures, our ability to pay any cash dividends and repurchase shares may be diminished, or our financial leverage may increase, or our shareholders may be diluted.***

To fund existing and future debt and lease obligations and capital expenditures, we may be required to use our existing liquidity or cash from operations, incur borrowings, raise capital through the sale of assets or ownership interests in certain assets or our joint venture entity, issue debt or additional equity securities and/or seek to access other financing sources. Our access to potential funding sources and our future financial and operating performance will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control.

If we are unable to access additional financing and generate sufficient cash flow to meet our debt, lease, capital expenditure and other business requirements, we may be forced to take actions such as:

- restructuring our debt;
- selling additional assets or equity interests in certain assets or our joint venture;



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- not paying dividends or repurchasing shares;
- reducing, delaying, or canceling business activities, acquisitions, investments or capital expenditures; or
- seeking bankruptcy protection.

Such measures might not be successful, and additional debt or equity capital may not be available on acceptable terms or enable us to meet our debt, lease, capital expenditure and other obligations. Some of such measures may adversely affect our business and reputation. In addition, financing agreements may restrict our ability to implement some of these measures.

Use of cash from operations for capital purposes will reduce cash available for any future dividends to shareholders. Our ability to obtain bank financing or to access the capital markets for any future offerings may be limited by our financial condition at the time of any such financing as well as by adverse market conditions in general. Even if we are successful in obtaining necessary funds, the terms of such financing could limit our ability to pay any future cash dividends to shareholders, repurchase shares or to operate our businesses as currently conducted. In addition, incurring debt may significantly increase interest expense and financial leverage, and issuing additional equity securities may result in significant shareholder dilution. The sale of certain assets would reduce cash from operations and the cash available for distribution to shareholders. For more information on our liquidity requirements, please read "Item 18 – Financial Statements: Note 20a – Commitments and Contingencies – Liquidity".

***Many of our seafaring employees are covered by collective bargaining agreements and the failure to renew those agreements or any future labor agreements may disrupt operations and adversely affect our cash flows.***

A significant portion of our seafarers are employed under collective bargaining agreements. We may become subject to additional labor agreements in the future. We may suffer labor disruptions if relationships deteriorate with the seafarers or the unions that represent them. Our collective bargaining agreements may not prevent labor disruptions, particularly when the agreements are being renegotiated. Salaries are typically renegotiated annually or bi-annually for seafarers and annually for onshore operational staff and may increase our cost of operation. Any labor disruptions could harm our operations and could have a material adverse effect on our business, results of operations and financial condition.

***We may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business, and the cost of attracting and retaining such personnel may increase.***

Our success depends on our ability to attract and retain highly skilled and qualified personnel. In crewing our vessels, we require technically skilled employees with specialized training who can perform physically demanding work. Competition to attract and retain qualified crew members is intense. The shipping industry continues to forecast a shortfall in qualified personnel, and crew and other compensation has increased recently and may continue to increase in the future. If crew costs increase and we are not able to increase our rates to compensate for any such increases, our financial condition and results of operations may be adversely affected. Any inability we experience in the future to hire, train and retain a sufficient number of qualified employees or crew could impair our ability to manage, maintain and grow our business.

***We anticipate that Teekay Tankers may need to accelerate its fleet renewal in coming years, the success of any such program which will depend on newbuilding and second-hand vessel availability and prices, market conditions and available financing, and which may require significant expenditures.***

As approximately 50% of Teekay Tankers' fleet is currently aged 15 years and older, we anticipate Teekay Tankers may need to accelerate its fleet renewal in coming years. Teekay Tankers' ability to successfully execute a renewal program will depend on the availability and prices of newbuilding and second-hand vessels, market conditions and charter rates (primarily spot tanker rates), and access to sufficient financing at acceptable rates. The cost of newbuilding or second-hand vessels will be significant, which could affect our consolidated financial condition, cash flows and results of operations. Failure to execute a timely renewal program may adversely impact our and Teekay Tankers' business and financial condition.

***Increased demand for and supply of vessels fitted with scrubbers to comply with IMO sulfur reduction requirements could reduce demand for our existing vessels and impair our ability to time charter-out our vessels at competitive rates.***

As of December 31, 2023, owners of approximately 34% of the worldwide fleet of tankers with capacity over 10,000 dead-weight tonnes had fitted or planned to fit scrubbers on their vessels. Fitting scrubbers allows a ship to consume high sulfur fuel oil, which is less expensive than the low sulfur fuel oil that ships without scrubbers must consume to comply with the IMO 2020 low sulfur emission requirements. Generally, owners of vessels with higher operating fuel requirements (generally larger ships) are more inclined to install scrubbers to comply with IMO 2020. Fuel expense reductions from operating scrubber-fitted ships could result in a substantial reduction of bunker cost for charterers compared to the vessels in our fleet, which do not have scrubbers. If (a) the supply of scrubber-fitted vessels increases, (b) the differential between the cost of high sulfur fuel oil and low sulfur fuel oil is high and (c) charterers prefer such vessels over our vessels to the extent they do not have scrubbers, demand for our vessels may be reduced and our ability to time charter-out our vessels at competitive rates may be impaired, which may have a material adverse effect on our business, financial condition and results of operations.

***Our insurance may be insufficient to cover losses that may occur to our property or result from our operations.***

The operation of oil tankers and lightering support vessels and the transfer of oil is inherently risky. Although we carry hull and machinery (marine and war risks) and protection and indemnity insurance, and other liability insurance, all risks may not be adequately insured against, and any particular claim may not be paid or paid in full. In addition, we do not carry insurance on our vessels covering the loss of revenues resulting from vessel off-hire time. Any significant unpaid claims or off-hire time of our vessels could harm our business, operating results and financial condition. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. Certain of our insurance coverage is maintained through mutual protection and indemnity associations, and as a member of such associations, we may be required to make additional payments over and above budgeted premiums if member claims exceed association reserves. In addition, the cost of this protection and indemnity coverage has significantly increased and may continue to increase. Even if our insurance coverage is adequate to cover our losses, we may not be able to obtain a timely replacement vessel in the event of a total loss of a vessel.



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We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A catastrophic oil spill, marine disasters or natural disasters could exceed the insurance coverage, which could harm our business, financial condition and operating results. Any uninsured or under-insured loss could harm our business and financial condition. In addition, the insurance may be voidable by the insurers as a result of certain actions, such as vessels failing to maintain certification with applicable maritime regulatory organizations.

Changes in the insurance markets attributable to structural changes in insurance and reinsurance markets and risk appetite, economic factors, the impact of any pandemics, epidemics or other public health crises, war, terrorist attacks, environmental catastrophes or political changes may also make certain types of insurance more difficult to obtain. In addition, the insurance that may be available may be significantly more expensive than existing coverage or be available only with restrictive terms. Following our sale in January 2022 of the Teekay Gas Business, we own a smaller fleet, which may impact our buying power and could lead to us having increased insurance coverage costs.

### ***Maritime claimants could arrest, or port authorities could detain, our vessels, which could interrupt our cash flow.***

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of funds to have the arrest or attachment lifted. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one vessel in our fleet or the RSAs in which we operate for claims relating to another of our ships. Also, port authorities may seek to detain our vessels in port, which could adversely affect our operating results or relationships with customers.

### ***Exposure to interest rate fluctuations will result in fluctuations in our cash flows and operating results.***

As of December 31, 2023, we had \$140.8 million in aggregate principal amount of outstanding indebtedness and obligations related to finance leases that bear interest based on variable, floating rates. We anticipate that we will enter into additional variable-rate financing obligations in the future. We are exposed to the impact of interest rate changes primarily through certain of Teekay Tankers' borrowings and obligations related to finance leases that require us to make interest payments based on Secured Overnight Financing Rate (or *SOFR*). Some of the agreements governing our revolving credit facility and finance lease facilities provide for an alternate method of calculating interest rates in the event that a *SOFR* rate is unavailable. Transitions to the alternative methods may adversely affect the costs of these debt and obligations related to finance leases.

Significant increases in interest rates could adversely affect our profit margins, results of operations and our ability to service our debt. Interest rates remain significantly higher than rates in 2021 with central banks implementing several rate increases during 2022 and 2023. In accordance with our risk management policy, we may use interest rate swaps to reduce our exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with our floating rate debt. However, any hedging activities entered into by us may not be effective in mitigating our interest rate risk from our variable rate indebtedness.

Returns on our cash and short-term investments and the value of any marketable securities in which we may invest could be adversely affected by changes in interest rates.

For further information about our financial instruments at December 31, 2023 that are sensitive to changes in interest rates, please read "Item 11 - Quantitative and Qualitative Disclosures About Market Risk".

### ***Our cash, cash equivalents and short-term investments are exposed to credit risk, which may be adversely affected by market conditions, interest rates and failures of financial institutions.***

As of December 31, 2023, we had a total of \$652.7 million of cash, cash equivalents and short-term investments. We manage our available cash through various financial institutions and primarily invest our cash reserves in U.S. Government treasury bills and bank deposits. A collapse or bankruptcy of any of the financial institutions in which or through which we hold or invest our cash reserves, or rumors or the appearance of any such potential collapse or bankruptcy, might prevent us from accessing all or a portion of our cash, cash equivalents or short-term investments for an uncertain period of time, if at all. As demonstrated in recent years, the collapse of a financial institution may occur very rapidly. Any material limitation on our ability to access our cash, cash equivalents or short-term investments could adversely affect our liquidity, results of operations and ability to meet our obligations. In addition, our returns on our cash invested in short-term investments and the value of any marketable securities in which we may invest could be adversely affected by changes in interest rates or by the performance of the capital markets. For further information about our financial instruments at December 31, 2023 that are exposed to credit risk, please read "Item 11 - Quantitative and Qualitative Disclosures About Market Risk".

### ***We may be unable to take advantage of favorable opportunities in the spot market to the extent any of our vessels are employed on medium to long-term time charters.***

As of the date of this Annual Report, one of our time chartered-in vessels operates under a fixed-rate time-charter contract. To the extent we enter into medium or long-term time charters, the vessels committed to such time charters may not be available for spot charters during periods of increasing charter hire rates, when spot charters might be more profitable.



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***Teekay Tankers' U.S. Gulf lightering business competes with alternative methods of delivering crude oil to ports, which may limit its earnings in this area of its operations.***

Teekay Tankers' U.S. Gulf lightering business faces competition from alternative methods of delivering crude oil shipments to port and exports to offshore loading facilities for consolidation onto larger vessels, including the Louisiana Offshore Oil Platform and deep water terminals in Corpus Christi and Houston, Texas which can partially load Very Large Crude Carriers (or VLCCs). While we believe that lightering offers advantages over alternative methods of delivering crude oil to or from U.S. Gulf ports, Teekay Tankers' lightering revenues may be limited due to the availability of alternative methods.

***Teekay Tankers' full service lightering operations are subject to specific risks that could lead to accidents, oil spills or property damage.***

Lightering is subject to specific risks arising from the process of safely bringing two large moving tankers next to each other and mooring them for lightering operations in which oil, refined petroleum products or other cargoes are transferred from one ship to the other. These operations require a high degree of expertise and present a higher risk of collision or spill compared to when docking a vessel or transferring cargo at port. Lightering operations, similar to marine transportation in general, are also subject to risks due to events such as mechanical failures, human error, and weather conditions.

An oil spill could also result in significant liability, including fines, penalties, criminal liability, remediation costs and natural resource damages under international and U.S. federal, state and local laws, as well as third-party damages, and we may be subjected to such liability without regard to whether we were negligent or at fault. These costs could have a material adverse effect on our business, results of operations and financial condition and any such incident could harm our reputation with current or potential charterers of our tankers.

Although we carry insurance coverage as customary in the shipping industry, with coverage for, among other things, accidents, property damage and potential spills of oil (including marine fuel) and other pollution incidents, not all risks can be insured, specific claims may be rejected, and we might not be always able to obtain adequate insurance coverage at reasonable rates. There can be no assurance that our insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations and financial condition.

***Our and many of our customers' substantial operations outside the United States expose us and them to political, governmental, and economic instability, which could harm our operations.***

Since our operations and the operations of our customers are primarily conducted outside of the United States, they may be affected by economic, political and governmental conditions in the countries where we or our customers engage in business or where our vessels are registered. Any disruption caused by these factors could harm our business, including by reducing the levels of oil exploration, development, and production activities in these areas or restricting the pool of customers. We derive some of our revenues from shipping oil from politically unstable regions. Conflicts in these regions have included attacks on ships and other efforts to disrupt shipping. Hostilities or other political instability in regions where we operate or where we may operate could have a material adverse effect on the growth of our business, results of operations and financial condition and ability to pay dividends.

In addition, tariffs, trade embargoes and other economic sanctions by the United States or other countries against countries in which we operate, to which we trade, or to which we or any of our customers, joint venture partners or business partners become subject, may limit trading activities with those countries or with customers, which could also harm our business and ability to pay dividends and/or repurchase shares. For example, the United States, the European Union, the United Kingdom and numerous other nations imposed substantial additional sanctions on Russia for its invasion of Ukraine. In addition, in 2018 and 2019, general trade tensions between the United States and China escalated and led to each nation imposing tariffs on certain products of the other nation, with the United States and China subsequently negotiating an agreement to reduce trade tensions which became effective in February 2020. Our business could be harmed by increasing trade protectionism or trade tensions between the United States and China, or trade embargoes or other economic sanctions by the United States or other countries against countries in the Middle East or Asia, Russia or elsewhere as a result of terrorist attacks, hostilities, or diplomatic or political pressures that limit trading activities with those countries as we are currently seeing in the Red Sea.

***Exposure to currency exchange rate fluctuations results in fluctuations in our cash flows and operating results.***

Our tanker operations earn revenues in U.S. Dollars, while our Australian marine services business primarily earns revenues in Australian Dollars. A portion of our operating costs are incurred in currencies other than U.S. Dollars. This partial mismatch in operating revenues and expenses leads to fluctuations in net income due to changes in the value of the U.S. Dollar relative to other currencies, in particular the Australian Dollar, the Euro, the Singapore Dollar, the Canadian Dollar, and the British Pound.

Since we report our operating results in U.S. Dollars, changes in the value of the U.S. Dollar relative to other currencies also result in fluctuations of our reported revenues and earnings. Under U.S. accounting standards, all foreign currency-denominated monetary assets and liabilities, such as cash and cash equivalents, accounts receivable, restricted cash, accounts payable, accrued liabilities, advances from affiliates and long-term debt are revalued and reported based on the prevailing exchange rates at the end of the applicable period. This revaluation historically has caused us to report significant unrealized foreign currency exchange gains or losses each period.



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### ***Our operating results are subject to seasonal fluctuations.***

Our tankers operate in markets that have historically exhibited seasonal variations in tanker demand and, therefore, in spot-charter rates. This seasonality may result in quarter-to-quarter volatility in our results of operations. Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance. In addition, unpredictable weather patterns during the winter months tend to disrupt vessel scheduling, which historically has increased oil price volatility and oil trading activities in the winter months. As a result, revenues generated by the tankers in our fleet have historically been weaker during our fiscal quarters ended June 30 and September 30, and stronger in our fiscal quarters ended December 31 and March 31.

### ***Our failure to renew or replace fixed-rate charters could cause us to trade the related vessels in the spot market, which could adversely affect our operating results and make them more volatile.***

Our general vessel employment strategy includes using a mix of spot and fixed-rate time charters, and we expect to enter into fixed-rate time charters in the future. As of the date of this Annual Report, one of our time chartered-in vessels operates under a fixed-rate time-charter contract, which is scheduled to expire in 2024. If upon its scheduled expiration, or any early termination, we are unable to renew or replace the fixed-rate charter on favorable terms, or if we choose not to renew or replace this fixed-rate charter, we may employ the vessel in the volatile spot market. Increasing our exposure to the spot market, particularly during periods of unfavorable market conditions, could harm our results of operations and make them more volatile.

### ***Changes in market conditions may limit our access to capital and our growth.***

Historically, we have relied primarily upon bank financing and debt and equity offerings to fund our growth. Changes in market conditions in the energy and shipping sectors could reduce our and Teekay Tankers' access to capital, particularly equity capital. Issuing additional common equity would be dilutive to shareholders. Lack of access to debt or equity capital at reasonable rates would adversely affect our growth or fleet renewal prospects and our ability to refinance debt and pay dividends to our shareholders.

### ***We have recognized asset impairments in the past and we may recognize additional impairments in the future, which will reduce our earnings and net assets.***

If we determine at any time that an asset has been impaired, we may need to recognize an impairment charge that will reduce our earnings and net assets. We review our vessels for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, which occurs when an asset's carrying value is greater than the estimated undiscounted future cash flows the asset is expected to generate over its remaining useful life. We review our goodwill for impairment annually and if a reporting unit's goodwill carrying value is greater than the estimated fair value, the goodwill attributable to that reporting unit is impaired. We evaluate the investment in our equity-accounted joint venture for impairment when events or circumstances indicate that the carrying value of such investment may have experienced an other-than-temporary decline in value below its carrying value.

Further, if we determine at any time that a vessel's future useful life and cash flows require us to impair its value on our financial statements, we may need to recognize a significant impairment charge against our earnings. Such a determination involves numerous assumptions and estimates, some of which require more judgment and are less predictable. We recognized asset impairment charges of \$92.4 million in 2021 in relation to continuing operations. There were no impairment charges in 2023 or 2022. The 2021 charge included impairments of \$66.9 million and \$24.7 million for four Suezmax tankers and seven Aframax / LR2 tankers, respectively, of Teekay Tankers.

### ***The loss of any key customer or its inability to pay for our services could result in a significant loss of revenue in a given period.***

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of customers. While no customer accounted for over 10% of our consolidated revenues from continuing operations during 2023, 2022 or 2021, the loss of any significant customer or a substantial decline in the amount of services requested by a significant customer, or the inability of a significant customer to pay for our services, could have a material adverse effect on our business, financial condition and results of operations.

We could lose a customer or the benefits of a contract if:

- the customer fails to make payments because of its financial inability, disagreements with us or otherwise;
- we agree to reduce the payments due to us under a contract because of the customer's inability to continue making the original payments;
- upon a breach by us of the relevant contract, the customer exercises certain rights to terminate the contract;
- the customer terminates the contract because we fail to deliver the vessel within a fixed period of time, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged periods of off-hire, or we default under the contract;
- under some of our contracts, the customer terminates the contract because of the termination of the customer's sales agreement or a prolonged force majeure affecting the customer, including damage to or destruction of relevant facilities, war or political unrest preventing us from performing services for that customer; or
- the customer becomes subject to applicable sanctions laws which prohibit our ability to lawfully charter our vessel to such customer.



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***Our strategy includes seeking suitable investment or acquisition opportunities in both the broader shipping sector and, potentially, in new and adjacent markets, particularly following our sale of the Teekay Gas Business. We may be unable to make or realize the expected benefits from investments or acquisitions, and growth through any such transaction may harm our financial condition and performance.***

A principal component of our business strategy is seeking suitable investment or acquisition opportunities in both the broader shipping sector and, potentially, in new and adjacent markets, particularly following our sale of the Teekay Gas Business. Any such growth may involve our expansion into new geographic areas and new services. We may not be successful in expanding our operations and any expansion may not be profitable. In order to achieve growth, we may acquire new companies or businesses, which transactions may involve business risks commonly encountered in acquisitions of companies, including:

- interruption of, or loss of momentum in, the activities of one or more of an acquired company's businesses and our businesses;
- additional demands on members of our senior management while integrating acquired businesses or managing new investments, which would decrease the time they have to manage our existing business, service existing customers and attract new customers;
- difficulties identifying suitable acquisition candidates or investment opportunities, and successfully competing for available opportunities;
- difficulties integrating the operations, personnel and business culture of acquired companies;
- difficulties coordinating and managing geographically separate organizations;
- adverse effects on relationships with our existing suppliers and customers, and those of the companies acquired or invested in;
- difficulties entering geographic markets or new market segments in which we have no or limited experience; and
- loss of key officers and employees of acquired companies.

We may not be successful in identifying, negotiating and completing any potential acquisition or investment opportunities. Any such transactions may not be profitable to us at the time of their completion and may not generate revenues, profits or cash flows sufficient to justify our investment. In addition, our growth strategy exposes us to risks that may harm our results of operations and financial condition, including the risks that we may: fail to realize anticipated benefits, such as cost savings, revenue and cash flow enhancements and earnings accretion; decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions or investments; incur additional indebtedness, which may result in significantly increased interest expense or financial leverage, or issue additional equity securities to finance acquisitions, which may result in significant shareholder dilution; incur or assume unanticipated liabilities, losses or costs associated with the business acquired; or incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

Unlike newbuildings, existing vessels typically do not carry warranties as to their condition. While we generally inspect existing vessels prior to purchase, such an inspection would normally not provide us with as much knowledge of a vessel's condition as we would possess if it had been built for us and operated by us during its life. Repairs and maintenance costs for existing vessels are difficult to predict and may be substantially higher than for vessels we have operated since they were built. These costs could decrease our cash flows and reduce our liquidity.

### **Legal and Regulatory Risks**

***We are bound to adhere to sanctions from many jurisdictions, including the United States, United Kingdom, European Union, and Canada, due to our domicile and location of offices.***

The United States has imposed sanctions on several countries or regions such as Cuba, North Korea, Syria, Iran, and the Ukraine's Crimea, Luhansk and Donetsk regions. The U.S. also has imposed substantial restrictions on trade with Yemen and Venezuela.

Since February 2022, the United States and numerous other organizations and nations, notably including the European Union and United Kingdom, have imposed substantial sanctions on Russia regarding its invasion of Ukraine. During 2022, Australia, the United Kingdom, the U.S. and the European Union prohibited the import of Russian oil into their territories. As of December 2022, for crude oil and February 2023, for petroleum products, the U.S., United Kingdom, and European Union in particular have also prohibited the provision of financial, legal, brokering, shipping and insurance services to any person of any nationality carrying Russian origin oil unless it is at or below a stated cap (currently \$60 per barrel for crude oil and \$100 per barrel for petroleum products). These Russian sanctions, together with the global reaction to the Russian invasion of Ukraine, may reduce our revenues.

***Past port calls by our vessels or third-party vessels participating in RSAs to countries that are subject to sanctions imposed by the United States, European Union and the United Kingdom could harm our business.***

Several years ago, oil tankers owned or chartered-in by us, or third-party vessels participating in RSAs from which we derived revenue, made port calls in certain countries that are currently subject to sanctions imposed by the U.S., European Union, and United Kingdom, for the loading and discharging of oil products. Those port calls did not violate U.S., European Union or United Kingdom sanctions at the time, and we intend to maintain our compliance with all U.S., European Union, and United Kingdom sanctions.

These historical port calls have not adversely affected our business, which we believe is due to such port calls being legal at the time and that we are able to demonstrate our compliance. However, some charterers may choose not to utilize a vessel that had previously called at a port in a now sanctioned country. Some investors might decide not to invest in us simply because we previously called on, or through our participation in RSAs previously received revenue from calls on, ports in these sanctioned countries. Any such investor reaction could adversely affect the market for our common shares.



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***Failure to comply with the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, the UK Criminal Finances Act, the UK Economic Crime and Corporate Transparency Act and similar laws in other jurisdictions could result in fines, criminal penalties, contract terminations and an adverse effect on our business.***

We operate our vessels worldwide, which may require our vessels to trade in countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the Foreign Corrupt Practices Act of 1977 (or the *FCPA*) of the United States, the Bribery Act 2010 (or the *UK Bribery Act*), the Criminal Finances Act 2017 (or the *CFA*) and the Economic Crime and Corporate Transparency Act 2023 (or the *ECCTA*) of the United Kingdom. We are subject, however, to the risk that we, our affiliated entities or their respective officers, directors, employees, and agents may take actions determined to be in violation of applicable anti-corruption and anti-money laundering laws, including the *FCPA*, the *UK Bribery Act*, the *CFA* and the *ECCTA*. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, or curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

***The shipping industry is subject to substantial environmental and other regulations, which may significantly limit operations and increase expenses and adversely impact our insurance coverage.***

Our operations are affected by extensive and changing international, national and local environmental protection laws, regulations, treaties and conventions which are in force in international waters, the jurisdictional waters of the countries in which our vessels operate, as well as the countries of our vessels' registration, including those governing oil spills, discharges to air and water, and the handling and disposal of hazardous substances and wastes. Many of these requirements are designed to reduce the risk of oil spills and other pollution. In addition, we believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will lead to additional regulatory requirements, including enhanced risk assessment and security requirements and greater inspection and safety requirements on vessels. For example, new or amended legislation relating to ship recycling, sewage systems, emission control (including emissions of greenhouse gases and other pollutants) as well as ballast water treatment and ballast water handling have been or may be adopted. The International Maritime Organization (or the *IMO*), the United Nations agency for maritime safety and the prevention of pollution by vessels, has also established progressive standards that continue to limit emissions from ships as they strive to meet their 2030 and 2050 goals. These and other laws or regulations may require significant additional capital expenditures or operating expenses in order for us to comply with the laws and regulations and maintain our vessels in compliance with international and national regulations.

The environmental and other laws and regulations applicable to us may affect the resale value or useful lives of our vessels, require a reduction in cargo capacity, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in, certain ports. Under local, national, and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations, if there is a release of petroleum or other hazardous substances from our vessels or otherwise in connection with our operations. We could also become subject to personal injury or property damage claims relating to the release of or exposure to hazardous materials associated with our operations. In addition, failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations, including, in certain instances, seizure or detention of our vessels. For further information about regulations affecting our business and the related requirements imposed on us, please read "Item 4 – Information on the Company: B. Business Overview – Regulations".

***Climate change and greenhouse gas restrictions may adversely impact our operations and markets.***

An increasing concern for and focus on climate change has promoted extensive existing and proposed international, national and local regulations intended to reduce greenhouse gas emissions (including from various jurisdictions and the *IMO*). These regulatory measures may include the adoption of cap and trade regimes, carbon taxes, use of alternative fuels, increased efficiency standards and incentives or mandates for renewable energy. Compliance with these or other regulations and our efforts to participate in reducing greenhouse gas emissions are expected to increase our compliance costs and require additional capital expenditures to reduce vessel emissions and may require changes to our business and could have an adverse impact on our financial condition.

Our business includes transporting oil and oil products. Regulatory changes and growing public concern about the environmental impact of climate change may lead to reduced demand for our assets and decreased demand for our services, while increasing or creating greater incentives for use of alternative energy sources. We expect regulatory and consumer efforts aimed at combating climate change to intensify and accelerate. Although we do not expect demand for oil to decline dramatically over the short-term, in the long-term, climate change initiatives will likely significantly affect demand for oil and for alternatives. Any such change could adversely affect our ability to compete in a changing market and our business, financial condition, and results of operations. For example, as of January 1, 2024, the European Union has expanded the existing EU Emissions Trading System (or *EU ETS*) to include carbon dioxide (or *CO2*) emissions from vessels of 5,000 gross tonnage and above. Shipping companies which perform voyages to/from within the EU and EEA (Iceland, Liechtenstein, and Norway) will need to acquire and surrender EU allowances (or *EUAs*) through their Union Registry account by September of the following year to cover their annual emissions. One *EUA* is equivalent to one tonne of *CO2* emission. The *EU ETS* covers 50% of emissions from voyages starting or ending outside of the EU and 100% of emissions from voyages that occur between two EU ports and when ships are within EU ports. The surrendering of allowances by shipping companies will be gradually increased with respect to verified emissions reported for the years 2024 and 2025. This means, in 2025, shipping companies will be liable to surrender allowances for 40% of verified emissions reported in 2024. In 2026, this increases to 70% of verified emissions reported in 2025. As of 2027 and each year thereafter, shipping companies will have to surrender allowances reflecting 100% of their verified emissions.



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### ***Increasing scrutiny and changing expectations from certain investors, lenders, customers and other market participants with respect to ESG policies and practices may impose additional costs on us or expose us to additional risks.***

In recent years, companies across all industries are facing increasing scrutiny relating to their ESG policies. Certain investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants remain focused on ESG practices and place significant importance on the implications and social cost of their investments. This increased focus and activism related to ESG and similar matters may hinder access to capital, as these investors and lenders may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. Companies that do not adapt to or comply with evolving expectations and standards by these investors, lenders or other industry stakeholders, or companies, which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage among these groups and their business, financial condition and stock price may be adversely affected.

We may face increasing pressures from certain investors, lenders, customers, and other market participants, which are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability. As a result, we may be required to implement more stringent ESG procedures or standards so that our interested existing and future investors and lenders remain invested in us and make further investments in us, or in order for customers to consider conducting future business with us, especially given our business of transporting oil and oil products. In addition, it is likely we will incur additional costs and require additional resources to monitor, report and comply with wide-ranging ESG requirements. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition, and results of operations.

### ***As a Marshall Islands corporation with our headquarters in Bermuda and with a majority of our subsidiaries being Marshall Islands entities and also having subsidiaries in other offshore jurisdictions, our operations may be subject to economic substance requirements, which could impact our business.***

Finance ministers of the European Union rate jurisdictions for tax transparency, governance, real economic activity, and corporate tax rate. Countries that do not adequately cooperate with the finance ministers are put on a "grey list" or a "blacklist". As of December 31, 2022, both Bermuda and the Marshall Islands remained "white-listed" by the European Union. However, on February 14, 2023, the European Union moved the Marshall Islands to the "blacklist" until October 17, 2023, when they were moved back to the "white list". If Bermuda and/or the Marshall Islands were put back onto the blacklist and sanctions or other financial, tax or regulatory measures were applied by European Union member states to countries on the list, or further economic substance requirements were imposed by Bermuda and/or the Marshall Islands, our business could be harmed.

European Union member states have agreed upon a set of measures, which they can choose to apply against blacklisted countries, including increased monitoring and audits, withholding taxes, special documentation requirements and anti-abuse provisions. The European Commission has stated it will continue to support member states' efforts to develop a more coordinated approach to sanctions for the listed countries. European Union legislation prohibits European Union funds from being channeled or transited through entities in countries on the blacklist. Other jurisdictions in which we operate could be put on the blacklist in the future.

We are a Marshall Islands corporation with our headquarters in Bermuda. A majority of our subsidiaries are Marshall Islands entities, and a number of our subsidiaries are either organized or registered in Bermuda. These jurisdictions have enacted economic substance laws and regulations with which we may be obligated to comply. We believe that we and our subsidiaries are compliant with the Bermuda and the Marshall Islands economic substance requirements. However, if there were a change in the requirements or interpretation thereof, or if there were an unexpected change to our operations, any such change could result in non-compliance with the economic substance legislation and related fines or other penalties, increased monitoring and audits, and dissolution of the non-compliant entity, which could have an adverse effect on our business, financial condition, or operating results.

### ***Regulations relating to ballast water discharge may adversely affect our operational results and financial condition.***

The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the International Oil Pollution Prevention renewal survey, existing vessels are required to comply with updated applicable standards before September 8, 2024. Compliance with the applicable standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. We are currently implementing ballast water management system upgrades on our vessels in accordance with the required timelines imposed by the IMO and also in line with our asset management requirements. The cost of compliance with these regulations, primarily from installing such systems, may be substantial and may adversely affect our results of operation and financial condition.

In addition to the requirements under the IMO, the United States Coast Guard (or the USCG) has imposed mandatory ballast water management practices for all vessels equipped with ballast water tanks and entering U.S. waters. These USCG regulations may have the effect of restricting our vessels from entering U.S. waters, unless we equip our vessels with pre-approved BWTS management systems or receive authorization by a duly-issued permit or exemption.

### ***The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.***

Cocaine production has risen dramatically in recent years, and the demand for cocaine has seen an increase in many countries as well. As a result, new hubs and new routes for cocaine smuggling have emerged, and seizures by law enforcement agencies are reaching record highs around the world. Many of these seizures have a direct impact on merchant ships. Detentions of vessels and crew members are possible when cocaine is discovered, leading to operational delays, lengthy legal proceedings, psychological impacts on employees, and associated costs.



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Our vessels call on certain ports, such as Brazil, Venezuela and Colombia, where there is a higher risk that smugglers may attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have a material adverse effect on our business, financial condition, and results of operations.

### **Information and Technology Risks**

#### ***A cyber-attack could materially disrupt our business.***

We rely on information technology systems and networks in our operations and the administration of our business. Cyber-attacks have increased in number and sophistication in recent years. Our operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to the unauthorized release of information or alteration of information on our systems. Any such attack or other breaches of our information technology systems could have a material adverse effect on our business, and results of operations.

#### ***We rely on our information systems to conduct our business, and failure to protect these systems against viruses and security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.***

Our business is international in scope, and the efficient operation of our business, including processing, transmitting and storing electronic and financial information and aspects of the control and operation of our vessels, is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches and other attacks by computer hackers and cyber terrorists. We rely on what we believe are industry-accepted security measures and technology in seeking to secure confidential and proprietary information maintained on our information systems and to protect our assets. However, these measures and technology may not adequately prevent security breaches or cyberattacks.

We may be required to spend significant capital and other resources to further protect us, our information systems and our assets against threats of security breaches, computer viruses and cyberattacks, or to alleviate problems caused by such matters. Security breaches, viruses and cyberattacks could also harm our reputation and expose us to claims, litigation and other possible liabilities. Any inability to prevent security breaches (including the inability of our third-party vendors, suppliers or counterparties to prevent security breaches) could also cause existing customers to lose confidence in our information systems and harm our reputation, cause losses to us or our customers, damage our reputation, and increase our costs.

In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business, financial condition, and results of operations.

#### ***Our failure to comply with data privacy laws could damage our customer relationships and expose us to litigation risks and potential fines.***

Data privacy is subject to frequently changing laws, rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services and continue to develop in ways which we cannot predict, including with respect to evolving technologies such as cloud computing and artificial intelligence. These data privacy laws, rules and regulations often include significant penalties for non-compliance. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business, financial condition and results of operations.

### **Risks Related to an Investment in Our Securities**

#### ***We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate case law or bankruptcy law and, as a result, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States.***

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act (or the BCA). Many of the provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors and officers under the laws of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors and officers under statutes or judicial precedent in existence in certain U.S. jurisdictions.

Shareholder rights may differ as well. While the BCA incorporates the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or any controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction. In addition, the Republic of the Marshall Islands does not have a well-developed body of bankruptcy law. As such, in the case of a bankruptcy involving us, there may be a delay of bankruptcy proceedings and the ability of security holders and creditors to receive recovery after a bankruptcy proceeding, and any such recovery may be less predictable.



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***Because we are organized under the laws of the Marshall Islands, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.***

We are organized under the laws of the Marshall Islands, and all of our assets are located outside of the United States. In addition, a majority of our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible to bring an action against us or against these individuals in the United States. Even if successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict the enforcement of a judgment against us or our assets or our directors and officers.

### **Tax Risks**

In addition to the following risk factors, you should read "Item 4E – Taxation of the Company", "Item 10 – Additional Information – Material United States Federal Income Tax Considerations" and "Item 10 – Additional Information – Non-United States Tax Considerations" for a more complete discussion of the expected material U.S. federal and non-U.S. income tax considerations relating to us and the ownership and disposition of our common stock.

***Although we presently do not expect to be a "passive foreign investment company" (or PFIC) for the 2024 tax year, we currently have significant cash assets which could increase our risk that U.S. tax authorities could treat us as a PFIC in 2024 and future years, which could have adverse U.S. federal income tax consequences to our U.S. shareholders and other adverse consequences to us and all our shareholders.***

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a PFIC for such purposes in any tax year in which, after taking into account the income and assets of the corporation and, pursuant to a "look-through" rule, any other corporation or partnership in which the corporation directly or indirectly owns at least 25% of the stock or equity interests (by value) and any partnership in which the corporation directly or indirectly owns less than 25% of the equity interests (by value) to the extent the corporation satisfies an "active partner" test and does not elect out of "look through" treatment, either (i) at least 75% of its gross income consists of "passive income" (or the *PFIC income test*) or (ii) at least 50% of the average value of the entity's assets is attributable to assets that produce or are held for the production of "passive income" (or the *PFIC asset test*). For purposes of these tests, "passive income" includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. By contrast, income derived from the performance of services does not constitute "passive income."

For purposes of the PFIC asset test, cash and other current assets readily convertible into cash (or "cash assets") are considered to be assets that produce passive income. We have significant cash assets. Please read "Item 5 – Operating and Financial Review and Prospects – Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview". At the present time, we do not expect to be treated as a PFIC for the 2024 tax year under the PFIC asset test. However, if current estimates or assumptions relating to our current PFIC asset test modeling, including our assumptions on the tanker market and the value of our fleet, were to prove to be inaccurate or contrary to anticipated future financial results, or if any other factors that would negatively affect PFIC asset outcomes were to occur, we could be a PFIC in 2024 or future tax years. In addition, should Teekay Tankers dispose of a certain number of their vessels without immediately replacing those vessels, we expect this would result in a significant risk that we would become a PFIC in the tax year in which these sales occurred. Furthermore, if our ownership of Teekay Tankers or another look-through subsidiary falls below 25% of the equity interests (by value), such as by way of us selling equity interests in any such look-through subsidiary, by way of any such look-through subsidiary issuing new equity and diluting our ownership, or by way of a merger of a look-through subsidiary, based on our current asset portfolio, we expect that we would become a PFIC in the year in which this event occurred. If any of the scenarios set out above were to occur, or any other scenario were to occur which resulted in a substantial increase in cash or other passive assets, our PFIC status for any tax year may depend significantly on how, and how quickly, we use our cash assets, including the cash proceeds received in connection with any dispositions of our shares in Teekay Tankers (or another look-through subsidiary), or received from the sale of any of Teekay Tankers' vessels or from cash generated through vessel operations, and the extent to which we acquire or retain assets that are not considered to produce passive income. Accordingly, there can be no assurance that we will not be a PFIC in 2024 or any future tax years under the PFIC asset test, which could have adverse U.S. federal income tax consequences to U.S. shareholders and may cause the price of our common stock to decline and materially and adversely affect our ability to raise capital on acceptable terms.

Additionally, with respect to the PFIC income test, there are legal uncertainties involved in determining whether the income derived from our and our look-through subsidiaries' time-chartering activities constitutes rental income or income derived from the performance of services, including the decision in *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), which held that income derived from certain time-chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the Internal Revenue Code of 1986, as amended (or the *Code*). However, the Internal Revenue Service (or the *IRS*) stated in an Action on Decision (AOD 2010-01) that it disagrees with, and will not acquiesce to, the way that the rental versus services framework was applied to the facts in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. The IRS's statement with respect to *Tidewater* cannot be relied upon or otherwise cited as precedent by taxpayers. Consequently, in the absence of any binding legal authority specifically relating to the statutory provisions governing PFICs, there can be no assurance that the IRS or a court would not follow the *Tidewater* decision in interpreting the PFIC provisions of the Code. Nevertheless, based on our and our look-through subsidiaries' current assets and operations, we intend to take the position that we are not now and have never been a PFIC by reason of the PFIC income test. No assurance can be given, however, that this position would be sustained by a court if contested by the IRS or that we would not constitute a PFIC by reason of the PFIC income test (or, alternatively, as described above, the PFIC asset test) for the 2024 tax year or any future tax year if there were to be changes in our and our look-through subsidiaries' assets, income or operations.

If we or the IRS were to determine that we are or have been a PFIC for any tax year during which a U.S. Holder (as defined below under "Item 10 – Additional Information – Material United States Federal Income Tax Considerations") held our common stock, such U.S. Holder would face adverse U.S. federal income tax consequences. For a more comprehensive discussion regarding the tax consequences to U.S. Holders if we are treated as a PFIC, please read "Item 10 – Additional Information – Material United States Federal Income Tax Considerations – United States Federal Income Taxation of U.S. Holders – Consequences of Possible PFIC Classification".



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**We are subject to taxes. The imposition of taxes, including as a result of a change in tax law or accounting requirements, may reduce our cash available for distribution to shareholders, cash flows and results of operations.**

We or our subsidiaries are subject to tax in certain jurisdictions in which we or our subsidiaries are organized, own assets or have operations, which reduces the amount of our cash available for distribution. In computing our tax obligations in these jurisdictions, we are required to take various tax accounting and reporting positions, including in certain cases estimates, on matters that are not entirely free from doubt and for which we may not have received rulings from the governing authorities. We cannot assure you that upon review of these positions, the applicable authorities will agree with our positions. A successful challenge by a tax authority could result in additional tax imposed on us or our subsidiaries, further reducing the cash available for distribution. We have established reserves in our financial statements that we believe are adequate to cover our liability for any such additional taxes. We cannot assure you, however, that such reserves will be sufficient to cover any additional tax liability that may be imposed on our subsidiaries. Additionally, tax laws, including tax rates, in the jurisdictions in which we operate may change as a result of macroeconomic or other factors outside of our control. For example, various governments and organizations such as the European Union and Organization for Economic Co-operation and Development (or the *OECD*) are increasingly focused on tax reform and other legislative or regulatory action to increase tax revenue.

In January 2019, the OECD announced further work in continuation of its Base Erosion and Profit Shifting project, focusing on two "pillars." Pillar One provides a framework for the reallocation of certain residual profits of multinational enterprises to market jurisdictions where goods or services are used or consumed. Pillar Two consists of two interrelated rules referred to as Global Anti-Base Erosion Rules, which operate to impose a minimum tax rate of 15% calculated on a jurisdictional basis. In October 2021, more than 130 countries tentatively signed on to a framework that imposes a minimum tax rate of 15%, among other provisions. The framework calls for law enactment by OECD and G20 members in 2022 to take effect in 2023 and 2024. Qualifying international shipping income is exempt from many aspects of this framework if the exemption requirements are met. On December 20, 2021, the OECD published model rules to implement the Pillar Two rules, which are generally consistent with agreement reached by the framework in October 2021. On December 12, 2022, the European Union member states agreed to implement the OECD's Pillar Two global corporate minimum tax rate of 15% on large multinational enterprises with revenues of at least €750 million, which generally would go into effect in 2024. Legislatures of certain member states within the European Union, as well as legislatures of multiple countries outside of the European Union, in which we (or one of our "constituent entities," as determined consistent with the Pillar Two framework) operate have drafted or enacted legislation to implement the OECD's minimum tax proposal, including the countries of Canada, the United Kingdom, Australia, the Netherlands, and Norway. The application of the Pillar 2 rules continues to evolve and its implementation may result in additional tax imposed on us or our subsidiaries and increase the cost of operating in certain countries. We continue to evaluate the impact of these rules and are currently evaluating a variety of mitigating actions to reduce the potential impact.

In addition, changes in our operations or ownership could result in additional tax being imposed on us or on our subsidiaries in jurisdictions in which operations are conducted. For example, changes in the ownership of our stock may cause us to be unable to claim an exemption from U.S. federal income tax under Section 883 of the Code. If we were not exempt from tax under Section 883 of the Code, we would be subject to U.S. federal income tax on income we earn from voyages into or out of the United States, the amount of which is not within our complete control. In addition, we may rely on an exemption to be deemed non-resident in Canada for Canadian tax purposes under subsection 250(6) of the Canada Income Tax Act for (i) corporations whose principal business is international shipping and that derive all or substantially all of their revenue from international shipping, and (ii) corporations that are holding companies that have over half of the cost base of their investments in eligible international shipping subsidiaries and receive substantially all of their revenue as dividends from those eligible international shipping subsidiaries are exempt under subsection 250(6). If we were to cease to qualify for the subsection 250(6) exemption, we could be subject to Canadian income tax and also Canadian withholding tax on outbound distributions, which could have an adverse effect on our operating results. In addition, to the extent Teekay Corporation were to distribute dividends as a corporation determined to be resident in Canada, shareholders who are not resident in Canada for purposes of the Canada Income Tax Act would generally be subject to Canadian withholding tax in respect of such dividends paid by Teekay Corporation.

Typically, most of our and our subsidiaries' time-charter and spot-voyage charter contracts require the charterer to reimburse us for a certain period of time in respect of taxes incurred as a consequence of the voyage activities of our vessels, while performing under the relevant charter. However, our rights to reimbursement under charter contracts may not survive for as long as the applicable tax statutes of limitations in the jurisdictions in which we operate. As such, we may not be able to obtain reimbursement from our charterers where any applicable taxes that are not paid before the contractual claim period has expired.

## **Item 4. Information on the Company**

### **A. Overview, History and Development**

#### **Overview**

Teekay Corporation is a leading provider of international crude oil marine transportation and other marine services. Teekay currently provides these services directly and through its controlling ownership interest in Teekay Tankers Ltd. (NYSE: TNK) (or *Teekay Tankers*), one of the world's largest owners and operators of mid-sized crude tankers.

The consolidated Teekay entities manage and operate approximately 64 conventional tankers and other marine assets, including vessels operated for the Australian government. With offices in eight countries and approximately 2,300 seagoing and shore-based employees, Teekay provides a comprehensive set of marine services to the world's leading energy companies.

Our business strategy focuses on:

- Generating attractive risk-adjusted returns, utilizing our strong operating franchise and capabilities, global footprint and operational excellence;
- Offering a wide breadth of marine solutions to meet our customers' needs;
- Providing superior customer service by maintaining high reliability, safety, environmental and quality standards; and



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- Leveraging Teekay Parent's deep expertise and experience in our industry to pursue suitable investment opportunities in both the broader shipping sector and, potentially, in new and adjacent markets, which we expect to be dynamic as the world pushes towards greater energy diversification.

Our organizational structure can be divided into (a) our controlling interest in Teekay Tankers and (b) Teekay and its remaining subsidiaries (or *Teekay Parent*).

At March 1, 2024, we have an economic ownership interest of 28.7% in Teekay Tankers and hold 53.8% of the voting power of Teekay Tankers, through our ownership of shares of Teekay Tankers' Class A and Class B common stock. Teekay Tankers includes all of our conventional crude oil and product tankers. Teekay Tankers' conventional tankers primarily operate in the spot tanker market or are subject to time charters or contracts of affreightment that are priced on a spot market basis or are short-term, fixed-rate contracts. Teekay Tankers considers contracts that have an original term of less than one year in duration to be short-term. As of March 1, 2024, one of its tankers is on a fixed-rate time-charter contract with an initial duration of at least one year. Teekay Tankers also owns a ship-to-ship (or *STS*) transfer business that performs full service lightering and lightering support operations in the U.S. Gulf and Caribbean. Please read "– B. Business Overview – Our Consolidated Fleet" and "– C. Organizational Structure".

Following the sale of the Teekay Gas Business in January 2022 and the maturity of its Convertible Senior Notes due January 15, 2023 (or the *Convertible Notes*) in January 2023, Teekay Parent repaid all of its debt and is now debt free. As at December 31, 2023 Teekay Parent has a cash and short-term investments position of approximately \$287 million. In addition to its interests in Teekay Tankers highlighted above, Teekay Parent also has direct business operations in Australia through which it provides operational and maintenance marine services to third parties, and Teekay Parent provides marine and corporate services to Teekay Tankers through its various management services companies. Teekay Parent no longer has direct interests in any vessels or FPSO units. Please read "– B. Operations – Teekay Parent".

Teekay Parent has developed extensive industry experience and industry-leading capabilities over its 50-year history, and has significant financial strength and liquidity following the sale of the Teekay Gas Business in January 2022. As the world pushes for greater energy diversification and a lower environmental footprint, we expect to see investment and acquisition opportunities in both the broader shipping sectors and potentially new and adjacent markets. Our primary financial objective for Teekay Parent is to increase Teekay's intrinsic value per share, which includes, among other things, increasing the intrinsic value of Teekay Tankers.

In addition to Teekay Tankers, we also formed and developed Teekay LNG Partners L.P. (now Seapeak) related to our expansion into the liquefied gas shipping sector. We sold our entire interests in Seapeak and related assets to affiliates of Stonepeak pursuant to the sale of the Teekay Gas Business in January 2022. Please read "Item 5 – Operating and Financial Review and Prospects – Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview" for more information about the sale of the Teekay Gas Business.

The Teekay organization was founded in 1973. We are a Marshall Islands corporation and maintain our principal executive office at 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda. Our telephone number at such address is (441) 298-2530.

The SEC maintains an Internet site at [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our website is [www.teekay.com](http://www.teekay.com). The information contained on our website is not part of this annual report.

### **Seasonality of our operations**

Our tankers operate in markets that have historically exhibited seasonal variations in tanker demand and, therefore, in spot-charter rates. This seasonality may result in quarter-to-quarter volatility in our results of operations. Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance. In addition, unpredictable weather patterns during the winter months tend to disrupt vessel scheduling, which historically has increased oil price volatility and oil trading activities in the winter months. As a result, revenues generated by the tankers in our fleet have historically been weaker during our fiscal quarters ended June 30 and September 30, and stronger in our fiscal quarters ended December 31 and March 31.

## **B. Business Overview**

Subsequent to the sale of the Teekay Gas Business and the disposition and recycling of our FPSO units, we have two primary lines of business: (1) conventional tankers and (2) marine services. We allocate capital and assess performance from the separate perspectives of Teekay Tankers and Teekay Parent, as well as from the perspective of the lines of business.

### **Teekay Tankers**

The primary business of Teekay Tankers is to own and operate crude oil and refined product tankers. Teekay Tankers employs a chartering strategy that seeks to capture upside opportunities in the tanker spot market while using fixed-rate time charters and full service lightering contracts to reduce downside risks. In addition to its core business, Teekay Tankers also provides STS support services, along with its tanker commercial management operations. We believe this improves Teekay Tankers' ability to manage the cyclicity of the tanker market through the less volatile cash flows generated by these operational areas. Historically, the tanker industry has experienced volatility in profitability due to changes in the supply of, and demand for, tanker capacity. Tanker supply and demand are each influenced by several factors beyond our control.



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**Chartering Strategy.** Teekay Tankers operates its vessels in the spot market, under time-charter contracts of varying lengths and under FSL contracts, in an effort to maximize cash flow from its vessels based on its outlook for freight rates, oil tanker market conditions and global economic conditions. As of December 31, 2023, a total of 43 of its owned and leased vessels, one vessel owned through a 50/50 joint venture and six time chartered-in vessels operated in the spot market through employment on spot voyage charters. The mix of vessels trading in the spot market, providing lightering services in the U.S. Gulf (or *USG*), or subject to fixed-rate time charters will change from time to time. Teekay Tankers also may seek to increase or decrease its exposure to the freight market through the use of forward freight agreements or other financial instruments.

**Voyage Charters.** Tankers operating in the spot market typically are chartered for a single voyage, which may last up to several weeks. Spot market revenues may generate increased profit margins during times when tanker rates are increasing, while tankers operating under fixed-rate time charters generally provide more predictable cash flows without exposure to the variable expenses such as port charges and bunkers. Under a typical voyage charter in the spot market, the shipowner is paid on the basis of moving cargo from a loading port to a discharge port. The shipowner is responsible for paying both vessel operating costs and voyage expenses, and the charterer is responsible for any delay at the loading or discharging ports. Voyage expenses are all expenses attributable to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. Vessel operating expenses are incurred regardless of particular voyage details and include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses. When the vessel is "off-hire," or not available for service, the vessel is unavailable to complete new voyage charters until the off hire is finalized and the vessel again becomes available for service. Under a voyage charter, the shipowner is generally required, among other things, to keep the vessel seaworthy, to crew and maintain the vessel and to comply with applicable regulations.

**Time Charters.** A time charter is a contract for the use of a vessel for a fixed period of time at a specified daily rate. A customer generally selects a time charter if it wants a dedicated vessel for a period of time, and the customer is commercially responsible for the use of the vessel. Under a typical time charter, the shipowner provides crewing and other services related to the vessel's operation, the cost of which is included in the daily rate, while the customer is responsible for substantially all of the voyage expenses. When the vessel is "off-hire", or not available for service, the customer generally is not required to pay the hire rate, and the shipowner is responsible for all costs, including the cost of fuel bunkers, unless the customer is responsible for the circumstances giving rise to the lack of availability. A vessel generally will be deemed to be off-hire if there is an occurrence preventing the full working of the vessel. "Hire rate" refers to the basic payment from the charterer for the use of the vessel. Under our time charters, hire is payable monthly in advance in U.S. Dollars. Hire payments may be reduced, or under some time charters the shipowner must pay liquidated damages, if the vessel does not perform to certain of its specifications, such as if the amount of fuel consumed to power the vessel under normal circumstances exceeds a guaranteed amount.

**Full Service Lightering.** FSL is the process of transferring cargo between vessels, typically of different sizes. Teekay Tankers' lightering capability leverages access to its Aframax fleet operating in the USG and its offshore lightering support acumen to provide full service lightering. Teekay Tankers' customers include oil companies and trading companies that are importing or exporting crude oil in the USG to or from larger Suezmax tankers and Very Large Crude Carriers (or *VLCCs*) which are port restricted due to their size.

### **Revenue Sharing Agreements**

Teekay Tankers and certain third-party vessel owners have entered into RSAs. As of March 1, 2024, a total of 25 of the Suezmax tankers and 24 of the Aframax / LR2 tankers in its fleet, as well as five vessels not in its fleet owned by third parties, were subject to RSAs. The vessels subject to the RSAs are employed and operated in the spot market or pursuant to time charters of less than one year.

The RSAs are designed to spread the costs and risks associated with operation of vessels and to share the net revenues earned by all of the vessels in the RSA, based on the actual earning days each vessel is available and the relative performance capabilities, including speed and bunker consumption of each vessel. The calculation of performance capabilities of each vessel is adjusted on standard intervals based on current data. Teekay Tankers' share of the net revenues includes additional amounts, consisting of a per vessel per day fee and a percentage of the gross revenues related to the vessels owned by third-parties, based on its responsibilities in employing the vessels subject to the RSAs on voyage charters or time charters.

A participating tanker will no longer participate in the applicable RSAs if it becomes subject to a time charter with a term exceeding one year, unless otherwise agreed by all other participants for the applicable RSA, or if the tanker suffers an actual or constructive total loss or is sold or becomes controlled by a person who is not an affiliate of a party to the applicable RSA agreements. An RSA participant may withdraw from the RSA upon at least 90 days' notice and shall cease to participate in the RSA if, among other things, it materially breaches the RSA agreement and fails to resolve the breach within a specified cure period or experiences certain bankruptcy events.

### **Ship-to-Ship Support Services**

An STS support operation is the process of transferring cargo between seagoing ships positioned alongside each other, either stationary or underway. Demand for STS support services is often driven by oil market arbitrages and oil traders optimizing their cost per tonne-mile on cargoes. The provision of ship-to-ship services may be required by Teekay Tankers customers when blending cargoes, breaking bulk cargo shipments, and optimizing opportunities when the oil market is in contango, which may result in the use of floating storage as a more cost-effective solution to onshore storage.



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### Industry and Competition

Teekay Tankers competes in the Suezmax (125,000 to 199,999 dwt) and Aframax (85,000 to 124,999 dwt) crude oil tanker markets. Competition in the Aframax and Suezmax markets is affected by the availability of other size vessels that compete in these markets. Suezmax size vessels, LR2 (85,000 to 109,999 dwt) size vessels and Panamax (55,000 to 84,999 dwt) size vessels can compete for many of the same charters for which Aframax tankers compete; Aframax size vessels and VLCCs (200,000 to 319,999 dwt) can compete for many of the same charters for which Suezmax tankers may compete. Because of their large size, VLCCs and Ultra Large Crude Carriers (or *ULCCs*) (320,000+ dwt) rarely compete directly with Aframax tankers, and ULCCs rarely compete with Suezmax tankers for specific charters. However, because VLCCs and ULCCs comprise a substantial portion of the total capacity of the market, movements by such vessels into Suezmax trades and of Suezmax vessels into Aframax trades would heighten the already intense competition.

Teekay Tankers also competes in the Long Range 2 (or *LR2*) product tanker market. Competition in the LR2 product tanker market is affected by the availability of other size vessels that compete in the market. Long Range 1 (or *LR1*) (55,000-84,999 dwt) size vessels, as well as LR2 size vessels that trade in the Aframax market, can compete for many of the same charters for which LR2 tankers compete.

Seaborne transportation of crude oil and refined petroleum products are provided both by major energy companies (private as well as state-owned) and by independent ship owners. The desire of many major energy companies to outsource all or a portion of their shipping requirements has caused the number of oil tankers owned by energy companies to decrease in the last 20 years. As a result of this trend, independent tanker companies now own or control a large majority of the international tanker fleet.

As of December 31, 2023, Teekay Tankers remain one of three active STS lightering businesses in the USG. Teekay Tankers are one of the two providers in this group who provides a complete full service STS offering, which includes the availability of Aframax tonnage to provide shipment between shore and offshore. USG lightering trade has a foundation of demand due to traditional imports into the U.S. to serve USG Coast refinery demand. Although imports of crude oil into the U.S. have declined as a result of rising domestic crude oil production since 2018, Teekay Tankers believe that the current demand for import lightering has stabilized and is consistent with the dependency which U.S. refiners have on foreign oil that is most economically transported on larger VLCC and Suezmax vessels into the USG. Export related crude accounted for around 70% of total USG lightering operations in 2023. Teekay Tankers expect that the U.S. will continue crude production and exports, which provides a foundation of lightering demand for loading to VLCCs intended for export to Asia and, to a lesser degree, Europe. Although the ports of Houston and Corpus Christi, Texas are now able to accommodate a VLCC at berths for direct loading, draft restrictions will still require offshore top off STS loading for those vessels to lift their full capacity. Overall port congestion at these locations will create an opportunity for the offshore lightering industry to absorb incremental U.S. crude output which the current deep berths are not able to accommodate efficiently.

The operation of tanker vessels, as well as the seaborne transportation of crude oil and refined petroleum products is a competitive market. There are several large operators of Aframax, Suezmax, and LR2 tonnage that provide these services globally. Competition in both the crude and product tanker markets is primarily based on price, location (for single-voyage or short-term charters), size, age, condition and acceptability of the vessel, oil tanker shipping experience and quality of ship operations, and the size of an operating fleet, with larger fleets allowing for greater vessel substitution, availability and customer service. Aframax and Suezmax tankers are particularly well-suited for short and medium-haul crude oil routes, while LR2 tankers are well-suited for long and medium-haul refined product routes.

Historically, the tanker industry has been cyclical, experiencing volatility in profitability due to changes in oil tanker demand and oil tanker supply. The cyclical nature of the tanker industry causes significant increases or decreases in charter rates earned by operators of oil tankers. Because voyage charters occur in short intervals and are priced on a current, or "spot," market rate, the spot market is more volatile than time charters. In the past, there have been periods when spot rates declined below the operating cost of the vessels.

**Oil Tanker Demand.** Demand for oil tankers is a function of several factors, including world oil demand and supply (which affect the amount of crude oil and refined products transported in tankers), and the relative locations of oil production, refining and consumption (which affects the distance over which the oil or refined products are transported).

Oil has been one of the world's primary energy sources for decades. According to the International Energy Agency (or *IEA*), global oil consumption decreased substantially in 2020 as a result of demand destruction caused by the COVID-19 pandemic. However, oil demand recovered substantially in 2021, 2022 and 2023, and is expected to increase further in 2024.

The distance over which crude oil or refined petroleum products are transported is determined by seaborne trading and distribution patterns, which are principally influenced by the relative advantages of the various sources of production and locations of consumption. Seaborne trading patterns are also periodically influenced by geopolitical events, such as wars, hostilities and trade embargoes that divert tankers from normal trading patterns, as well as by inter-regional oil trading activity created by oil supply and demand imbalances. Historically, the level of oil exports from the Middle East has had a strong effect on the crude tanker market due to the relatively long distance between this supply source and typical discharge points. Over the past few years, the growing economies of China and India have increased and diversified their oil imports, resulting in an overall increase in transportation distance for crude tankers. Major consumers in Asia have increased their crude import volumes from longer-haul producers, such as those in the Atlantic Basin.

The limited growth in refinery capacity in developed nations, the largest consumers of oil in recent years, and increasing refinery capacity in the Middle East and parts of Asia where capacity surplus supports exports, have also altered traditional trading patterns and contributed to the overall increase in transportation distance for both crude tankers and product tankers.

**Oil Tanker Supply.** New Aframax, Suezmax and LR2 tankers are generally expected to have a lifespan of approximately 25 to 30 years, based on estimated hull fatigue life. As of December 31, 2023, the world Aframax crude tanker fleet consisted of 696 vessels, with an additional 32 Aframax crude oil tanker newbuildings on order for delivery through 2027; the world Suezmax crude tanker fleet consisted of 661 vessels, with an additional 67 Suezmax crude oil tanker newbuildings on order for delivery through 2027; and the world LR2 product tanker fleet consisted of 438 vessels, with an additional 115 LR2 product tanker newbuildings on order through 2027. Currently, delivery of a vessel typically occurs within two to three years of ordering.



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The supply of oil tankers is primarily a function of new vessel deliveries, vessel scrapping and the conversion or loss of tonnage. The level of newbuilding orders is primarily a function of newbuilding prices in relation to current and prospective charter market conditions. Other factors that affect tanker supply are the availability of financing and shipyard capacity. The level of vessel scrapping activity is primarily a function of scrapping prices in relation to current and prospective charter market conditions and operating, repair and survey costs. Industry regulations also affect scrapping levels. Please read "Regulations" below. Demand for dry bulk vessels and floating storage off-take units, to which tankers can be converted, strongly affects the number of tanker conversions.

For many years, there has been a significant and ongoing shift toward quality in vessels and operations, as charterers and regulators increasingly focus on safety and protection of the environment. Since 1990, there has been an increasing emphasis on environmental protection through legislation and regulations such as the Oil Pollution Act of 1990 (or *OPA 90*), IMO regulations and protocols, and classification society procedures that demand higher quality tanker construction, maintenance, repair and operations. We believe that operators with a proven ability to integrate these required safety regulations into their operations have a competitive advantage.

### **Teekay Parent**

In addition to its holdings in Teekay Tankers, Teekay Parent has direct business operations in Australia through which it provides operational and maintenance marine services to the Australian government and third parties, and Teekay Parent also provides marine and corporate services to Teekay Tankers through its various management services companies. Teekay Parent currently has no direct interests in any vessels or FPSO units. Our business strategy contemplates leveraging Teekay Parent's deep expertise and experience in our industry to pursue suitable investment opportunities in both the shipping sector and, potentially, in new and adjacent markets, which we expect to be dynamic as the world pushes towards greater energy diversification.

#### *Australian Operations*

Teekay Parent has been operating in Australia for over 25 years, providing various marine services to the Commonwealth of Australia and other Australian companies; Teekay Parent is one of the largest employers of Australian seafarers. Our marine services business in Australia provides operations, supply, maintenance and engineering support and crewing and training services, primarily under long-term contracts with the Commonwealth of Australia, for 11 Australian government-owned vessels. In addition, we provide crewing services for an FPSO unit in Western Australia.

#### *FPSO Units*

In prior years, Teekay Parent directly owned FPSO units, all of which now have been divested by Teekay Parent.

Teekay Parent's *Sevan Hummingbird* FPSO unit was on a charter contract with Spirit Energy Ltd. (or *Spirit Energy*) in the North Sea. The contract was based on a fixed charter rate and was subject to early termination options. In February 2022, Spirit Energy provided a formal notice of termination of the FPSO charter contract, and oil production ceased on the Chestnut oil field on March 31, 2022. The *Sevan Hummingbird* FPSO charter contract was terminated on June 30, 2022 upon completion of the decommissioning activities. In April 2022, Teekay Parent entered into an agreement to sell the *Sevan Hummingbird* FPSO unit to a third party, which sale was completed on July 1, 2022 for gross proceeds of \$13.3 million and Teekay Parent recognized a gain of \$13.0 million during the third quarter of 2022. The proceeds from the sale of the *Sevan Hummingbird* FPSO unit covered the decommissioning costs for the unit, the majority of which were incurred in the second quarter of 2022.

In March 2020, Teekay Parent entered into a new bareboat charter contract with the existing charterer of the *Petrojarl Foinaven* FPSO unit. In April 2021, BP plc (or *BP*) announced its decision to suspend production from the Foinaven oil fields and permanently remove the *Petrojarl Foinaven* FPSO unit from the site. In August 2022, BP redelivered the FPSO unit to us and upon redelivery, Teekay Parent received a fixed lump sum payment of \$11.6 million from BP, which Teekay Parent expects will cover the cost of green recycling the FPSO unit. On October 21, 2022, Teekay Parent delivered the FPSO unit to a EU-approved shipyard for green recycling. Teekay Parent expects to make the remaining scheduled payments related to this recycling by mid-2024.

In the first quarter of 2020, CNR International (U.K.) Limited (or *CNRI*) provided formal notice to Teekay Parent of its intention to decommission the Banff field and remove Teekay Parent's *Petrojarl Banff* FPSO unit and the related chartered-in *Apollo Spirit* floating storage and offtake (or *FSO*) unit from the field in June 2020. The oil production under the existing contract for the *Petrojarl Banff* FPSO unit ceased in June 2020, and Teekay Parent commenced decommissioning activities during the second quarter of 2020 and into 2021. In May 2021, Teekay Parent was deemed to have fulfilled its prior decommissioning obligations associated with the Banff field. In May 2021, Teekay Parent delivered the *Petrojarl Banff* FPSO unit to an EU-approved shipyard for recycling; green-recycling of the unit was completed in the fourth quarter of 2022.

### **Our Consolidated Fleet**

The following table summarizes our owned and chartered-in fleet as at March 1, 2024, and excludes third-party vessels under management:



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	Owned and Leased Vessels	Chartered-in Vessels	Total
<b>Teekay Tankers</b>			
Conventional Tankers			
Aframax Tankers / LR2 Product Tankers	17	7	24
Suezmax Tankers	25	1	26
VLCC Tanker	1 <sup>(1)</sup>	—	1
STS Support Vessels	—	2	2
	<u>43</u>	<u>10</u>	<u>53</u>

(1) VLCC is 50%-owned by Teekay Tankers.

Our owned and leased vessels are of Bahamian and Hong Kong registry.

Please read "Item 18 – Financial Statements: Note 7 – Long-Term Debt" and "Item 18 – Financial Statements: Note 8 – Leases" for information with respect to major encumbrances against our vessels.

**Safety, Management of Ship Operations and Administration**

Safety and environmental compliance are our top operational priorities. We operate our vessels in a manner intended to protect the safety and health of our employees, and to minimize the impact on the environment and society. We seek to effectively manage risk in the organization using a three-tiered approach at an operational, management and corporate level, designed to provide a clear line of sight throughout the organization. All of our operational employees receive training in the use of risk tools and the management system. We also have an approved competency management system in place to ensure our seafarers continue their professional development and are competent before being promoted to more senior roles.

We believe in continuous improvement, which has seen our safety and environmental culture develop over a significant time period. Health, Safety and Environmental Program milestones include the roll-out of the Environmental Leadership Program (2005), Safety in Action (2007), Quality Assurance and Training Officer Program (2008), Operational Leadership - The Journey (2010), E-Colours (2014), Significant Incident Potential (2015), Navigation Handbook (2016), Risk Tool Handbook (2017), Safety Management System upgrade (2018), Fleet Training Officer (or FTO) Program (2021) and Cargo Procedures handbook (2022). Electronic record keeping for the IMO's International Convention for the Prevention of Pollution from Ships (MARPOL) logs has been trialed on board in 2023. Beginning January 1, 2024, all vessels are using electronic record keeping for MARPOL logs.

In addition, the Operational Leadership - The Journey booklet was revised and relaunched in 2020. The booklet sets out our operational expectations and responsibilities and contains our safety, environmental, and leadership commitments and our Health, Safety, Security and Environmental & Quality Assurance Policy, which is signed by all employees and empowers them to work safely, to live Teekay's vision, and to look after one another.

We, through certain of our subsidiaries, assist our operating subsidiaries in managing their ship operations. All vessels are operated under our comprehensive and integrated Safety Management System that complies with the International Safety Management Code (or *ISM Code*), the International Standards Organization's (or *ISO*) 9001 for Quality Assurance, ISO 14001 for Environment Management Systems, ISO 45001 for Occupational Health and Safety Management System and the Maritime Labour Convention 2006 (MLC 2006). The management system is certified by Det Norske Veritas (or *DNV*), the Norwegian classification society. It has also been separately approved by the Australian flag administration. Although certification is valid for five years, compliance with the above-mentioned standards is confirmed on a yearly basis by a rigorous auditing procedure that includes both internal audits as well as external verification audits by DNV and certain flag states.

Since 2010, we have produced a publicly available sustainability report that reflects the efforts, achievements, results and challenges faced by us and our affiliates relating to several key related matters, including emissions, climate change, corporate social responsibility, diversity and health, safety environment and quality. We recognize the significance of ESG considerations and in 2020 set an ESG strategy foundation which is intended to direct our efforts and performance in the years ahead. Our ESG strategy is focused on three broad areas: allocating capital to support the global energy transition, operating our existing fleets as safely and efficiently as possible, and further strengthening our ESG profile. Annual targets are set for the organization and are closely monitored. Our sustainability report is available on our website, [www.teekay.com](http://www.teekay.com). The information contained in our sustainability report and on our website is not part of this Annual Report.

We provide expertise in various functions critical to the operations of our operating subsidiaries. We believe this arrangement affords a safe, efficient and cost-effective operation. Our subsidiaries also provide to us access to human resources, financial and other administrative functions pursuant to administrative services agreements.

Critical ship management functions undertaken by us are:

- vessel maintenance (including repairs and dry docking) and certification;
- crewing by competent seafarers;
- procurement of stores, bunkers and spare parts;
- management of emergencies and incidents;
- supervision of shipyard and projects during new-building, conversions, lay up and recycling;



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- terminal support;
- insurance; and
- financial management services.

These functions are supported by onboard and onshore systems for maintenance, inventory, purchasing and budget management.

### **Risk of Loss and Insurance**

The operation of any ocean-going vessel or facility carries an inherent risk of catastrophic marine disasters, death or injury of persons and property losses caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. In addition, the transportation and transfer/lightering of crude oil and petroleum products is subject to the risk of spills and to business interruptions due to political circumstances in foreign countries, hostilities, labor strikes, sanctions and boycotts, whether relating to us or any of our joint venture partners, suppliers or customers. The occurrence of any of these events may result in loss of revenues or increased costs.

We carry hull and machinery (marine and war risks) and protection and indemnity insurance coverage, and other liability insurance, to protect against most of the accident-related risks involved in the conduct of our business. Hull and machinery insurance covers loss of or damage to a vessel due to marine perils such as collision, grounding and weather. Protection and indemnity insurance indemnifies us against other liabilities incurred while operating vessels, including injury to our crew or third parties, cargo loss and pollution. The current maximum amount of our coverage for pollution is \$1 billion per vessel per incident. We also carry insurance policies covering war risks (including piracy and terrorism) and cyber risks impacting the fleet; however, state-sponsored cyber attacks may be excluded from coverage. None of our vessels are insured against loss of revenues resulting from vessel off-hire time, based on the cost of this insurance compared to our off-hire experience.

We believe that our current insurance coverage is adequate to protect against most of the accident-related risks involved in the conduct of our business and that we maintain appropriate levels of environmental damage and pollution insurance coverage. However, we cannot guarantee that all covered risks are adequately insured against, that any particular claim will be paid or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future. More stringent environmental regulations have resulted in increased costs for, and may result in the lack of availability of, insurance against risks of environmental damage or pollution. In addition, the cost of protection and indemnity insurance significantly increased during 2022 and 2023 and may continue to increase in 2024. In 2023, the cost of hull and machinery increased due mainly to increased fleet values despite the existence of additional capacity in the market.

In our operations, we use a thorough risk management program that includes, among other things, risk analysis tools, maintenance and assessment programs, a seafarers' competence training program, seafarers' workshops and membership in emergency response organizations.

We have achieved certification under the standards reflected in ISO 9001 for quality assurance, ISO 14001 for environment management systems, ISO 45001:2018, and the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention on a fully integrated basis.

### **Operations Outside of the United States**

Because our operations are primarily conducted outside of the United States, we are affected by currency fluctuations, to the extent we do not contract in U.S. dollars, and by changing economic, political and governmental conditions in the countries where we engage in business or where our vessels are registered. Past political conflicts in those regions, particularly in the Arabian Gulf, have included attacks on tankers, mining of waterways and other efforts to disrupt shipping in the area. Vessels trading in certain regions have also been subject to acts of piracy. In addition to tankers, targets of terrorist attacks could include oil pipelines, and offshore oil fields. The escalation of existing or the outbreak of future hostilities or other political instability in regions where we operate could affect our trade patterns, increase insurance costs, increase tanker operational costs and otherwise adversely affect our operations and performance. In addition, tariffs, trade embargoes, and other economic sanctions by the United States or other countries against countries in the Indo-Pacific Basin, Russia or elsewhere as a result of terrorist attacks, Russia's invasion of Ukraine or other actions may limit trading activities with those countries, which could also adversely affect our operations and performance.

### **Customers**

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of customers. Our customers include major energy and utility companies, major oil traders, large oil consumers and petroleum product producers, government agencies, and various other entities that depend upon marine transportation. No customer accounted for over 10% of our consolidated revenues from continuing operations during 2023, 2022 or 2021. The loss of any significant customer or a substantial decline in the amount of services requested by a significant customer, or the inability of a significant customer to pay for our services, could have a material adverse effect on our business, financial condition and results of operations.

### **Flag, Classification, Audits and Inspections**

Our vessels are registered with reputable flag states, and the hull and machinery of all of our vessels have been "Classed" by one of the major classification societies and members of International Association of Classification Societies Ltd (or IACS): Bureau Veritas (or BV), Lloyd's Register of Shipping, the American Bureau of Shipping or DNV.

The applicable classification society certifies that the vessel's design and build conform to the applicable Class rules and meets the requirements of the applicable rules and regulations of the country of registry of the vessel and the international conventions to which that country is a signatory. The classification society also verifies throughout the vessel's life that it continues to be maintained in accordance with those rules. In order to validate this, the vessels are surveyed by the classification society, in accordance with the classification society rules, which in the case of our vessels follows a comprehensive five-year special survey cycle, renewed every fifth year. During each five-year period, the vessel undergoes annual and intermediate surveys, the scrutiny and intensity of which is primarily dictated by the age of the vessel.



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In addition to class surveys, the vessel's flag state also verifies the condition of the vessel during annual flag state inspections, either independently or by additional authorization to class. Also, port state authorities of a vessel's port of call are authorized under international conventions to undertake regular and spot checks of vessels visiting their jurisdiction.

Processes followed onboard are audited by either the flag state or the classification society acting on behalf of the flag state to ensure that they meet the requirements of the ISM Code. DNV typically carries out this task. We also follow an internal process of internal audits undertaken annually at each office and vessel.

We follow a comprehensive inspections scheme supported by our sea staff, shore-based operational and technical specialists and members of our FTO program. We typically carry out a minimum of two such inspections annually, which helps ensure that:

- our vessels and operations adhere to our operating standards;
- the structural integrity of the vessel is being maintained;
- machinery and equipment are being maintained to give reliable service;
- we are optimizing performance in terms of speed and fuel consumption; and
- our vessels' appearance supports our brand and meets customer expectations.

Our customers also often carry out vetting inspections under the Ship Inspection Report Program, which is a significant safety initiative introduced by the Oil Companies International Marine Forum (or *OCIMF*) to specifically address concerns about sub-standard vessels. The inspection results permit charterers to screen a vessel to ensure that it meets their general and specific risk-based shipping requirements.

We believe that the heightened environmental and quality concerns of insurance underwriters, regulators and charterers will generally lead to greater scrutiny, inspection and safety requirements on all vessels in the oil tanker market and will accelerate the scrapping or phasing out of older vessels throughout the market.

Overall, we believe that our well-maintained and high-quality vessels provide us with a competitive advantage in the current environment of increasing regulation and customer emphasis on quality of service.

## **Regulations**

### **General**

Our business and the operation of our vessels are significantly affected by international conventions and national, state and local laws and regulations in the jurisdictions in which our vessels operate, as well as in the country or countries of their registration. Because these conventions, laws and regulations change frequently, we cannot predict the ultimate cost of compliance or their impact on the resale price or useful life of our vessels. Additional conventions, laws, and regulations may be adopted that could limit our ability to do business or increase the cost of our doing business, and that may materially affect our operations. We are required by various governmental and quasi-governmental agencies to obtain permits, licenses, and certificates for our operations. Subject to the discussion below and to the fact that the kinds of permits, licenses and certificates required for the operations of the vessels we own will depend on several factors, we believe that we will be able to continue to obtain all permits, licenses and certificates material to the conduct of our operations.

### **International Maritime Organization**

The IMO is the United Nations' agency for maritime safety and prevention of pollution. IMO regulations relating to pollution prevention for oil tankers have been adopted by many of the jurisdictions in which our tanker fleet operates. Under IMO regulations and subject to limited exceptions, a tanker must be of double-hull construction as per the requirements set out in these regulations or be of another approved design ensuring the same level of protection against oil pollution. All of our tankers are double-hulled.

Many countries, but not the U.S., have ratified and follow the liability regime adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended (or *CLC*). Under this convention, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by the discharge of persistent oil (e.g., crude oil, fuel oil, heavy diesel oil or lubricating oil), subject to certain defenses. The right to limit liability to specified amounts that are periodically revised is forfeited under the CLC when the spill is caused by the owner's actual fault or when the spill is caused by the owner's intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative regimes or common law governs, and liability is imposed either based on fault or in a manner similar to the CLC.

IMO regulations also include the International Convention for Safety of Life at Sea (or *SOLAS*), including amendments to SOLAS implementing the International Ship and Port Facility Security Code (or *ISPS*), the ISM Code and the International Convention on Load Lines of 1966. SOLAS provides rules for the construction of and the equipment required for commercial vessels and includes regulations for their safe operation. Flag states which have ratified the convention and the treaty generally employ the classification societies, which have incorporated SOLAS requirements into their class rules, to undertake surveys to confirm compliance.



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SOLAS and other IMO regulations concerning safety, including those relating to treaties on the training of shipboard personnel, lifesaving appliances, radio equipment and the global maritime distress and safety system, apply to our operations. Non-compliance with IMO regulations, including SOLAS, the ISM Code, ISPS and other regulations, may subject us to increased liability or penalties, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to or detention in some ports. For example, the USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in the U.S., and European Union ports. The ISM Code requires vessel operators to obtain a safety management certification for each vessel they manage, evidencing the shipowner's development and maintenance of an extensive safety management system. Each of the existing vessels in our fleet is currently ISM Code-certified.

Annex VI to the IMO's International Convention for the Prevention of Pollution from Ships (or *MARPOL*) (or *Annex VI*) sets limits on sulfur oxide (or SOx) and nitrogen oxide (or NOx) emissions from ship exhausts, regulates emissions from ship exhausts, regulates emissions of volatile compounds from cargo tanks, and prohibits emissions of ozone depleting substances, and the incineration of specific substances. Annex VI also includes a world-wide cap on the sulfur content of fuel oil and allows for special "emission control areas" (or ECAs) to be established with more stringent controls on sulfur emissions.

Annex VI provides for a three-tier reduction in NOx emissions from marine diesel engines, with the final tier (or *Tier III*) to apply to engines installed on vessels constructed on or after January 1, 2016, and which operate in the North American ECA or the U.S. Caribbean Sea ECA as well as ECAs designated in the future by the IMO. Tier III limits are 80% below Tier I and these cannot be achieved without additional means such as Selective Catalytic Reduction (or SCR). In October 2016, the IMO's Marine Environment Protection Committee (or MEPC) approved the designation of the North Sea (including the English Channel) and the Baltic Sea as ECAs for NOx emissions; these ECAs and the related amendments to Annex VI of MARPOL (with some exceptions) entered into effect on January 1, 2019. This requirement is applicable to new ships constructed on or after January 1, 2021 if they visit the Baltic or the North Sea (including the English Channel) and requires the future trading area of a ship to be assessed at the contract stage. There are exemption provisions to allow ships with only Tier II engines, to navigate in a NOx Tier III ECA if the ship is departing from a shipyard where the ship is newly built or visiting a shipyard for conversion/repair/maintenance without loading/unloading cargoes.

Effective January 1, 2020, Annex VI imposed a global limit for sulfur in fuel oil used on board ships of 0.50% m/m (mass by mass), regardless of whether a ship is operating outside a designated ECA. To comply with this new standard, ships must utilize different fuels containing low or zero sulfur (e.g. LNG, low sulfur heavy fuel oil (or LSHFO), low sulfur marine gas oil (or LSMGO), biofuels or other compliant fuels), or utilize exhaust gas cleaning systems, known as "scrubbers". Amendments to the information to be included in bunker delivery notes relating to the supply of marine fuel oil to ships fitted with alternative mechanisms to address sulfur emission requirements (e.g. scrubbers) became effective January 1, 2019.

We have implemented procedures to comply with the 2020 sulfur limit. We switched to burning compliant low sulfur fuel before the January 1, 2020 implementation date; however, with the exception of one vessel owned through a 50/50 joint venture, we have not installed any scrubbers on our fleet. Although the IMO has issued ISO 8217:2017 and PAS 23263:19, at present, neither the IMO nor the International Organization for Standardization has implemented globally accepted quality standards for 0.50% m/m fuel oil; however, a new specification for very low sulfur fuel oil is expected to be released in the coming years. The bunker market currently uses the specification for RMG 380 grade fuel oil with a maximum sulfur content of 0.50% m/m as an interim standard. We intend, and where applicable, expect our charterers to procure 0.50% m/m fuel oil from top tier suppliers. However, until such time that a globally accepted quality standard is issued, the quality of 0.50% m/m fuel oil that is supplied to the entire industry (including in respect of our vessels) is inherently uncertain. Low quality or a lack of access to high-quality low sulfur fuel may lead to a disruption in our operations (including mechanical damage to our vessels), which could impact our business, financial condition, and results of operations.

As of March 1, 2018, amendments to Annex VI impose new requirements on ships of 5,000 gross tonnage and above to collect fuel oil consumption data for ships, as well as certain other data including proxies for transport work. Amendments to MARPOL Annex VI that make the data collection system for fuel oil consumption of ships mandatory were adopted at the 70<sup>th</sup> session of the MEPC held in October 2016 and entered into force on March 1, 2018. The amendments require operators to update the vessel's Ship Energy Efficiency Management Plan (or SEEMP) to include a part II describing the ship-specific methodology that will be used for collecting and measuring data for fuel oil consumption, distance travelled, hours underway, ensuring data quality is maintained and the processes that will be used to report the data. This has been verified as compliant on all of our ships for calendar years 2019 through 2022. A Confirmation of Compliance has been provided by the Ship's Flag State Administration / Recognized Organization on behalf of Flag State and is kept onboard. The data collected for 2023 has been submitted to authorized verifiers for confirmation and this process is expected to be completed by the end of April 2024.

IMO regulations required that as of January 1, 2015, all vessels operating within ECAs worldwide recognized under MARPOL Annex VI must comply with 0.10% sulfur requirements.

As of May 1, 2025, the Mediterranean Sea will effectively become an ECA for sulphur oxides (SOx) under MARPOL Annex VI Regulation 14. This implies that from then on when operating in the Mediterranean Sea, the sulphur content of the fuel used on board shall not exceed 0.10%, unless using an exhaust gas cleaning system (EGCS) ensuring an equivalent SOx emission level.

From July 1, 2024, heavy fuel oil (HFO) may no longer be used or carried as domestic fuel in bunker tanks when in Arctic waters, with some exceptions.

Certain modifications were necessary to optimize operation on LSMGO of equipment originally designed to operate on HFO. Also, LSMGO is more expensive than HFO, and this could impact the cost of operations. We are primarily exposed to increased fuel costs through our spot trading vessels, although our competitors bear a similar cost increase as this is a regulatory item applicable to all vessels. All required vessels in our fleet trading to and within regulated low sulfur areas comply with applicable fuel requirements.

The IMO has issued guidance regarding protecting against acts of piracy off the coast of Somalia. We comply with these guidelines.



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IMO Guidance for countering acts of piracy and armed robbery is published by the IMO's Maritime Safety Committee (or *MSC*). MSC.1/Circ.1339 (Piracy and armed robbery against ships in waters off the coast of Somalia) outlines Best Management Practices for protection against Somalia based Piracy. Specifically, MSC.1/Circ.1339 guides shipowners and ship operators, shipmasters, and crews on preventing and suppressing acts of piracy and armed robbery and was adopted by the IMO through Resolution MSC.324(89). The Best Management Practices (or *BMP*) is a joint industry publication by BIMCO, ICS, IGP&I Clubs, INTERTANKO and OCIMF. Version 5 is the latest BMP. Our fleet follows the guidance within BMP 5 when transiting in other regions with recognized threat levels for piracy and armed robbery, including West Africa.

The IMO's Ballast Water Management Convention entered into force on September 8, 2017. The convention stipulates two standards for discharged ballast water. The D-1 standard covers ballast water exchange while the D-2 standard covers ballast water treatment. The convention requires the implementation of either the D-1 or D-2 standard. There will be a transitional period from the entry into force to the International Oil Pollution Prevention (or *IOPP*) renewal survey in which ballast water exchange (reg. D-1) can be employed. Vessels will be required to meet the discharge standard D-2 by installing an approved BWTS.

Besides the IMO convention, ships sailing in U.S. waters are required to employ a type approved BWTS which is compliant with USCG regulations. The USCG has approved several BWTS both nationally and internationally, out of which Sunrui Systems (China) are under Teekay's approved list for retrofit. We estimate that the installation of an approved BWTS will cost approximately \$1.0 million per vessel subject to such installation during 2024.

Cyber-related risks are operational risks that are appropriately assessed and managed as per the safety management requirements of the ISM Code. Cyber risks are required to be appropriately addressed in our safety management system no later than the first annual verification of our Document of Compliance after January 1, 2021. The most recent annual verification audit of our Document of Compliance was completed on July 20, 2023 and confirmed that cyber risks are appropriately addressed in accordance with ISM standards in the Company's safety management system.

The Maritime Labour Convention (or *MLC*) 2006 was adopted by the International Labour Conference at its 94th (Maritime) Session (2006), establishing minimum working and living conditions for seafarers. The convention entered into force August 20, 2013, with further amendments approved by the International Labour Conference at its 103rd Session (2014). The MLC establishes a single, coherent instrument embodying all up-to-date standards of existing international maritime labor conventions and recommendations, as well as the fundamental principles to be found in other international labor conventions. All of our maritime labor contracts comply with the MLC.

The IMO continues to review and introduce new regulations and as such, it is difficult to predict what additional requirements, if any, may be adopted by the IMO and what effect, if any, such regulations might have on our operations.

### **European Union (or EU)**

The EU has adopted legislation that: bans from European waters manifestly sub-standard vessels (defined as vessels that have been detained twice by EU port authorities in the preceding two years); creates obligations on the part of EU member port states to inspect minimum percentages of vessels using these ports annually; provides for increased surveillance of vessels posing a high risk to maritime safety or the marine environment; and provides the EU with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies.

Two regulations that are part of the implementation of the Port State Control Directive came into force on January 1, 2011 and introduced a ranking system (published on a public website and updated daily) displaying shipping companies operating in the EU with the worst safety records. The ranking is judged upon the results of the technical inspections carried out on the vessels owned by a particular shipping company. Those shipping companies that have the most positive safety records are rewarded by subjecting them to fewer inspections, while those with the most safety shortcomings or technical failings recorded upon inspection will in turn be subject to a greater frequency of official inspections to their vessels.

The EU has, by way of Directive 2005/35/EC, as amended by Directive 2009/123/EC, created a legal framework for imposing criminal penalties in the event of discharges of oil and other noxious substances from ships sailing in its waters, irrespective of their flag. This relates to discharges of oil or other noxious substances from vessels. Minor discharges shall not automatically be considered as offences, except where repetition leads to deterioration in the quality of the water. The persons responsible may be subject to criminal penalties if they have acted with intent, recklessly or with serious negligence and the act of inciting, aiding and abetting a person to discharge a polluting substance may also lead to criminal penalties.

The EU has adopted a directive requiring the use of low sulfur fuel. Since January 1, 2015, vessels have been required to burn fuel with sulfur content not exceeding 0.10% while within EU member states' territorial seas, exclusive economic zones and pollution control zones that are included in SOX ECAs. Other jurisdictions have also adopted similar regulations.

All ships above 5,000 gross tonnage calling EU waters are required to comply with EU monitoring, reporting and verification (or *MRV*) regulations. These regulations came into force on July 1, 2015 and aim to reduce greenhouse gas (or *GHG*) emissions within the EU. It requires ships carrying out maritime transport activities to or from European Economic Area (or *EEA*) ports to monitor and report information including verified data on their carbon dioxide (or *CO2*) emissions from January 1, 2018. Data collection takes place on a per voyage basis and started from January 1, 2018. The reported CO2 emissions, together with additional data (e.g. cargo, energy efficiency parameters), are to be verified by independent verifiers and sent to a central database, managed by the European Maritime Safety Agency (or *EMSA*). Teekay Corporation signed an agreement with DNV for monitoring, verification and reporting as required by this regulation. We are presently using IMOS/Veslink forms which interface with DNV. Emission reports for the vessels which have carried out EU voyages have been submitted in the THETIS Database. Based on emission reports submitted in THETIS, a document of compliance has been issued and is placed onboard. The data for 2023 has been submitted and is currently under verification by DNV, our authorized verifier. The review is expected to be completed by end of April 2024 for all of our vessels. In addition to the EU-MRV data, from January 1, 2022, we have also started submitting data for UK-MRV which is a new requirement for all vessels calling UK ports and waters.



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Currently, ships above 5,000 gross tonnage transporting cargo or passengers for commercial use are required to submit a MRV report to the authorities. Under the new EU ETS scope for shipping, they will also be required to surrender their EU allowances for their 2024 CO<sub>2</sub> emissions by September 2025. From 2025, the MRV will also include offshore vessels and cargo ships between 400 gross tonnage and 5,000 gross tonnage. However, a review is to be done by the Commission in 2026 to evaluate the need to include these vessels in the ETS by 2027.

For ships under the EU ETS scope, with voyages within EU ports of call, 100% of their emissions will have to be surrendered in the form of EU allowances. For voyages either leaving or arriving in EU ports of call, 50% of their emissions will have to be surrendered in the form of EU allowances. The compliance obligation for EU ETS will be phased in over three years during which the following percentage of verified emissions will have to be surrendered in the form of EU allowances: 40% for 2024; 70% for 2025 and 100% for 2026 and each year thereafter.

Apart from the EU ETS, the EU also plans to introduce the FuelEU Maritime regulation (or *FuelEU*) into force soon to reduce greenhouse gas emissions (CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O). The regulation is expected to apply from January 1, 2025 to ships over 5,000 gross tonnage which use EEA (EU plus Norway and Iceland) ports. To incentivize the use of renewable and low carbon fuels, FuelEU will impose limits on the greenhouse gas intensity of fuels used onboard and require certain ship types to have zero-emissions at berth from 2030, with stringent financial penalties for non-compliance.

Under the FuelEU regulation, the yearly average GHG intensity of energy used onboard by a ship is not to exceed the 2020 fleet average. Every five years from 2025 to 2050, this reference value will be reduced as follows: by 2% from 2025; by 6% from 2030; by 14.5% from 2035; by 31% from 2040; by 62% from 2045; and by 80% from 2050. The GHG intensity is a measure of the CO<sub>2</sub> equivalent emissions per quantum of energy used on board. This will be measured based on reported fuel consumption from EU MRV and the emission factors of the fuels used on a well-to-wake basis.

The EU Ship Recycling Regulation aims to prevent, reduce, and minimize accidents, injuries and other negative effects on human health and the environment when ships are recycled and the hazardous waste they contain is removed. The legislation applies to all ships flying the flag of an EU country and to vessels with non-EU flags that call at an EU port or anchorage. It sets out responsibilities for ship owners and recycling facilities both in the EU and in other countries. Each new ship must have onboard an inventory of the hazardous materials (such as asbestos, lead or mercury) it contains in either its structure or equipment. The use of certain hazardous materials is forbidden. Before a ship is recycled, its owner must provide the company carrying out the work with specific information about the vessel and prepare a ship recycling plan. Recycling may only take place at facilities listed on the EU 'List of facilities'.

The EU Ship Recycling Regulation generally entered into force on December 31, 2018, with certain provisions applicable from December 31, 2020. Compliance timelines are as follows: EU-flagged newbuildings were required to have onboard a verified Inventory of Hazardous Materials (or *IHM*) with a Statement of Compliance by December 31, 2018, existing EU-flagged vessels and non-EU-flagged vessels calling at EU ports are required to have onboard a verified IHM with a Statement of Compliance by December 31, 2020. We contracted with a class-approved hazardous materials company, Poly NDT Pte Ltd., to assist in the preparation of an Inventory of Hazardous Materials and with obtaining Statements of Compliance for our vessels. All our vessels were in compliance with IHM regulations as of December 31, 2023. The EU Commission adopted a European list of approved ship recycling facilities, as well as four further decisions dealing with certification and other administrative requirements set out in the regulation. In 2014, the Council Decision 2014/241/EU authorized EU countries having ships flying their flag or registered under their flag to ratify or to accede to the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships. The Hong Kong Convention is scheduled to enter into force on June 26, 2025.

## **United States**

The U.S., has enacted an extensive regulatory and liability regime for the protection and clean-up of the environment from oil spills, including discharges of oil cargoes, bunker fuels or lubricants, primarily through the *OPA 90* and the Comprehensive Environmental Response, Compensation and Liability Act (or *CERCLA*). *OPA 90* affects all owners, bareboat charterers, and operators whose vessels trade to the U.S., or its territories or possessions or whose vessels operate in U.S., waters, which include the U.S. territorial sea and the 200-mile exclusive economic zone around the U.S. *CERCLA* applies to the discharge of "hazardous substances" rather than "oil" and imposes strict joint and several liability upon the owners, operators or bareboat charterers of vessels for clean-up costs and damages arising from discharges of hazardous substances. We believe that petroleum products should not be considered hazardous substances under *CERCLA*, but additives to oil or lubricants used on other vessels might fall within its scope.

Under *OPA 90*, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally, and strictly liable (unless the oil spill results solely from the act or omission of a third party, an act of God or an act of war and the responsible party reports the incident and reasonably cooperates with the appropriate authorities) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. These other damages are defined broadly to include: natural resources damages and the related assessment costs; real and personal property damages; net loss of taxes, royalties, rents, fees and other lost revenues; lost profits or impairment of earning capacity due to property or natural resources damage; net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards; and loss of subsistence use of natural resources.

*OPA 90* limits the liability of responsible parties in an amount it periodically updates. The liability limits do not apply if the incident was proximately caused by a violation of applicable U.S. federal safety, construction or operating regulations, including IMO conventions to which the U.S., is a signatory, or by the responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the oil removal activities. Liability under *CERCLA* is also subject to limits unless the incident is caused by gross negligence, willful misconduct, or a violation of certain regulations. We currently maintain for each of our vessels pollution liability coverage in the maximum coverage amount of \$1 billion per incident. A catastrophic spill could exceed the coverage available, which could harm our business, financial condition, and results of operations.

Under *OPA 90*, with limited exceptions, all newly built or converted tankers delivered after January 1, 1994 and operating in U.S. waters must be double-hulled. All of our tankers are double-hulled.



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OPA 90 also requires owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility in an amount at least equal to the relevant limitation amount for such vessels under the statute. The USCG has implemented regulations requiring that an owner or operator of a fleet of vessels must demonstrate evidence of financial responsibility in an amount sufficient to cover the vessel in the fleet having the greatest maximum limited liability under OPA 90 and CERCLA. Evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance, guaranty, or an alternative method subject to approval by the USCG. Under the self-insurance provisions, the ship owners or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the USCG regulations by using self-insurance for certain vessels and obtaining financial guaranties from a third party for the remaining vessels. If other vessels in our fleet trade into the U.S., in the future, we expect to obtain guaranties from third-party insurers.

OPA 90 and CERCLA permit individual U.S. states to impose their own liability regimes with regard to oil or hazardous substance pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited strict liability for spills. Several coastal states require state-specific evidence of financial responsibility and vessel response plans. We intend to comply with all applicable state regulations in the ports where our vessels call.

Owners or operators of vessels, including tankers operating in U.S. waters, are required to file vessel response plans with the USCG, and their tankers are required to operate in compliance with USCG approved plans. Such response plans must, among other things: address a "worst case" scenario and identify and ensure, through contract or other approved means, the availability of necessary private response resources to respond to a "worst case discharge"; describe crew training and drills; and identify a qualified individual with full authority to implement removal actions.

All our vessels have USCG approved vessel response plans. In addition, we conduct regular oil spill response drills in accordance with the guidelines set out in OPA 90. The USCG has announced it intends to propose similar regulations requiring certain vessels to prepare response plans for the release of hazardous substances. Similarly, we also have California Vessel Contingency Plans onboard vessels which are likely to call ports in the State of California.

OPA 90 and CERCLA do not preclude claimants from seeking damages resulting from the discharge of oil and hazardous substances under other applicable law, including maritime tort law. The application of this doctrine varies by jurisdiction.

The U.S. Clean Water Act (or the *Clean Water Act*) also prohibits the discharge of oil or hazardous substances in U.S. navigable waters and imposes strict liability in the form of penalties for unauthorized discharges. The Clean Water Act imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA 90 and CERCLA discussed above.

Our vessels that discharge certain effluents, including ballast water, in U.S. waters must obtain a Clean Water Act permit from the Environmental Protection Agency (or *EPA*) titled the "Vessel General Permit" (or *VGP*) and comply with a range of effluent limitations, best management practices, reporting, inspections and other requirements. The current Vessel General Permit incorporates USCG requirements for ballast water exchange and includes specific technology-based requirements for vessels, as well as an implementation schedule to require vessels to meet the ballast water effluent limitations by the first dry docking after January 1, 2016, depending on the vessel size.

On December 4, 2018, the Vessel Incidental Discharge Act (or *VIDA*) came into effect under the Clean Water Act. The VIDA restructures the way the EPA and the USCG regulate discharges incidental to the normal operation of a vessel when operating as a means of transportation. In most cases, the future standards will be at least as stringent as the existing EPA 2013 VGP requirements and will be technology-based. Two years after the EPA publishes the final Vessel Incidental Discharge National Standards of Performance, the USCG is required to develop corresponding implementation, compliance, and enforcement regulations for those standards, including any requirements governing the design, construction, testing, approval, installation, and use of devices necessary to achieve the EPA standards. Vessels that are constructed after December 1, 2013, are subject to the ballast water numeric effluent limitations. Several U.S. states have added specific requirements to the VGP and, in some cases, may require vessels to install ballast water treatment technology to meet biological performance standards. Every five years the VGP gets reissued, however, the provisions of the 2013 VGP, all management, inspection, monitoring, and reporting requirements remain in effect for vessels operating in U.S. waters until the USCG and EPA finalizes new regulations, in accordance with the VIDA to replace the 2013 VGP. Final rules are not expected for another two to three years.

On October 26, 2020, the EPA's Notice of Proposed Rulemaking – Vessel Incidental Discharge National Standards of Performance – was published in the Federal Register for public comment. The proposed rule will reduce the environmental impact of discharges, such as ballast water, that are incidental to the normal operation of commercial vessels. When finalized, this new rule will streamline the current patchwork of federal, state, and local requirements that apply to the commercial vessel community and better protect U.S. waters.

Various states in the United States, including California, have implemented additional regulations relating to the environment and operation of vessels. The California Biofouling Management Plan requires vessels to have a Biofouling Management Plan and maintain a Biofouling Record Book. In addition, it requires mandatory biofouling management of the vessel's wetted surfaces and mandatory biofouling management for vessels that undergo an extended residency period (e.g., remain in the same location for 45 or more days). Finally, it also requires the mandatory submission of a Marine Invasive Species Program Annual Vessel Reporting Form (MISP - AVRF) by the vessel at least 24 hours in advance of the first arrival of each calendar year at a California port. The regulation applied to new vessels delivered after January 1, 2018 and existing vessels after the first regularly scheduled dry dock after January 1, 2018.



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### **China**

China previously established ECAs in the Pearl River Delta, Yangtze River Delta and Bohai Sea, which took effect on January 1, 2016. The Hainan ECA took effect on January 1, 2019. From January 1, 2019, all the ECAs have merged, and the scope of Domestic Emission Controls Areas (or *DECAs*) were extended to 12 nautical miles from the coastline, covering the Chinese mainland territorial coastal areas as well as the Hainan Island territorial coastal waters. From January 1, 2019, all vessels navigating within the Chinese mainland territorial coastal *DECAs* and at berths are required to use marine fuel with a sulfur content of maximum 0.50% m/m. As per the new regulation, ships can also use alternative methods such as an Exhaust Gas Scrubber, LNG or other clean fuel that reduces the SOx to the same level or lower than the maximum required limits of sulfur when using fossil fuel in the *DECA* areas or when at berth. All the vessels without an exhaust gas cleaning system entering the emission control area are only permitted to carry and use the compliant fuel oil specified by the new regulation.

From July 1, 2019, vessels engaged on international voyages (except tankers) that are equipped to connect to shore power must use shore power if they berth for more than three hours (or for more than two hours for inland river control areas) in berths with shore supply capacity in the coastal control areas.

From January 1, 2020, all vessels navigating within the Chinese mainland territorial coastal *DECAs* should use marine fuel with a maximum 0.5% m/m sulfur cap. All the vessels entering China inland waterway emission control areas are to use fuel oil with a sulfur content not exceeding 0.1% m/m. Any vessel using or carrying non-compliant fuel oil due to the non-availability of compliant fuel oil is to submit a fuel oil non-availability report to the China Maritime Safety Administration (or *CMSA*) of the next arrival port before entering waters under the jurisdiction of China.

From March 1, 2020, all vessels entering waters under the jurisdiction of the People's Republic of China are prohibited from carrying fuel oil of sulfur content exceeding 0.50% m/m onboard ships. Any vessel carrying non-compliant fuel oil in the waters under the jurisdiction of China is to:

- discharge the non-compliant fuel oil; or
- as permitted by the *CMSA* of the calling port, to retain the non-compliant fuel oil onboard with a commitment letter stating it will not be used in waters under the jurisdiction of China.

### **New Zealand**

New Zealand's Craft Risk Management Standard (or *CRMS*) requirements are based on the IMO's guidelines for the control and management of ships' biofouling to minimize the transfer of invasive aquatic species and monitored by the Biofouling Management Plan retained onboard each vessel.

Marine pests and diseases brought in on vessel hulls (or biofouling) are a threat to New Zealand's marine resources. From May 15, 2018, all vessels arriving in New Zealand need to have a clean hull. Vessels staying up to 20 days and only visiting designated ports (places of first arrival) are allowed a slight amount of biofouling. Vessels staying longer and visiting other places will only be allowed a slime layer and goose barnacles.

### **Republic of Korea**

The Korean Ministry of Oceans and Fisheries announced an air quality control program that defines selected South Korean ports and areas as ECAs. The ECAs cover Korea's five major port areas: Incheon, Pyeongtaek & Dangjin, Yeosu & Gwangyang, Busan and Ulsan. From September 1, 2020, ships at berth or at anchor in the new Korean ECAs must burn fuel with a maximum sulfur content of 0.10%. Ships must switch to compliant fuel within one hour of mooring/anchoring and burn compliant fuel until not more than one hour before departure. From January 1, 2022, the requirements have been expanded, and the 0.10% sulfur limit will apply at all times while operating within the ECAs.

A Vessel Speed Reduction Program has also been introduced as a part of an air quality control program on a voluntary compliance basis to certain types of ships (crude, chemical and LNG carriers) calling at the ports of Busan, Ulsan, Yeosu, Gwangyang and Incheon.

### **India**

On October 2, 2019, the Government of India urged its citizens and government agencies to take steps towards phasing out single-use plastics (or *SUP*). As a result, all shipping participants operating in Indian waters are required to contribute to the Indian government's goal of phasing out *SUPs*.

The Directorate General of Shipping, India (or *DGS*) has mandated certain policies as a result, and in order to comply with these required policies, all cargo vessels are required as of January 31, 2020 to prepare a vessel-specific Ship Execution Plan (or *SEP*) detailing the inventory of all *SUP* used onboard the vessel and which has not been exempted by the *DGS*. This *SEP* will be reviewed to determine the prohibition of *SUP* on the subject vessel.

Vessels will be allowed to use an additional 10% of *SUP* items in the *SEP* that have not been prohibited. Amendments to the finalized *SEP* are discouraged save for material corrections.

Foreign vessels visiting Indian ports are not allowed to use prohibited items while at a place or port in India. However, these items are allowed to be onboard provided they are stored at identified locations. *SEPs* are also required to detail the prevention steps that will be implemented during a vessel's call at an Indian port to prevent unsanctioned usage of *SUPs*. This includes the preparation and use of a deck and official log entry identifying all *SUP* items onboard the vessel.



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### **Greenhouse Gas Regulation**

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change (or the *Kyoto Protocol*) took effect. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of greenhouse gases. In December 2009, more than 27 nations, including the United States, entered into the Copenhagen Accord. The Copenhagen Accord is non-binding but is intended to pave the way for a comprehensive, international treaty on climate change. In December 2015, the Paris Agreement was adopted by a large number of countries at the 21st Session of the Conference of Parties (commonly known as COP 21, a conference of the countries which are parties to the United Nations Framework Convention on Climate Change; the COP is the highest decision-making authority of this organization). The Paris Agreement, which entered into force on November 4, 2016, deals with greenhouse gas emission reduction measures and targets from 2020 in order to limit the global temperature increases to well below 2° Celsius above pre-industrial levels. Although shipping was ultimately not included in the Paris Agreement, it is expected that the adoption of the Paris Agreement may lead to regulatory changes in relation to curbing greenhouse gas emissions from shipping.

In July 2011, the IMO adopted regulations imposing technical and operational measures for the reduction of greenhouse gas emissions. These new regulations formed a new chapter in MARPOL Annex VI and became effective on January 1, 2013. The new technical and operational measures include the "Energy Efficiency Design Index" (or the *EEDI*), which is mandatory for newbuilding vessels, and the "Ship Energy Efficiency Management Plan," which is mandatory for all vessels. In October 2016, the IMO's Marine Environment Protection Committee (or *MEPC*) adopted updated guidelines for the calculation of the EEDI. In October 2014, the IMO's MEPC agreed in principle to develop a system of data collection regarding fuel consumption of ships. In October 2016, the IMO adopted a mandatory data collection system under which vessels of 5,000 gross tonnages and above are to collect fuel consumption and other data and to report the aggregated data so collected to their flag state at the end of each calendar year. The new requirements entered into force on March 1, 2018.

All vessels are required to submit fuel consumption data to their respective administration/registered organizations for onward submission to the IMO for analysis and to help with decision making on future measures. The amendments require operators to update the vessel's SEEMP to include descriptions of the ship-specific methodology that will be used for collecting and measuring data for fuel oil consumption, distance travelled, hours underway and processes that will be used to report the data, to ensure data quality is maintained.

The vessels in our fleet were verified as compliant before December 31, 2018, with the first data collection period being for the 2019 calendar year. A Confirmation of Compliance was issued by the administration/registered organization, which must be kept onboard the ship. The IMO also approved a roadmap for the development of a comprehensive IMO strategy on the reduction of GHG emissions from ships with an initial strategy adopted on April 13, 2018, and a revised strategy adopted in 2023. Furthermore, the MEPC adopted two sets of amendments to MARPOL Annex VI related to carbon intensity regulations. The MEPC agreed on combining the technical and operational measures with an entry into force date on January 1, 2023. The Energy Efficiency Existing Ships Index (or *EEXI*) and the Carbon Intensity Index (or *CII*) have been implemented from January 1, 2023, to benchmark and improve efficiency and reduce emissions from ships. We have already calculated the EEXI and Engine Power Limiter (or *EPL*) values for our vessels and are in full compliance of the regulation.

The EU has expanded the existing EU emissions trading regime to include emissions of greenhouse gases from vessels, and individual countries in the EU may impose additional requirements. The EU has adopted Regulation (EU) 2015/757 on the monitoring, reporting and verification (or *MRV*) of CO<sub>2</sub> emissions from vessels (or the *MRV Regulation*), which entered into force on July 1, 2015. The MRV Regulation aims to quantify and reduce CO<sub>2</sub> emissions from shipping. It lists the requirements on the MRV of carbon dioxide emissions and requires ship owners and operators to annually monitor, report and verify CO<sub>2</sub> emissions for vessels larger than 5,000 gross tonnage calling at any EU and EFTA (Norway and Iceland) port (with a few exceptions, such as fish-catching or fish-processing vessels). Data collection takes place on a per voyage basis and started on January 1, 2018. The reported CO<sub>2</sub> emissions, together with additional data, such as cargo and energy efficiency parameters, are to be verified by independent verifiers and sent to a central inspection database hosted by the European Maritime Safety Agency to collate all the data applicable to the EU region. Companies responsible for the operation of large ships using EU ports are required to report their CO<sub>2</sub> emissions.

In the U.S., the EPA issued an "endangerment finding" regarding greenhouse gases under the Clean Air Act. While this finding in itself does not impose any requirements on our industry, it authorizes the EPA to regulate GHG emissions directly through a rule-making process. In addition, climate change initiatives are being considered in the U.S., Congress and by individual states. Any passage of new climate control legislation or other regulatory initiatives by the IMO, EU, the U.S., or other countries or states where we operate that restrict emissions of greenhouse gases could have a significant financial and operational impact on our business that we cannot predict with certainty at this time.

Many financial institutions that lend to the maritime industry have adopted the Poseidon Principles, which establish a framework for assessing and disclosing the climate alignment of ship finance portfolios. The Poseidon Principles set a benchmark for the banks who fund the maritime sector, which is based on the IMO GHG strategy. The IMO approved an initial GHG strategy in April 2018 to reduce GHG emissions generated from shipping activity, which represents a significant shift in climate ambition for a sector that currently accounts for 2%-3% of global carbon dioxide emissions. As a result, the Poseidon Principles are expected to enable financial institutions to align their ship finance portfolios with responsible environmental behavior and incentivize international shipping's decarbonization.

### **Vessel Security**

The ISPS was adopted by the IMO in December 2002 in the wake of heightened concern over worldwide terrorism and became effective on July 1, 2004. The objective of ISPS is to enhance maritime security by detecting security threats to ships and ports and by requiring the development of security plans and other measures designed to prevent such threats. Each of the existing vessels in our fleet currently complies with the requirements of ISPS and the Maritime Transportation Security Act of 2002 (U.S. specific requirements). Procedures are in place to inform the Maritime Security Council Horn of Africa whenever our vessels are calling in the Indian Ocean Region or the Maritime Domain Awareness for Trade - Gulf of Guinea when calling in the West Coast of Africa. In order to mitigate the security risk, security arrangements are made which include boarding armed security teams (when vessels transit the Gulf of Aden) or arranging for security escort vessels (with 6-8 Nigerian Navy armed guards) from a distance of 195 nautical miles for all Nigerian port calls. In addition, our vessels are also escorted through the Nigerian Exclusive Economic Zone (or *EEZ*) for calling at some ports of Cameroon and Equatorial Guinea, which are close to the Nigerian EEZ. Our vessels comply with the recommendations of Best Management Practices for West Africa.

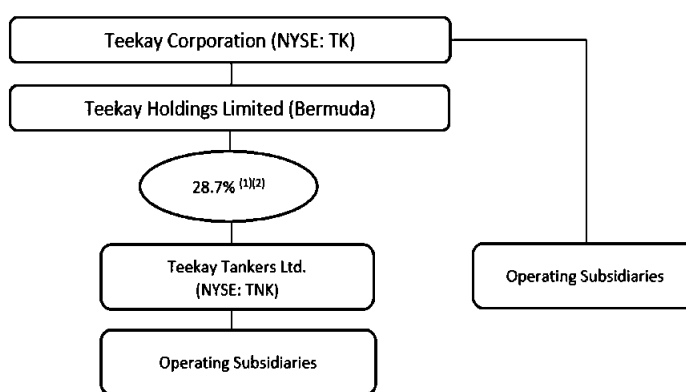


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### C. Organizational Structure

Our organizational structure includes, among others, our interest in Teekay Tankers, which is our publicly-traded subsidiary.

The following chart provides an overview of our organizational structure as at March 1, 2024. Please read Exhibit 8.1 to this Annual Report for a list of our subsidiaries as at March 1, 2024.



(1) Teekay Tankers has two classes of shares: Class A common stock and Class B common stock. Teekay Corporation indirectly owns 100% of the Class B shares which have up to five votes each but aggregate voting power capped at 49%. As a result of Teekay Corporation's ownership of Class A and Class B shares, it holds aggregate voting power of 53.8% as of March 1, 2024.

(2) Teekay Corporation indirectly owns 28.7% of Class A and Class B common stock.

In December 2007, we added Teekay Tankers to our structure. Teekay Tankers is a Marshall Islands corporation formed by us to own our conventional tanker business. As of March 1, 2024, Teekay Tankers' fleet included 24 double-hull Aframax/LR tankers (including seven chartered-in vessels), 26 double-hull Suezmax tankers (including one chartered-in vessel) and one VLCC, all of which trade either in the spot tanker market or under short- or medium-term, fixed-rate time-charter contracts. Teekay Tankers owns 100% of its fleet, other than a 50% interest in the VLCC and the in-chartered vessels. Prior to October 1, 2018, we provided Teekay Tankers with certain commercial, technical, administrative, and strategic services under a long-term management agreement through a wholly-owned subsidiary. As of October 1, 2018, Teekay Tankers elected to receive commercial and technical management services directly from its wholly-owned subsidiaries, who receive various services from us and our affiliates.

We are party to an omnibus agreement with Seapeak, Altera and related parties governing, among other things, when we, Seapeak and Altera may compete with each other and certain rights of first offer on LNG carriers, oil tankers, shuttle tankers, FSO units and FPSO units.

We are also a party to an agreement with an affiliate of Stonepeak that provides, among other things and subject to certain exceptions, that (i) until January 13, 2024, we and our affiliates would not engage in, acquire or invest in any business that owns, operates or charters any liquefied gas carriers and related time charters, and (ii) until January 13, 2025, we and our affiliates will not engage in, acquire or invest in any business that owns, operates or charters LNG carriers and related time charters.

### D. Property, Plant and Equipment

Other than our vessels, we do not have any material property. Please read "Item 4B – Information on the Company – Business Overview - Our Consolidated Fleet" for information about our vessels and "Item 18 – Financial Statements: Note 7 – Long-Term Debt" and "Note 8 – Leases" for information about major encumbrances against our vessels.

### E. Taxation of the Company United States Taxation

The following is a discussion of material U.S. federal income tax considerations applicable to us. This discussion is based upon provisions of the Code, legislative history, applicable U.S. Treasury Regulations (or *Treasury Regulations*), judicial authority and administrative interpretations, all as in effect on the date of this Annual Report, and which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below.

**Taxation of Operating Income.** A significant portion of our gross income will be attributable to the transportation of crude oil and related products. For this purpose, gross income attributable to transportation (or *Transportation Income*) includes income derived from, or in connection with, the use (or hiring or leasing for use) of a vessel to transport cargo, or the performance of services directly related to the use of any vessel to transport cargo, and thus includes income from time charters, contracts of affreightment, bareboat charters, and voyage charters.



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Fifty percent (50%) of Transportation Income that either begins or ends, but that does not both begin and end, in the United States (or *U.S. Source International Transportation Gross Income*) is considered to be derived from sources within the United States. Transportation Income that both begins and ends in the United States (or *U.S. Source Domestic Transportation Gross Income*) is considered to be 100% derived from sources within the United States. Transportation Income exclusively between non-U.S. destinations is considered to be 100% derived from sources outside the United States. Transportation Income derived from sources outside the United States generally is not subject to U.S. federal income tax.

Based on our current operations, and the operations of our subsidiaries, a substantial portion of our Transportation Income is from sources outside the United States and not subject to U.S. federal income tax. Unless the exemption from U.S. taxation under Section 883 of the Code (or the *Section 883 Exemption*) applies, our U.S. Source International Transportation Gross Income generally is subject to U.S. federal income taxation under either the net basis and branch profits taxes or the 4% gross basis tax, each of which is discussed below. Furthermore, certain of our subsidiaries engaged in activities which could give rise to U.S. Source International Transportation Gross Income rely on our ability to claim the Section 883 Exemption.

*The Section 883 Exemption.* In general, the Section 883 Exemption provides that if a non-U.S. corporation satisfies the requirements of Section 883 of the Code and the Treasury Regulations thereunder (or the *Section 883 Regulations*), it will not be subject to the net basis and branch profits taxes or the 4% gross basis tax described below on its U.S. Source International Transportation Gross Income. As discussed below, we believe the Section 883 Exemption will apply and we will not be taxed on our U.S. Source International Transportation Gross Income. The Section 883 Exemption does not apply to U.S. Source Domestic Transportation Gross Income.

A non-U.S. corporation will qualify for the Section 883 Exemption if, among other things, it (i) is organized in a jurisdiction outside the United States that grants an exemption from tax to U.S. corporations on international Transportation Gross Income (or an *Equivalent Exemption*), (ii) meets one of three ownership tests (or *Ownership Tests*) described in the Section 883 Regulations, and (iii) meets certain substantiation, reporting and other requirements (or the *Substantiation Requirements*).

We are organized under the laws of the Republic of the Marshall Islands. The U.S. Treasury Department has recognized the Republic of the Marshall Islands as a jurisdiction that grants an Equivalent Exemption. We also believe that we will be able to satisfy the Substantiation Requirements necessary to qualify for the Section 883 Exemption. Consequently, our U.S. Source International Transportation Gross Income (including for this purpose, our share of any such income earned by our subsidiaries that have properly elected to be treated as partnerships or disregarded as entities separate from us for U.S. federal income tax purposes) will be exempt from U.S. federal income taxation provided we satisfy one of the Ownership Tests. We believe that we should satisfy one of the Ownership Tests because our stock is primarily and regularly traded on an established securities market in the United States within the meaning of Section 883 of the Code and the Section 883 Regulations. We can give no assurance, however, that changes in the ownership of our stock subsequent to the date of this Annual Report will permit us to continue to qualify for the Section 883 exemption.

*Net Basis Tax and Branch Profits Tax.* If the Section 883 Exemption does not apply, our U.S. Source International Transportation Gross Income may be treated as effectively connected with the conduct of a trade or business in the United States (or *Effectively Connected Income*) if we have a fixed place of business in the United States and substantially all of our U.S. Source International Transportation Gross Income is attributable to regularly scheduled transportation or, in the case of income derived from bareboat charters, is attributable to a fixed place of business in the United States. Based on our current operations, none of our potential U.S. Source International Transportation Gross Income is attributable to regularly scheduled transportation or is derived from bareboat charters attributable to a fixed place of business in the United States. As a result, we do not anticipate that any of our U.S. Source International Transportation Gross Income will be treated as Effectively Connected Income. However, there is no assurance that we will not earn income pursuant to regularly scheduled transportation or bareboat charters attributable to a fixed place of business in the United States in the future, which will result in such income being treated as Effectively Connected Income. U.S. Source Domestic Transportation Gross Income generally will be treated as Effectively Connected Income.

Any income we earn that is treated as Effectively Connected Income would be subject to U.S. federal corporate income tax (which statutory rate as of the end of 2023 was 21%) and a 30% branch profits tax imposed under Section 884 of the Code. In addition, a branch interest tax could be imposed on certain interest paid, or deemed paid, by us.

On the sale of a vessel that has produced Effectively Connected Income, we generally would be subject to the net basis and branch profits taxes with respect to our gain recognized up to the amount of certain prior deductions for depreciation that reduced Effectively Connected Income. Otherwise, we would not be subject to U.S. federal income tax with respect to gain realized on the sale of a vessel, provided the sale is considered to occur outside of the United States under U.S. federal income tax principles.

*The 4% Gross Basis Tax.* If the Section 883 Exemption does not apply and we are not subject to the net basis and branch profits taxes described above, we will be subject to a 4% U.S. federal income tax on our subsidiaries' U.S. Source International Transportation Gross Income, without benefit of deductions. For 2023, we estimate that, if the Section 883 Exemption and the net basis tax did not apply, the U.S. federal income tax on such U.S. Source International Transportation Gross Income would have been approximately \$16.4 million. If the Section 883 Exemption does not apply, the amount of such tax for which we or our subsidiaries may be liable in any year will depend upon the amount of income we earn from voyages into or out of the United States in such year, however, which is not within our complete control.



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### **Marshall Islands Taxation**

Because we and our subsidiaries do not, and we do not expect to, and assuming that we or they will not, conduct business, operations, or transactions in the Marshall Islands, neither we nor our subsidiaries will be subject to taxation under the laws of the Marshall Islands, nor that distributions by our subsidiaries to us will be subject to any taxes under the laws of the Marshall Islands, other than taxes, fines, or fees due to (i) the incorporation, dissolution, continued existence, merger, domestication (or similar concepts) of legal entities registered in the Republic of the Marshall Islands, (ii) filing certificates (such as certificates of incumbency, merger, or re-domiciliation) with the Marshall Islands registrar, (iii) obtaining certificates of good standing from, or certified copies of documents filed with, the Marshall Islands registrar, (iv) compliance with Marshall Islands law concerning vessel ownership, such as tonnage tax, or (v) non-compliance with economic substance regulations or with requests made by the Marshall Islands Registrar of Corporations relating to our books and records and the books and records of our subsidiaries.

### **Other Taxation**

We and our subsidiaries are subject to taxation in certain non-U.S. jurisdictions because we or our subsidiaries are either organized, or conduct business or operations in such jurisdictions. In other non-U.S. jurisdictions, we and our subsidiaries rely on statutory exemptions from tax. However, we cannot assure that any statutory exemptions from tax on which we or our subsidiaries rely will continue to be available as tax laws in those jurisdictions may change or we or our subsidiaries may enter into new business transactions relating to such jurisdictions, which could affect our and our subsidiaries' tax liability. Please read "Item 18 – Financial Statements: Note 17 – Income Tax (Expense) Recovery".

### **Item 4A. Unresolved Staff Comments**

None.

### **Item 5. Operating and Financial Review and Prospects**

*The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report.*

*In addition, please refer to item 5 in our Annual Report on Form 20-F for the year ended December 31, 2022 for our discussion and analysis comparing our financial condition and results of operations from 2022 to 2021.*

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **Overview**

Teekay Corporation (or *Teekay*) is a leading provider of international crude oil and other marine transportation services. Teekay currently provides these services directly and through its controlling ownership interest in Teekay Tankers Ltd. (NYSE: TNK) (or *Teekay Tankers*), one of the world's largest owners and operators of mid-sized crude oil tankers.

On October 4, 2021, Teekay LNG Partners L.P. (or *Teekay LNG Partners*) (now known as Seapeak LLC (or *Seapeak*)), Teekay LNG Partners' general partner, Teekay GP L.L.C. (or *Teekay GP*), an investment vehicle (or *Acquiror*) managed by Stonepeak Partners L.P., and a wholly-owned subsidiary of Acquiror (or *Merger Sub*) entered into an agreement and plan of merger (or the *Merger Agreement*) by which Stonepeak would acquire Teekay LNG Partners. On January 13, 2022, Teekay announced the closing of the merger (or the *Merger*) pursuant to the Merger Agreement and related transactions. As part of the Merger and other transactions, Teekay sold all of its ownership interest in Teekay LNG Partners, including approximately 36.0 million Teekay LNG Partners common units, and Teekay GP (equivalent to approximately 1.6 million Teekay LNG Partners common units), for \$17.00 per common unit or common unit equivalent in cash. As consideration, Teekay received total gross cash proceeds of approximately \$641 million. Furthermore, on January 13, 2022, Teekay transferred certain management services companies to Teekay LNG Partners, that provided, through existing services agreements, comprehensive managerial, operational and administrative services to Teekay LNG Partners, its subsidiaries and certain of its joint ventures. Due to negative working capital in these subsidiaries on the date of purchase, Teekay paid Teekay LNG Partners \$4.9 million to assume ownership of them. Concurrently with the closing of the transaction, Teekay and Teekay LNG Partners entered into a transition services agreement whereby each party provides certain services, consisting primarily of corporate services that were previously shared by the entire Teekay organization, to the other party for a mutually agreed reasonable period following closing to allow for the orderly separation of these functions into two standalone operations. Teekay's former general partner interest in Teekay LNG Partners, all of its former common units in Teekay LNG Partners, and certain subsidiaries which collectively contained the shore-based management operations of Teekay LNG Partners and certain of Teekay LNG Partners' joint ventures are referred to herein as the "Teekay Gas Business".

Following completion of these transactions, Teekay Parent's remaining assets consist of our controlling interest in publicly-listed Teekay Tankers, our marine services business in Australia and a cash and short-term investments position of \$287 million as at December 31, 2023. Teekay and its current subsidiaries, other than Teekay Tankers, are referred to herein as "Teekay Parent".

#### **Structure**

To understand our financial condition and results of operations, a general understanding of our organizational structure is required. Our organizational structure can be divided into (a) our controlling interests in Teekay Tankers and (b) Teekay Parent. Since we control the voting interests of Teekay Tankers through our ownership of Class A and Class B common shares of Teekay Tankers, we consolidate the results of this subsidiary, and prior to the closing of the sale of the Teekay Gas Business, we controlled Teekay LNG Partners through our 100% ownership of the sole general partner interest of Teekay LNG Partners.



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### **Teekay Tankers**

In 2007, we formed Teekay Tankers to expand our oil tanker business. Teekay Tankers holds all of our oil tanker assets, primarily consisting of Suezmax and Aframax / LR2 tankers, and engages in short to medium term fixed-rate charter contracts and spot tanker market trading. Teekay Tankers also owns a ship-to-ship transfer business that performs full service lightering and lightering support operations in the U.S. Gulf and Caribbean. As of December 31, 2023, we had an economic interest of 28.7% and voting power of 53.8% in Teekay Tankers.

### **Teekay Parent**

Teekay Parent has been operating in Australia for over 25 years, providing various marine services to the Commonwealth of Australia and other Australian companies; Teekay Parent is one of the largest employers of Australian seafarers. Our marine services business in Australia provides operations, supply, maintenance and engineering support, and crewing and training services, primarily under long-term contracts with the Commonwealth of Australia for 11 Australian government-owned vessels. In addition, we provide crewing services for a third-party-owned FPSO unit in Western Australia.

Teekay has developed extensive industry experience and industry-leading capabilities over its 50-year history and has significant financial strength and flexibility following the sale of the Teekay Gas Business in January 2022. We believe our strong balance sheet positions us well to pursue future investments both in the broader shipping space as well as other markets as the world pushes for greater energy diversification and a lower environmental footprint, where we can leverage our operating franchise and the proven capabilities of the Teekay platform to create long-term shareholder value.

Our primary financial objective for Teekay Parent is to increase Teekay's intrinsic value per share, which includes, among other things, increasing the intrinsic value of Teekay Tankers.

## **IMPORTANT FINANCIAL AND OPERATIONAL TERMS AND CONCEPTS**

We use a variety of financial and operational terms and concepts when analyzing our performance. These include the following:

**Revenues.** Revenues primarily include revenues from voyage charters, time charters, full service lightering and lightering support services and, prior to our disposition of our FPSO units and our sale of the Teekay Gas Business, FPSO contracts and charter contracts accounted under sale-type leases. Revenues are affected by hire rates and the number of days a vessel operates. Revenues are also affected by the mix of our business between voyage charters and time charters and, to a lesser extent, whether our vessels are subject to an RSA. Hire rates for voyage charters are more volatile, as they are typically tied to prevailing market rates at the time of a voyage.

**Voyage Expenses.** Voyage expenses are all expenses unique to a particular voyage, including any fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. Voyage expenses are typically paid by the shipowner under voyage charters and the customer under time charters, except when the vessel is off-hire during the term of a time charter, in which case, the shipowner pays voyage expenses.

**Net Revenues.** Net revenues represent income (loss) from vessel operations before vessel operating expenses, time-charter hire expenses, depreciation and amortization, general and administrative expenses, gain on sale and (write-down) of assets and restructuring charges. This is a non-GAAP financial measure; for more information about this measure, please read "Item 5 - Operating and Financial Review and Prospects - Non-GAAP Financial Measures".

**Vessel Operating Expenses.** Under all types of charters and contracts for our vessels, except for bareboat charters, we are responsible for vessel operating expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses. The two largest components of our vessel operating expenses are crew costs and repairs and maintenance. We expect these expenses to increase as our fleet matures and to the extent that it expands. We are taking steps to maintain these expenses at a stable level but expect an increase in line with inflation in respect of crew, material, and maintenance costs. The strengthening or weakening of the U.S. Dollar relative to foreign currencies may result in significant decreases or increases, respectively, in our vessel operating expenses, depending on the currencies in which such expenses are incurred.

**Income (Loss) from Vessel Operations.** To assist us in evaluating our operations by segment, we analyze the income or loss from vessel operations for each segment, which represents the loss or income we receive from the segment after deducting operating expenses, but prior to interest expense, interest income, realized and unrealized gains (losses) on non-designated derivative instruments, income taxes, foreign currency and other income and losses.

**Dry docking.** We must periodically dry dock each of our vessels for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. Generally, we dry dock each of our vessels every two and a half to five years, depending upon the type of vessel and its age. We capitalize a substantial portion of the costs incurred during dry docking and amortize those costs on a straight-line basis from the completion of a dry docking over the estimated useful life of the dry dock. We expense as incurred costs for routine repairs and maintenance performed during dry dockings that do not improve or extend the useful lives of the assets. The number of dry dockings undertaken in a given period and the nature of the work performed determine the level of dry-docking expenditures.

**Depreciation and Amortization.** Our depreciation and amortization expense typically consists of charges related to the depreciation of the historical cost of our fleet (less an estimated residual value) over the estimated useful lives of our vessels, charges related to the amortization of dry-docking expenditures over the estimated number of years to the next scheduled dry docking, and charges related to the amortization of our intangible assets over the estimated useful life of 10 years.



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**Time-Charter Equivalent (TCE) Rates.** Bulk shipping industry freight rates are commonly measured in the shipping industry at the net revenues level in terms of "time-charter equivalent" (or TCE) rates, which represent net revenues divided by revenue days. We calculate TCE rates as net revenue per revenue day before costs to commercially manage our vessels, and off-hire bunker expenses.

**Revenue Days.** Revenue days are the total number of calendar days our vessels were in our possession during a period, less the total number of off-hire days during the period associated with major repairs or modifications, dry dockings or special or intermediate surveys. Consequently, revenue days represent the total number of days available for the vessel to earn revenue. Idle days, which are days when the vessel is available for the vessel to earn revenue, yet is not employed, are included in revenue days. We use revenue days to explain changes in our net revenues between periods.

**Calendar-Ship-Days.** Calendar-ship-days are equal to the total number of calendar days that our vessels were in our possession during a period. As a result, we use calendar-ship-days primarily in explaining changes in vessel operating expenses, time-charter hire expenses and depreciation and amortization expense.

## ITEMS YOU SHOULD CONSIDER WHEN EVALUATING OUR RESULTS

You should consider the following factors when evaluating our historical financial performance and assessing our future prospects:

- **Our voyage revenues are affected by cyclicity in the tanker markets.** The cyclical nature of the tanker industry causes significant increases or decreases in the revenue we earn from our vessels, particularly those we trade in the spot market.
- **Tanker rates also fluctuate based on seasonal variations in demand.** Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and increased refinery maintenance. In addition, unpredictable weather patterns during the winter months tend to disrupt vessel scheduling, which historically has increased oil price volatility and oil trading activities in the winter months. As a result, revenues generated by our vessels have historically been weaker during the quarters ended June 30 and September 30, and stronger in the quarters ended December 31 and March 31.
- **We have retroactively adjusted the presentation of our results of the Teekay Gas Business.** On October 4, 2021, we entered into agreements to sell our general partner interest in Teekay LNG Partners (now known as Seapeak LLC), all of our common units in Teekay LNG Partners, and certain subsidiaries which collectively contain the shore-based management operations of the Teekay Gas Business (see "Overview" section above). These transactions closed on January 13, 2022. All revenues and expenses of the Teekay Gas Business prior to the sale and for the periods covered by the consolidated statements of income (loss) in the consolidated financial statements included in this Annual Report have been aggregated and presented separately from the continuing operations of Teekay. As such, the following sections consisting of Operating Results – Teekay Tankers, Operating Results – Teekay Parent and Other Consolidated Operating Results exclude the results of the Teekay Gas Business.
- **The conflicts in Israel/Gaza Strip and Ukraine have had and may continue to have material effects on our business, results of operations, or financial condition.** On October 7, 2023, Hamas attacked Israel, with Israel then declaring war on Hamas in the Gaza Strip. Since mid-December 2023, Iran-backed Houthi rebels in Yemen have carried out numerous attacks on vessels in the Red Sea area, ostensibly in response to the Israel-Hamas war. As a result of these attacks, many shipping companies have suspended transit through the Red Sea, which has affected trading patterns, rates and expenses. While it is impossible to predict how this situation will evolve in the future, we expect that the rerouting of cargos will lead to additional spot tanker rate volatility in the near term. Escalation or expansion of hostilities, interventions by other groups or nations, the imposition of economic sanctions on any major oil producing nations, disruption of shipping transit in the Straits of Hormuz or other significant trade routes, such as the Red Sea, or similar outcomes could adversely affect the tanker industry, demand for our services, our business, results of operations, financial condition and cash flows.

The ongoing conflict in Ukraine has disrupted energy supply chains, caused instability and significant volatility in the global economy and resulted in economic sanctions on Russia by several nations. The ongoing conflict has contributed significantly to related increases in spot tanker rates. Additional sanctions and executive orders have been implemented and authorities are actively investigating compliance with the price cap requirement. This could further impact the trade of crude oil and petroleum products, as well as the supply of Russian oil to the global market and the demand for, and price of, crude oil and petroleum products.

Please read "Item 3 - Key Information - Risk Factors" for additional information about risks to us and our business relating to political instability, terrorist or other attacks, war or international hostilities and the conflicts in Israel and Ukraine.

- **Our U.S. Gulf lightering business competes with alternative methods of delivering crude oil to ports and exports to offshore for consolidation onto larger vessels, which may limit our earnings in this area of our operations.** Our U.S. Gulf lightering business faces competition from alternative methods of delivering crude oil shipments to port and exports to offshore for consolidation onto larger vessels, including the Louisiana Offshore Oil Platform and deep water terminals in Corpus Christi and Houston, Texas which can partially load Very Large Crude Carriers (or VLCCs). While we believe that lightering offers advantages over alternative methods of delivering crude oil to and from U.S. Gulf ports, our lightering revenues may be limited due to the availability of alternative methods.
- **Vessel operating and other costs are facing industry-wide cost pressures.** The shipping industry continues to forecast a shortfall in qualified personnel, which may be further affected by geopolitical events. We will continue to focus on our manning and training strategies to meet future needs. In addition, factors such as client demands for enhanced training and physical equipment, pressure on commodity and raw material prices, an increasing cost of freight, as well as changes in regulatory requirements could also contribute to operating expenditure increases. We continue to take action aimed at improving operational efficiencies, and to temper the effect of inflationary and other price escalations; however, increases to operational costs may occur in the future.



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- **The amount and timing of dry dockings and major modifications of our vessels can affect our revenues between periods.** Our vessels are normally off-hire when they are being dry docked. We had seven vessels drydock in 2023, compared to nine vessels which dry docked during 2022. During 2022, an additional three vessels were off-hire while completing BWTS installations. The total number of off-hire days relating to dry dockings and BWTS installations during the years ended December 31, 2023 and 2022 were 304 and 561, respectively. For our current fleet, there are 15 vessels scheduled to dry dock in 2024.
- **Our financial results are affected by fluctuations in currency exchange rates.** Under GAAP, all foreign currency-denominated monetary assets and liabilities (including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities, advances from affiliates, and long-term debt) are revalued and reported based on the prevailing exchange rate at the end of the period. These foreign currency translation fluctuations are based on the strength of the U.S. Dollar relative mainly to the Australian Dollar, British Pound, Canadian Dollar, Euro and Singaporean Dollar and are included in our results of operations. The translation of all foreign currency-denominated monetary assets and liabilities at each reporting date results in unrealized foreign currency exchange gains or losses.

## SUMMARY FINANCIAL DATA

Set forth below is summary consolidated financial and other data of Teekay Corporation and its subsidiaries for fiscal years 2021 through 2023, which have been derived from our consolidated financial statements. The following table should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements and the accompanying notes and the Reports of the Independent Registered Public Accounting Firm therein with respect to the three years ended December 31, 2023, 2022 and 2021 (which are included herein).

(in thousands of U.S. Dollars, except per share data)

	Years Ended December 31,		
	2023	2022	2021
<b>GAAP Financial Comparison:</b>			
<i>Income Statement Data:</i>			
Revenues	\$ 1,464,975	\$ 1,190,184	\$ 682,508
Income (loss) from vessel operations, continuing operations	531,725	245,766	(185,353)
Income (loss) from continuing operations	517,423	209,636	(277,463)
(Loss) income from discontinued operations	—	(20,276)	274,095
Net income (loss)	517,423	189,360	(3,368)
Net income attributable to shareholders of Teekay	150,641	78,407	7,806
<i>Per common share data:</i>			
Basic income (loss) from continuing operations attributable to shareholders of Teekay Corporation	1.59	0.36	(1.01)
Basic income from discontinued operations attributable to shareholders of Teekay Corporation	—	0.41	1.08
Basic income	1.59	0.77	0.08
Diluted income (loss) from continuing operations attributable to shareholders of Teekay Corporation	1.54	0.35	(1.01)
Diluted income from discontinued operations attributable to shareholders of Teekay Corporation	—	0.40	1.08
Diluted income	1.54	0.76	0.08
<i>Balance Sheet Data (at end of year):</i>			
Cash and cash equivalents, and short-term investments <sup>(1)</sup>	652,684	519,857	108,977
Vessels and equipment <sup>(1)(2)</sup>	1,234,524	1,296,262	4,182,785
Total assets <sup>(1)</sup>	2,196,638	2,164,846	6,531,982
Total debt <sup>(1)(3)</sup>	139,599	553,944	3,639,593
Total equity <sup>(1)</sup>	1,800,346	1,369,606	2,432,483
<b>Other Financial Data:</b>			
EBITDA <sup>(4)(5)</sup>	\$ 631,017	\$ 321,701	\$ 165,996
Adjusted EBITDA <sup>(4)(5)</sup>	618,907	341,664	394,899
Total debt to total capitalization <sup>(1)(6)</sup>	7.2 %	28.8 %	59.9 %
Net (cash) debt to total net capitalization <sup>(1)(7)</sup>	(39.9)%	1.9 %	58.1 %

(1) Includes balances from both discontinued and continuing operations on the consolidated balance sheet for 2021.



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- (2) Vessels and equipment consist of (a) our vessels, at cost less accumulated depreciation, (b) vessels related to finance leases, at cost less accumulated depreciation, (c) operating lease right-of-use assets and (d) advances on newbuilding contracts.
- (3) Total debt represents short-term debt, the current portion of long-term debt and long-term debt, and the current and long-term portion of obligations related to finance leases.
- (4) The years ended December 31, 2022 and 2021 include balances from both income (loss) from continuing operations and (loss) income from discontinued operations on the consolidated statements of income (loss).
- (5) EBITDA and Adjusted EBITDA are non-GAAP financial measures. A definition and an explanation of the usefulness and purpose of each measure as well as a reconciliation to the most directly comparable financial measure calculated and presented in accordance with GAAP are contained in the section "Non-GAAP Financial Measures" at the end of this Item 5 - Operating and Financial Review and Prospects.
- (6) Total capitalization represents total debt and total equity.
- (7) Net (cash) debt is a non-GAAP financial measure. Net (cash) debt represents total debt less cash, cash equivalents, restricted cash and short-term investments. Total net capitalization represents net debt and total equity.

## RECENT DEVELOPMENTS AND RESULTS OF OPERATIONS

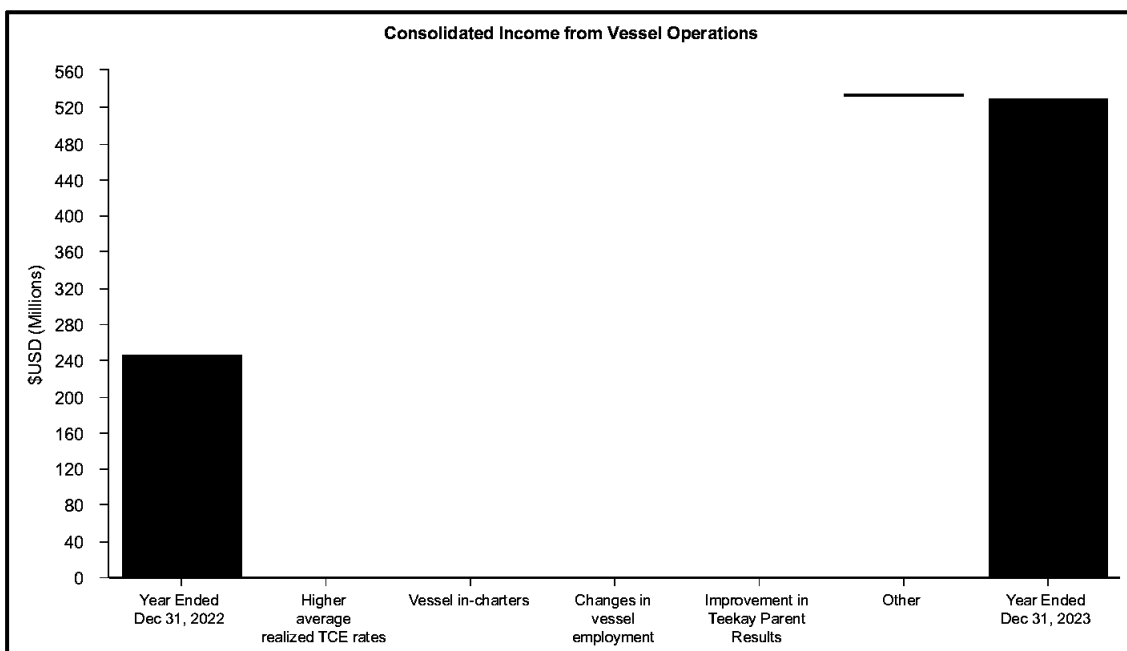
The results of operations that follow have first been divided into (a) our controlling interests in our publicly-traded subsidiary Teekay Tankers and (b) Teekay Parent. The following table (a) presents revenues and income (loss) from vessel operations for each of Teekay Tankers and for Teekay Parent, and (b) reconciles these amounts to our consolidated financial statements. Revenue and income from the Teekay Gas Business are not included in the following table and have been presented separately in "Operating Results – Teekay Gas Business".

(in thousands of U.S. dollars)	Revenues <sup>(1)</sup>		Income (loss) from vessel operations <sup>(1)</sup>	
	2023	2022	2023	2022
Teekay Tankers	1,364,452	1,063,111	535,910	255,949
Teekay Parent	100,523	127,073	(4,185)	(10,183)
Teekay Corporation Consolidated	1,464,975	1,190,184	531,725	245,766

(1) Excluding results pertaining to the Teekay Gas Business. See "Item 18 – Financial Statements: Note 21 – Discontinued Operations" for further details.

## Summary

Our consolidated income from vessels operations, which excludes the Teekay Gas Business, increased to \$531.7 million for the year ended December 31, 2023, compared \$245.8 million in the prior year. The primary reasons for this net increase in income are as follows:





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- an increase of \$237.4 million as a result of higher overall average realized spot TCE rates earned by Teekay Tankers' Suezmax tankers and Aframax / LR2 tankers, as well as higher earnings from Teekay Tankers' full service lightering (or FSL) dedicated vessels;
- an increase of \$28.4 million due to the addition of four Aframax / LR2 chartered-in tankers and one Suezmax chartered-in tanker that were delivered to Teekay Tankers at various times between the third quarter of 2022 and the first quarter of 2023;
- an increase of \$17.5 million due to certain vessels returning from time charter-out contracts at various times between the second quarter of 2022 and the first quarter of 2023 and earning higher average spot rates in 2023 compared to previous fixed rates; and
- an improvement of \$6.0 million in net operating losses for Teekay Parent primarily due to the sale of the Teekay Gas Business on January 13, 2022, which included a decrease in general and administrative expenses and restructuring charges, lower operating losses from decommissioning activities for our FPSOs during 2022 and improved results from our ship management services in Australia, partially offset by a gain on sale of the *Sevan Hummingbird* FPSO in the third quarter of 2022;

partially offset by:

- a net decrease of \$3.4 million in operating income in Teekay Tankers primarily due to the sale of four Aframax / LR2 tankers and one Suezmax tanker at various times during the first three quarters of 2022 and the fourth quarter of 2023 and higher general and administrative expenses, partially offset by fewer off-hire days and off-hire bunker expenses during 2023.

Details of the changes to our results of operations for the year ended December 31, 2023, compared to the year ended December 31, 2022 are provided in the following section.

## **Year Ended December 31, 2023 versus Year Ended December 31, 2022**

### **Teekay Tankers**

As at December 31, 2023, Teekay Tankers owned and leased 43 double-hulled oil and product tankers and time chartered-in seven Aframax / Long Range 2 (or LR2) and one Suezmax tanker. Teekay Tankers also owned a 50% interest in one VLCC tanker.

### **Recent Developments in Teekay Tankers**

*For additional information about Teekay Tankers, please refer to its Annual Report on Form 20-F for the year ended December 31, 2023, as filed with the SEC.*

#### Vessel Sales

During the fourth quarter of 2023, Teekay Tankers agreed to sell two Aframax / LR2 tankers in separate transactions for a combined sales price of \$46.5 million. One of these sales was completed in December 2023 when the vessel was delivered to its new owner, which resulted in a gain on sale of \$10.4 million during the year ended December 31, 2023. The other vessel was delivered to its new owner in February 2024 and such vessel was classified as Held for Sale as at December 31, 2023.

#### Time Chartered-in Vessels

In January 2023, an Aframax / LR2 tanker newbuilding related to a time charter-in contract that Teekay Tankers entered into in 2020 was delivered to Teekay Tankers. The time charter-in contract has a seven-year term at a rate of \$18,700 per day, with three one-year extension option periods and a purchase option at the end of the second extension option period.

During the first quarter of 2023, two Aframax / LR2 tankers related to time charter-in contracts that were entered into in December 2022 and February 2023, respectively, were delivered to Teekay Tankers and commenced their in-charter terms of two to three years, respectively, at an average rate of \$33,450 per day.

In May, July and September 2023, Teekay Tankers extended three chartered-in contracts for three Aframax / LR2 tankers for 12 months each at an average rate of approximately \$20,800 per day. An additional 12-month optional period was secured on one of the vessels.

#### Time Chartered-out Vessels

In February 2023, a one-year time charter-out contract for an Aframax / LR2 tanker that was entered into in December 2022 commenced at a rate of \$48,500 per day. This time charter-out contract expired in February 2024, at which time the tanker was delivered back to Teekay Tankers and has subsequently been trading in the spot market.

#### Vessel Repurchases

In March 2023, Teekay Tankers completed the repurchase of one Suezmax tanker and eight Aframax / LR2 tankers for a total cost of \$164.3 million, pursuant to repurchase options under related sale-leaseback arrangements.

In May 2023, Teekay Tankers completed the repurchase of five Suezmax tankers and one Aframax / LR2 tanker for a total cost of \$142.8 million, pursuant to repurchase options under related sale-leaseback arrangements.

In September 2023, Teekay Tankers completed the repurchase of two Suezmax tankers and two Aframax / LR2 tankers for a total cost of \$57.2 million, pursuant to repurchase options under related sale-leaseback arrangements.



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In January 2024, Teekay Tankers gave notice to exercise options to acquire eight Suezmax tankers for a total cost of \$137.0 million, pursuant to repurchase options under related sale-leaseback arrangements described in "Item 18 – Financial Statements: Note 8 - Operating Leases and Obligations related to Finance Leases" of this Annual Report. Teekay Tankers expects to complete the repurchase and delivery of these eight vessels in March 2024. Upon redelivery of these eight vessels to Teekay Tankers, the vessels will be unencumbered.

### Debt Facility

In May 2023, Teekay Tankers entered into a new secured revolving credit facility agreement (or the *2023 Revolver*) for up to \$350.0 million to refinance 19 vessels, which vessels include the nine, six and four vessels Teekay Tankers repurchased in March 2023, May 2023 and September 2023, respectively, that were previously subject to sale-leaseback financing arrangements. The 2023 Revolver has a six-year term and an interest rate based on the Secured Overnight Financing Rate (or *SOFR*) plus a margin of 2.0%. The maximum amount of the facility is reduced by semi-annual reductions in revolver capacity.

### Cancellation of Revolving Credit Facility

In July 2023, Teekay Tankers provided notice of loan cancellation to the lenders of the previous revolving credit facility (or the *2020 Revolver*). The 2020 Revolver, which had a maturity date of December 2024, was cancelled effective July 2023, at which time all 13 collateralized vessels and related security were released and discharged. Upon cancellation of the 2020 Revolver, the amount available to Teekay Tankers from their long-term debt was reduced by \$65.7 million.

### Cancellation of Working Capital Loan Facility

In September 2023, Teekay Tankers provided notice of cancellation to the lender of their working capital loan facility with Teekay Tankers Chartering Pte. Ltd. (or *TTCL*), Teekay Tankers' wholly-owned subsidiary. The working capital loan facility, which provided for aggregate borrowings up to \$80.0 million, was cancelled in September 2023, and the related security interests in the assets of TTCL were subsequently discharged. Upon cancellation of the working capital loan facility, the amount available to Teekay Tankers from their short-term debt was reduced by \$80.0 million.

## **Operating Results – Teekay Tankers**

The following table compares Teekay Tankers' operating results, equity income (loss) and number of calendar-ship-days for its vessels for 2023 and 2022.

(in thousands of U.S. dollars, except calendar-ship-days)	Year Ended December 31,	
	2023	2022
Revenues	1,364,452	1,063,111
Voyage expenses	(474,371)	(495,604)
Net revenues	890,081	567,507
Vessel operating expenses	(148,960)	(150,448)
Time-charter hire expenses	(70,836)	(27,374)
Depreciation and amortization	(97,551)	(99,033)
General and administrative expenses	(45,936)	(41,769)
Gain on sale and (write down) of assets	10,360	8,888
Restructuring charges	(1,248)	(1,822)
Income from vessel operations	535,910	255,949
Equity income	3,432	244
Calendar-Ship-Days <sup>(1)</sup> for Conventional Tankers	18,733	17,804

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

### Tanker Market

Mid-size crude tanker spot rates increased during the fourth quarter of 2023, primarily due to an increase in crude oil exports from key load regions in both OPEC+ and non-OPEC+ countries, including record high crude oil exports from the U.S. Gulf, coupled with seasonal weather delays. Spot tanker rates have remained firm at the start of 2024 as seasonal factors continue to support rates, while instability in the Red Sea region due to attacks on merchant ships has led to an increase in tonne-mile demand as owners and charterers look to reroute vessels on longer haul voyages in order to avoid the affected region.

The outlook for the global economy is improving, with the International Monetary Fund (or *IMF*) recently increasing its forecast for global GDP growth in 2024 from 2.9% to 3.1%, with further growth of 3.2% expected in 2025. The prospect of a hard landing for the global economy may be receding as inflation has begun to fall across the globe, though downside risks remain. The outlook for global oil demand also remains positive, with the U.S. Energy Information Administration (or *EIA*) forecasting growth of 1.4 million barrels per day (or *mb/d*) in 2024 and a further 1.3 *mb/d* in 2025.



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The majority of oil supply growth in 2024 is expected to come from non-OPEC+ countries in the Atlantic Basin, led by the United States, Canada, Brazil, and Guyana. Given that oil demand growth is expected to be focused on the Asia-Pacific region in 2024, there could be an increase in Atlantic-to-Pacific crude oil movements, which may be beneficial for tanker tonne-mile demand. However, supply cuts from the OPEC+ group, which were announced in November 2023, and which came into effect in January 2024, may lead to reduced export volumes, particularly from the Middle East, which could weigh on tanker demand in the near term.

The ongoing conflict in Ukraine continues to impact mid-size tanker tonne-miles, with the vast majority of Russian crude oil exports now heading long-haul to India and China, and we expect this situation to persist over the medium term. In addition, growing instability in the Middle East has increasingly impacted shipping markets since December 2023 in the form of attacks on merchant ships in the Red Sea. This is a dynamic situation, but for the time being we expect that many ship owners and charterers will look to avoid the region and seek alternate routes that inevitably involve longer voyages. For many vessels, this means sailing around the Cape of Good Hope, adding a significant number of voyage days and creating additional tanker tonne-mile demand. For example, a Suezmax voyage from Basra, Iraq to the Mediterranean is around 4,000 nautical miles via the Suez Canal compared to around 12,000 nautical miles via the Cape of Good Hope. While it is impossible to predict how this situation will evolve in the future, we expect that the rerouting of cargos may continue to create additional tanker demand in the near term.

Tanker fleet supply fundamentals continue to look positive. This is especially true for 2024, with just 9 million deadweight tons (or *mdwt*) scheduled to be delivered this year, the lowest annual total since 1997. The tanker orderbook as a whole remains low compared to the 20-year average at around 7% of the existing fleet size while forward orderbook cover at global shipyards stands at 3.5 years, meaning there is little spare shipyard capacity until 2027. The combination of a low orderbook, an aging tanker fleet, and a lack of shipyard capacity until 2027 should lead to very low levels of tanker fleet growth over the next three years, including virtually no fleet growth in 2024.

In summary, we expect that a combination of robust tanker demand growth and positive fleet supply fundamentals will continue to lay the foundation for a strong spot tanker market over the next two to three years. Geopolitical instability in various regions of the world, and the subsequent rerouting of tankers on longer haul voyages, may add to spot tanker rate volatility.

**Net Revenues.** Net revenues were \$890.1 million for the year ended December 31, 2023, compared to \$567.5 million for the year ended December 31, 2022. The increase was primarily due to:

- an increase of \$217.8 million due to higher overall average realized spot rates earned by Teekay Tankers' Suezmax tankers and Aframax / LR2 tankers in 2023 compared to 2022;
  - a net increase of \$60.3 million due to the addition of four Aframax / LR2 chartered-in tankers and one Suezmax chartered-in tanker that were delivered to Teekay Tankers at various times between the third quarter of 2022 and the first quarter of 2023, partially offset by the sale of four Aframax / LR2 tankers and one Suezmax tanker at various times during the first three quarters of 2022 and the fourth quarter of 2023;
  - an increase of \$19.6 million primarily due to higher average FSL spot and spot voyage charter rates for Teekay Tankers' FSL dedicated vessels in 2023 compared to 2022;
  - an increase of \$17.5 million due to certain vessels returning from time charter-out contracts at various times between the second quarter of 2022 and the first quarter of 2023 and earning higher average spot rates in 2023 compared to previous fixed rates;
  - an increase of \$7.0 million due to fewer off-hire days and off-hire bunker expenses during 2023, primarily related to fewer scheduled dry dockings compared to 2022; and
  - an increase of \$2.4 million due to higher STS support services revenues resulting from an increase in the average rate earned per operation in 2023 compared to 2022;
- partially offset by:
- a decrease of \$1.3 million due to commercial claims from charterers during 2023; and
  - a decrease of \$0.8 million due to lower revenue earned from Teekay Tankers' responsibilities in employing the vessels subject to RSAs in 2023 compared to 2022.

**Vessel Operating Expenses.** Vessel operating expenses were \$149.0 million for the year ended December 31, 2023, compared to \$150.4 million for the year ended December 31, 2022. The net decrease was primarily due to a decrease of \$4.1 million resulting from the sale of three Aframax / LR2 tankers and one Suezmax tanker at various times during the first three quarters of 2022, as well as a decrease of \$1.1 million resulting from lower crewing-related expenditures in 2023, partially offset by an increase of \$2.3 million related to higher repair and maintenance costs on certain tankers, an increase of \$0.7 million related to higher expenditures for ship management, as well as an increase of \$0.7 million resulting from a higher volume of STS support service activities in 2023.

**Time-charter Hire Expenses.** Time-charter hire expenses were \$70.8 million for the year ended December 31, 2023, compared to \$27.4 million for the year ended December 31, 2022. The net increase was primarily due to an increase of \$43.6 million resulting from the addition of four Aframax / LR2 chartered-in tankers and one Suezmax chartered-in tanker that were delivered to Teekay Tankers at various times between the third quarter of 2022 and the first quarter of 2023, as well as an increase of \$1.3 million resulting from an increase in daily hire rates for two Aframax / LR2 tankers after extending their chartered-in contracts during the first three quarters of 2023, partially offset by a decrease of \$1.1 million resulting from more off-hire days for a chartered-in tanker due to its dry dock during 2023.

**Depreciation and Amortization.** Depreciation and amortization was \$97.6 million for the year ended December 31, 2023 compared to \$99.0 million for the year ended December 31, 2022. The decrease was primarily due to the sale of three Aframax / LR2 tankers and one Suezmax tanker during first three quarters of 2022.



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**General and Administrative Expenses.** General and administrative expenses were \$45.9 million for the year ended December 31, 2023, compared to \$41.8 million for the year ended December 31, 2022. The increase was primarily due to higher expenditures related to compensation, benefits and payroll taxes, as well as higher general corporate expenditures during the year ended December 31, 2023.

**Gain on sale and (write-down) of assets.** The gain on sale and (write-down) of assets of \$10.4 million for the year ended December 31, 2023 was related to the sale of one Aframax / LR2 tanker in December 2023.

The gain on the sale and (write-down) of assets of \$8.9 million for the year ended December 31, 2022 was related to:

- the sale of three Aframax / LR2 tankers and one Suezmax tanker in 2022, which resulted in an aggregate gain of \$9.4 million during the year ended December 31, 2022, and a reversal of a previous write-down of one of these tankers, which was made to reflect the tanker's agreed sales price and resulted in a gain of \$0.6 million during the year ended December 31, 2022;

partially offset by:

- the impairment recorded on two of Teekay Tankers' operating lease right-of-use assets resulting from a decline in the prevailing short-term time-charter rates, which resulted in a write-down of \$1.1 million during the year ended December 31, 2022.

**Restructuring Charges.** Restructuring charges of \$1.2 million for the year ended December 31, 2023 were primarily related to organizational changes made to Teekay Tankers' commercial and technical operations teams. Restructuring charges of \$1.8 million for the year ended December 31, 2022, were primarily related to organizational changes made as a result of Teekay's divestments related to Teekay LNG Partners L.P. (now known as Seapeak LLC) in January 2022, as described in "Item 18 – Financial Statements: Note 13 - Related Party Transactions" of this Annual Report.

**Equity Income.** Equity income was \$3.4 million for the year ended December 31, 2023, compared to \$0.2 million for the year ended December 31, 2022. The increase was primarily due to higher spot rates realized by Teekay Tankers' 50% ownership interest in a VLCC, which has been trading in a third-party managed VLCC pooling arrangement, as well as fewer off-hire days during 2023 resulting from the dry dock of the VLCC during 2022.

## **Teekay Parent**

Teekay Parent's Marine Services and Other segment contains Teekay Parent's Australian operations, which provide operational and maintenance marine services in Australia to the Department of Defense and to another third-party, and Teekay Parent's corporate general and administrative expenses. As at December 31, 2023, Teekay Parent had no direct interests in any vessels or FPSO units. Teekay Parent's business of providing marine and corporate services to Seapeak's equity-accounted joint ventures is not included in the following table and has been presented as part of the section "Operating Results – Teekay Gas Business".

## **Recent Developments in Teekay Parent**

As described above in the "Overview" section, Teekay sold all of its interest in Teekay LNG Partners (now known as Seapeak LLC) in connection with the acquisition of Teekay LNG Partners by an affiliate of Stonepeak, on January 13, 2022.

In April 2021, BP p.l.c. announced its decision to suspend production from the Foinaven oil fields and permanently remove the *Petrojarl Foinaven* FPSO unit from the site. In August 2022, BP redelivered the FPSO unit to us and upon redelivery, Teekay Parent received a fixed lump sum payment of \$11.6 million from BP, which we expect will cover the cost of green recycling the FPSO unit. On October 21, 2022, Teekay Parent delivered the FPSO unit to an EU-approved shipyard for green recycling. The green recycling of the FPSO unit is expected to be completed by mid-2024.

In February 2022, Spirit Energy, the charterer of the *Sevan Hummingbird* FPSO unit, provided a formal notice of termination of the FPSO charter contract, and oil production ceased on the Chestnut oil field on March 31, 2022. The FPSO charter contract was terminated on June 30, 2022 upon completion of the decommissioning activities. In April 2022, Teekay Parent entered into an agreement to sell the *Sevan Hummingbird* FPSO unit to a third party, which sale was completed on July 1, 2022, for gross proceeds of \$13.3 million and Teekay Parent recognized a gain of \$13.0 million during the third quarter of 2022. The proceeds from the sale of the *Sevan Hummingbird* FPSO unit covered the decommissioning costs for the unit, the majority of which were incurred in the second quarter of 2022.



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## Operating Results – Teekay Parent

The following table compares Teekay Parent's operating results and the number of calendar-ship-days for its vessels for 2023 and 2022.

(in thousands of U.S. dollars, except calendar-ship-days)	Marine Services and Other Year ended December 31,	
	2023	2022
Revenues	100,523	127,073
Vessel operating expenses <sup>(1)</sup>	(92,625)	(124,765)
General and administrative expenses <sup>(1)</sup>	(11,654)	(15,709)
Gain on sale of assets	—	12,975
Restructuring charges	(429)	(9,757)
Loss from vessel operations	(4,185)	(10,183)
Calendar-ship-days - FPSO Units	—	475

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

Loss from vessel operations for Teekay Parent's Marine Services and Other segment was \$4.2 million for 2023, compared \$10.2 million for 2022. The decrease in loss from vessel operations is primarily a result of:

- a decrease of \$8.6 million as a result of the sale of the Teekay Gas Business on January 13, 2022, which included a decrease in general and administrative expenses and restructuring charges in 2023;
- a net decrease of \$5.2 million related to the *Sevan Hummingbird* FPSO due to final decommissioning activities and restructuring costs in 2022, partially offset by a decrease in revenue in 2023 compared to 2022 due to the FPSO unit ceasing operations on March 31, 2022;
- a decrease of \$3.6 million due to decommissioning activities for the *Petrojarl Foinaven* and *Petrojarl Banff* FPSO units in 2022; and
- a decrease of \$1.6 million due to improved results from our ship management services in Australia in 2023 compared to 2022;

partially offset by:

- an increase of \$13.0 million due to a gain on sale of the *Sevan Hummingbird* FPSO unit in July 2022.

## Other Consolidated Operating Results

The following table compares our other consolidated operating results for 2023 and 2022, excluding the other operating results of the Teekay Gas Business which have been presented separately in "Operating Results – Teekay Gas Business":

(in thousands of U.S. dollars, except percentages)	Year Ended December 31,	
	2023	2022
Interest expense	(28,009)	(38,580)
Interest income	24,128	6,689
Realized and unrealized gains on non-designated derivative instruments	449	4,817
Loss on bond repurchases	—	(12,694)
Other - net	(2,140)	4,811
Income tax expense	(12,162)	(1,417)

**Interest expense.** Interest expense decreased to \$28.0 million for the year ended December 31, 2023, compared to \$38.6 million for the year ended December 31, 2022, primarily due to:

- a decrease of \$8.0 million relating to Teekay Tankers due to its repurchase of 11 Aframax / LR2 tankers and eight Suezmax tankers during the first three quarters of 2023, all of which were previously held under sale-leaseback arrangements, as well as the repayment in full of Teekay Tankers' previous term loan during the second half of 2022, partially offset by a higher average benchmark interest rate under sale-leaseback financing arrangements during the year ended December 31, 2023; and
- a decrease of \$2.5 million relating to Teekay Parent, primarily due to the repurchase of and the redemption in full of Convertible Notes during 2022 and January 2023, and due to the redemption in full of Teekay's 9.25% senior secured notes (or the 2022 Notes) in January 2022 (see "Item 18 – Financial Statements: Note 7 – Long-Term Debt" for further details).



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Interest income. Interest income increased to \$24.1 million for the year ended December 31, 2023, compared to \$6.7 million for the year ended December 31, 2022. The increase was primarily due to higher cash and short-term investment balances with higher applicable interest rates during the year ended December 31, 2023.

Realized and unrealized gains on derivative instruments. Realized and unrealized gains on derivative instruments were \$0.4 million for the year ended December 31, 2023, compared to a gain of \$4.8 million for the year ended December 31, 2022.

In March 2020, Teekay Tankers entered into an interest rate swap agreement with a notional amount of \$50.0 million and a fixed rate of approximately 0.8%, which swap agreement was scheduled to mature in December 2024. In June 2023, Teekay Tankers terminated the interest rate swap agreement. Teekay Tankers realized a gain under the swap agreement of \$4.2 million during the year ended December 31, 2023, compared to \$0.5 million during the prior year, primarily due to the termination of the interest rate swap agreement in 2023 and a higher average benchmark interest rates for the year ended December 31, 2023.

Teekay Tankers recognized unrealized losses of \$3.7 million during the year ended December 31, 2023, compared to an unrealized gain \$3.2 million during the prior year under the interest rate swap agreement, primarily due to the termination of the interest rate swap agreement in 2023.

From time to time, Teekay Tankers uses forward freight agreements (or FFAs) to increase or decrease its exposure to spot tanker rates, within defined limits. Teekay Tankers recognized a realized gain of \$1.5 million during the year ended December 31, 2022, under the FFAs.

Teekay Parent recognized no gains or losses from foreign currency forward contracts in 2023, compared to realized losses of \$0.4 million in 2022.

Loss on bond repurchases. Losses on bond repurchases of \$12.7 million for the year ended December 31, 2022, related to the redemption in full of Teekay Parent's 2022 Notes in January 2022 and the repurchase of a majority of Teekay Parent's Convertible Notes (see "Item 18 – Financial Statements: Note 7 – Long-Term Debt" for further details).

Other - net. Other expense was \$2.1 million for the year ended December 31, 2023, compared to other income of \$4.8 million for the year ended December 31, 2022. The year-to-year change was due to a non-cash loss on disposal of Teekay Parent's defined benefit pension plans in Australia during the year ended December 31, 2023, premiums paid by Teekay Tankers during 2023 related to the repurchase of 19 tankers which were previously under sale-leaseback arrangements, net reductions in the asset retirement obligation (or ARO) liability related to the *Petrojarl Foinaven* FPSO unit recognized during the year ended December 31, 2022, and lower foreign exchange gains during 2023, partially offset by an amount recognized in relation to the resolution of a legal claim during 2023 and a payment made in relation to the settlement of a legal claim during 2022.

Income tax expense. Income tax expense was \$12.2 million in 2023 compared to \$1.4 million in 2022. The increase was primarily due to changes in vessel trading activities and higher gross revenues and net income in the year ended December 31, 2023, as well as lower tax recoveries during 2023 related to the expiry of the limitation period in certain jurisdictions and higher taxes during 2023 due to prior year tax adjustments, partially offset by the net change resulting from the reversal of certain freight tax liabilities during 2023 and 2022 based on an assessment of Teekay Tankers' tax position for a jurisdiction.

## **Operating Results - Teekay Gas Business**

As previously discussed in the "Overview" section above, Teekay sold its interest in the Teekay Gas Business effective January 13, 2022.



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The following table compares the Teekay Gas Business' operating results for its vessels for 2023 and 2022:

(in thousands of U.S. dollars)	Year Ended December 31,	
	2023	2022
Revenues	—	25,083
Voyage expenses	—	(853)
Vessel operating expenses	—	(5,937)
Time-charter hire expenses	—	(845)
Depreciation and amortization	—	—
General and administrative expenses <sup>(1)</sup>	—	(781)
Restructuring charges	—	—
<b>Income from vessel operations</b>	—	16,667
Interest expense	—	(4,287)
Interest income	—	188
Realized and unrealized gains on non-designated derivative instruments	—	3,675
Equity income	—	17,881
Foreign exchange gain	—	4,286
Other - net	—	9
Loss on deconsolidation of the Teekay Gas Business	—	(58,684)
<b>(Loss) income from discontinued operations before income taxes</b>	—	(20,265)
Income tax expense	—	(11)
<b>(Loss) income from discontinued operations</b>	—	(20,276)

(1) General and administrative costs for the Teekay Gas Business discontinued operations do not include allocations of costs from shared corporate units. As a result, the general and administrative expenses of the Teekay Gas Business discontinued operations do not represent a fully-built-up cost, but rather only the direct costs incurred by Seapeak and the costs associated with functions that were fully-dedicated to providing services to Seapeak and certain of its joint ventures. As such, Seapeak's share of the costs incurred by the corporate units in Teekay Parent is not included in the discontinued operations results.

Results from the Teekay Gas Business decreased in the year ended December 31, 2022, compared to the same period in prior year, as a result of the sale of the Teekay Gas Business on January 13, 2022, as well as a loss on deconsolidation recognized during the three months ended March 31, 2022. Included in the net (income) loss attributable to non-controlling interests, discontinued operations on the consolidated statements of income (loss) was \$84.8 million of Deferred Dropdown Gains as described in "Item 1 - Financial Statements: Note 21 - Deconsolidation of Teekay Gas Business and Discontinued Operations". Together the Deferred Dropdown Gains and the loss on deconsolidation of \$58.7 million, resulted in a net gain of \$26.2 million during 2022 that was recognized in the net income attributable to our shareholders on sale of the Teekay Gas Business.

### Year Ended December 31, 2022 versus Year Ended December 31, 2021

For a discussion of our operating results for the year ended December 31, 2022 compared with the year ended December 31, 2021, please see "Item 5 – Recent Developments and Results of Operations" in our Annual Report on Form 20-F for the year ended December 31, 2022.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and Uses of Capital

#### Teekay Parent

As of the date of this filing, Teekay Parent primarily generates cash flows from managing vessels for the Australian government, from providing management services to Teekay Tankers and certain third parties, from dividends received from Teekay Tankers and from interest income related to our short-term investments and cash and cash equivalent balances. Teekay Parent's other potential sources of funds are borrowings under credit facilities and proceeds from issuances of debt or equity securities. As at December 31, 2023, Teekay Parent had no remaining debt securities outstanding, as described in "Item 18 – Financial Statements: Note 7 – Long-Term Debt".

Teekay Parent's primary uses of cash include the payment of operating expenses, funding general and administrative expenses and other working capital requirements, and the payment of remaining recycling costs associated with the *Petrojarl Foinaven* FPSO unit, which was disposed of in 2022. As at December 31, 2023, Teekay Parent held \$287.4 million in cash, cash equivalents and short-term investments, which are comprised of bank deposits and short-term debt securities issued by the United States government.

In August 2022, Teekay announced that its Board of Directors authorized the repurchase of up to \$30 million of Teekay common shares in the open market and other transactions. Following the completion of this share repurchase program in March 2023, Teekay's Board of Directors authorized two additional share repurchase programs in March 2023 and June 2023 for the repurchase of up to an additional \$30 million and \$25 million, respectively, of Teekay common shares in the open market, through privately-negotiated transactions and by any other means permitted under the rules of the SEC.



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During the year ended December 31, 2023, Teekay Parent repurchased approximately 8.9 million Teekay common shares for \$50.7 million, including transaction costs, under these share repurchase programs. As at December 31, 2023, the total remaining share repurchase authorization was \$19.2 million.

### Teekay Tankers

Teekay Tankers generates cash flows primarily from chartering out its vessels. Teekay Tankers employs a chartering strategy that seeks to capture upside opportunities in the tanker spot market while using fixed-rate time charters and FSL contracts to reduce potential downside risks. Teekay Tankers' short-term charters and spot market tanker operations contribute to the volatility of its net operating cash flow, and thus may impact its ability to generate sufficient cash flows to meet its short-term liquidity needs. Historically, the tanker industry has been cyclical, experiencing volatility in profitability and asset values resulting from changes in the supply of, and demand for, vessel capacity. In addition, tanker spot markets historically have exhibited seasonal variations in charter rates. Tanker spot markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere and unpredictable weather patterns that tend to disrupt vessel scheduling. There can be other factors that override typical seasonality, such as was the case during the year ended December 31, 2022, when global oil trade routes and tonne-mile demand were impacted by Russia's invasion of Ukraine, which commenced in late February 2022.

While exposure to the volatile spot market is the largest potential cause for changes in Teekay Tankers' net operating cash flow from period to period, variability in its net operating cash flow also reflects changes in interest rates, fluctuations in working capital balances, the timing and the amount of dry-docking expenditures, repairs and maintenance activities, the average number of vessels in service, including chartered-in vessels, and vessel acquisitions or vessel dispositions, among other factors. The number of vessel dry dockings varies each period depending on vessel maintenance schedules.

Teekay Tankers' primary sources of cash are long-term bank borrowings, lease or equity financings, and to a lesser extent, the proceeds from the sales of its older vessels.

Teekay Tankers' obligations related to finance leases are described in "Item 18 – Financial Statements: Note 8 – Leases" and its 2023 Revolver is described in "Item 18 – Financial Statements: Note 7 – Long-Term Debt" of this report. Teekay Tankers' 2023 Revolver contains covenants and other restrictions that we believe are typical of debt financing collateralized by vessels, including those that restrict the relevant subsidiaries from: incurring or guaranteeing additional indebtedness; making certain negative pledges or granting certain liens; and selling, transferring, assigning or conveying assets.

Teekay Tankers' 2023 Revolver and obligations related to finance leases require it to maintain certain financial covenants. The terms of and compliance with these financial covenants are described in further detail in "Item 18 – Financial Statements: Note 7 – Long-Term Debt" and in "Item 18 – Financial Statements: Note 8 – Leases" included in this Annual Report. If Teekay Tankers does not meet these financial or other covenants, the lender may declare Teekay Tankers' obligations under the agreements immediately due and payable and terminate any further loan commitments, which would significantly affect Teekay Tankers' short-term liquidity requirements. As at December 31, 2023, Teekay Tankers was in compliance with all covenants under its revolving credit facility and obligations related to finance leases.

Teekay Tankers' 2023 Revolver and obligations related to finance leases require it to make interest payments based on SOFR plus a margin. Significant increases in interest rates could adversely affect Teekay Tankers' results of operations and its ability to service its debt. From time to time, Teekay Tankers uses interest rate swaps to reduce its exposure to market risk from changes in interest rates. As at December 31, 2023, Teekay Tankers was not committed to any interest rate swap agreements. The extent of Teekay Tankers' exposure to changes in interest rates is described in further detail in "Item 11 - Quantitative and Qualitative Disclosures About Market Risk" of this Annual Report.

Teekay Tankers' primary uses of cash include the payment of operating expenses, dry-docking expenditures, costs associated with modifications to its vessels, debt servicing costs, scheduled repayments of long-term debt, scheduled repayments of its obligations related to finance leases, as well as funding its other working capital requirements, cash dividend payments on Teekay Tankers' common shares, repurchases of Teekay Tankers' common shares under its repurchase program, as well as providing funding to its equity-accounted joint venture from time to time. In addition, Teekay Tankers uses cash to acquire new or second-hand vessels. The timing of the acquisition of vessels depends on a number of factors, including newbuilding prices, second-hand vessel values, the age, condition and size of Teekay Tankers' existing fleet, the commercial outlook for its vessels and other considerations. As such, vessel acquisition activity may vary significantly from year to year.

### **Cash Flows**

The following table summarizes our cash flows for the periods presented:

(in thousands of U.S. Dollars)

	Year Ended December 31,	
	2023	2022
Net operating cash flows - continuing operations	633,456	172,288
Net operating cash flows - discontinued operations	—	26,866
Net financing cash flows - continuing operations	(524,050)	(456,948)
Net investing cash flows - continuing operations	54,659	308,980

### Operating Cash Flows - Continuing Operations

Our consolidated net cash flow from operating activities - continuing operations fluctuates primarily as a result of changes in vessel utilization and TCE rates, changes in interest rates, fluctuations in working capital balances, the timing and amount of dry-docking expenditures, repairs and maintenance activities, vessel additions and dispositions, and foreign currency rates. Teekay Tankers' exposure to the spot tanker market has contributed significantly to fluctuations in operating cash flows historically as a result of highly cyclical spot tanker rates.



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Consolidated net cash flow from operating activities increased to \$633.5 million for the year ended December 31, 2023, from \$172.3 million for the year ended December 31, 2022. The increase to operating cash flows was primarily due to a \$294.9 million increase in income from operations (before depreciation and amortization, and gain on sale of assets). For a further discussion of changes in income from operations from our businesses, please read "Item 5 – Operating and Financial Review and Prospects: Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments and Results of Operations". In addition, there was an increase of \$154.0 million in cash flows related to changes in net working capital compared to 2022 (see "Item 18 – Financial Statements: Note 19 - Supplemental Cash Flow Information" for a breakdown of these changes related to Accounts Receivable, Prepaid Expenses & Other, Accounts Payable and Accrued Liabilities & Other). Other changes in cash flow from operating activities include a \$31.6 million decrease in net interest expense compared to 2022, partially offset by a \$10.5 million decrease in direct financing lease payments received in 2023 compared to 2022, and an increase in asset retirement obligation and dry docking expenditures in 2023 of \$4.9 million.

### Financing Cash Flows - Continuing Operations

We use our credit facilities to partially finance capital expenditures. We actively manage the maturity profile of our outstanding financing agreements. Our net proceeds and prepayments of long-term debt, net of issuing costs, were \$4.5 million in the year ended December 31, 2023, compared to \$614.7 million in 2022, primarily due to the redemption of the 2022 Notes in January 2022, the repurchase and redemption of the Convertible Notes during 2022 and January 2023 and a prepayment on Teekay Tankers' revolving credit facility during the year ended December 31, 2023. In addition, scheduled debt repayments decreased by \$35.7 million in 2023 compared to 2022.

During 2023, Teekay Tankers made prepayments of \$364.2 million on its obligations related to finance leases, compared to \$288.1 million in proceeds received from sale-leaseback transactions in 2022.

During 2023, Teekay Parent repurchased approximately 8.9 million shares of its common stock for \$50.7 million, or an average price of \$5.69 per share.

During 2023, Teekay Tankers paid dividends to non-controlling interests of \$42.7 million.

During 2023, there was a net drawdown of \$nil on Teekay Tankers' working capital loan facility (which was voluntarily cancelled in September 2023), compared to net repayments of \$25.0 million in 2022.

During 2023, Teekay Parent purchased an additional 0.1 million (2022 - 0.5 million) of Teekay Tankers' Class A common shares through open market purchases for \$4.8 million (2022 - \$5.3 million) at an average price of \$35.95 (2022 - \$10.82) per share.

### Investing Cash Flows - Continuing Operations

During 2023, we reduced our short-term investments by \$37.4 million, Teekay Tankers received repayments of \$3.9 million from its equity-accounted joint venture, Teekay Tankers incurred capital expenditures for vessels and equipment of \$10.2 million and Teekay Tankers received proceeds of \$23.6 million from the sale of one Aframax / LR2 tanker.

During the year ended December 31, 2022, we received net proceeds of \$454.8 million (\$641 million gross proceeds, net of cash balances sold of \$178 million and other working capital adjustments) from the sale of the Teekay Gas Business, Teekay Tankers received proceeds of \$69.6 million from the sale of the one Suezmax tanker and three Aframax / LR2 tankers, and Teekay Parent received net proceeds of \$13.0 million from the sale of the *Sevan Hummingbird* FPSO unit. During 2022, we also purchased \$210.0 million of short-term investments, Teekay Tankers incurred capital expenditures for vessels and equipment of \$15.4 million, and Teekay Tankers provided an advance of \$3.0 million to its equity-accounted joint venture.

### Operating Cash Flows - discontinued operations, Financing Cash Flows - discontinued operations and Investing Cash Flows - discontinued operations

Cash provided by operations relating to discontinued operations decreased for the year ended December 31, 2023, compared to 2022, as a result of the sale of the Teekay Gas Business on January 13, 2022.

### Liquidity

We separately manage the liquidity for Teekay Parent and Teekay Tankers. As such, the discussion of liquidity that follows is broken down into these two groups. The primary objectives of Teekay Parent and Teekay Tankers' cash management policies is to preserve capital and seeking to ensure that cash investments can be sold readily and efficiently and provide an appropriate return.

#### Teekay Parent

Teekay Parent's primary sources of liquidity are its existing cash and cash equivalents, short-term investments, cash flows provided by operations and cash dividends paid by Teekay Tankers on its outstanding Class A and B common shares. Teekay Parent's cash management policies have a primary objective of preserving capital as well as ensuring cash investments can be sold readily and efficiently. A further objective is ensuring an appropriate return.

Teekay Parent's total liquidity, including cash, cash equivalents and short-term investments, was \$287.4 million as at December 31, 2023, compared to \$339.9 million as at December 31, 2022. This decrease was primarily the result of the repurchase of 8.9 million of Teekay common shares under Teekay's share repurchase program for \$50.7 million during the year ended December 31, 2023, the redemption in full of the then outstanding Convertible Notes for total consideration of \$21.2 million in January 2023 and the timing of cash used in operating activities, partially offset by the receipt of cash dividends from TNK and changes in working capital.



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The following table summarizes Teekay Parent's contractual obligations as at December 31, 2023, that relate to the 12-month period following such date and those in subsequent periods. Due to the capital-intensive industry in which we operate and our significant reliance on long-term borrowing, the timing of capital expenditure commitments and the timing of the repayment of debt obligations are important in understanding an assessment of our ability to generate and obtain adequate amounts of cash to meet our liquidity requirements. Teekay Parent anticipates that its liquidity at December 31, 2023, combined with cash it expects to generate for the 15 months following such date, will be sufficient to meet its cash requirements for at least the one-year period following the date of this Annual Report.

(in millions of U.S. Dollars)	Total	2024	2025	2026	2027	2028	Beyond 2028
<b>U.S. Dollar Denominated Obligations</b>							
Asset retirement obligations <sup>(1)</sup>	3.2	3.2	—	—	—	—	—
<b>Total</b>	<b>3.2</b>	<b>3.2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

(1) Teekay Parent recognized an ARO relating to the recycling of the *Petrojarl Foinaven* FPSO unit. In August 2022, at the end of the bareboat charter for the unit, Teekay Parent received a lump sum payment of \$11.6 million from the charterer, which Teekay Parent expects will cover all of the cost of green recycling the FPSO unit.

## Teekay Tankers

Teekay Tankers' primary sources of liquidity are cash and cash equivalents, net operating cash flow, its undrawn credit facility, and capital raised through financing transactions. Teekay Tankers' cash management policies have primary objectives of preserving capital and seeking to ensure cash investments can be sold readily and efficiently. A further objective is providing an appropriate return. The nature and extent of amounts that can be borrowed under Teekay Tankers' 2023 Revolver are described in "Item 18 – Financial Statements: Note 7 – Long-Term Debt" of this Annual Report.

In May 2023, Teekay Tankers announced a capital allocation plan which continues to prioritize debt repayment and aims to provide sufficient capital for fleet renewal. As part of this plan, Teekay Tankers' Board of Directors approved the initiation of a regular, fixed quarterly cash dividend in the amount of \$0.25 per outstanding share of Class A and B common stock. Pursuant to this dividend policy, Teekay Tankers' Board of Directors declared a regular cash dividend of \$0.25 per common share commencing with the first quarter of 2023. In addition, Teekay Tankers' Board of Directors declared a special cash dividend of \$1.00 per common share in May 2023 and also authorized a new share repurchase program for the repurchase of up to \$100 million of its outstanding Class A common shares to be utilized at Teekay Tankers' discretion.

Teekay Tankers' total consolidated liquidity, including cash, cash equivalents and undrawn credit facilities, increased by \$344.1 million during the year ended December 31, 2023, from \$343.0 million at December 31, 2022, to \$687.1 million at December 31, 2023. The increase during the year ended December 31, 2023, was primarily a result of the following events or changes during the year ended December 31, 2023: \$626.1 million of net operating cash inflow, a \$321.8 million increase in the borrowing capacity of Teekay Tankers' 2023 Revolver, \$23.6 million received from the sale of one Aframax / LR2 tanker, \$6.1 million of cash deposits that were released from restricted cash deposits relating to Teekay Tankers' FFAs and obligations related to finance leases and \$3.9 million of loan repayments from Teekay Tankers' equity-accounted joint venture; partially offset by \$364.2 million of payments for the repurchases of 11 Aframax / LR2 tankers and eight Suezmax tankers that were previously under sale-leaseback arrangements; an \$82.5 million decrease in the borrowing capacity of Teekay Tankers' 2020 Revolver (which facility was voluntarily cancelled in July 2023); an \$80.0 million decrease in the borrowing capacity of Teekay Tankers' working capital loan facility (which was voluntarily cancelled in September 2023); \$59.5 million of cash dividends paid on Teekay Tankers common shares; \$34.1 million of scheduled repayments of obligations related to finance leases; \$10.2 million of expenditures for capital upgrades for vessels and equipment; and \$4.5 million of debt issuance costs paid in connection with the setup of the 2023 Revolver.

Teekay Tankers anticipates that its liquidity as at December 31, 2023, combined with cash it expects to generate for the 15 months following such date, will be sufficient to meet its cash requirements for at least the one-year period following the date of this Annual Report.

In July 2023, Teekay Tankers cancelled the 2020 Revolver, which was scheduled to mature in December 2024. Teekay Tankers' 2023 Revolver matures in May 2029, and there was no amount outstanding under the facility as at December 31, 2023. Teekay Tankers' ability to refinance its 2023 Revolver will depend upon, among other things, the estimated market value of our vessels, its financial condition and the condition of credit markets at such time. In addition, as at December 31, 2023, Teekay Tankers did not have any capital commitments related to the acquisition of new or second-hand vessels. However, approximately 50% of Teekay Tankers fleet is currently aged 15 years and older, and Teekay Tankers may need to begin the process of fleet renewal in the coming years. Teekay Tankers expects that any fleet renewal expenditures will be funded using the undrawn revolving credit facility, cash on hand and new financing arrangements, including bank borrowings, finance leases and, potentially, the issuance of debt and equity securities.



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The following table summarizes Teekay Tankers' contractual obligations as at December 31, 2023.

(in millions of U.S. Dollars)	Total	2024	2025	2026	2027	2028	Beyond 2028
<b>U.S. Dollar-Denominated Obligations</b>							
Scheduled repayments of obligations related to finance leases <sup>(1)</sup>	140.8	20.9	20.9	20.9	20.9	21.1	36.1
Chartered-in vessels (operating leases) <sup>(2)</sup>	142.1	66.3	32.9	18.8	11.2	6.3	6.6
<b>Total</b>	<b>282.9</b>	<b>87.2</b>	<b>53.8</b>	<b>39.7</b>	<b>32.1</b>	<b>27.4</b>	<b>42.7</b>

(1) Excludes the effect of the repurchase option notices that Teekay Tankers provided in January 2024 to acquire eight Suezmax tankers pursuant to repurchase options under the sale-leaseback arrangements described in "Item 18 - Financial Statements: Note 8 - Leases". The purchase and delivery of these vessels are expected to be completed in March 2024.

(2) Excludes payments required if Teekay Tankers exercises options to extend the terms of in-chartered leases signed as of December 31, 2023.

Other risks and uncertainties related to Teekay Tankers' liquidity include changes to income tax legislation or the resolution of uncertain tax positions relating to freight tax liabilities as outlined in "Item 18 - Financial Statements: Note 17 - Income Tax (Expense) Recovery" of this Annual Report, which could have a significant financial impact on Teekay Tankers' business, which we cannot predict with certainty at this time. In addition, as at December 31, 2023, the High-Q joint venture had a loan outstanding with a financial institution with a balance of \$20.6 million, and Teekay Tankers guarantees 50% of the outstanding loan balance. Finally, passage of any climate control legislation or other regulatory initiatives that restrict emissions of greenhouse gases could have a significant financial and operational impact on Teekay Tankers' business, which we cannot predict with certainty at this time. Such regulatory measures could increase Teekay Tankers' costs related to operating and maintaining its vessels and require Teekay Tankers to install new emission controls, acquire allowances or pay taxes related to its greenhouse gas emissions, or administer and manage a greenhouse gas emissions program. The inclusion of the maritime industry in the European Union Emissions Trading System (or *EU ETS*) as of January 1, 2024, will require Teekay Tankers to acquire allowances related to its greenhouse gas emissions, for which the impact on Teekay Tankers' business is not determinable with certainty at this time. In addition, increased regulation of greenhouse gases may, in the long-term, lead to reduced demand for oil and reduced demand for Teekay Tankers' services.

## CRITICAL ACCOUNTING ESTIMATES

We prepare our consolidated financial statements in accordance with GAAP, which requires us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. On a regular basis, management reviews our accounting policies, assumptions, estimates and judgments in an effort to ensure that our consolidated financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties. For a further description of our material accounting policies, please read "Item 18 - Financial Statements: Note 1 - Summary of Significant Accounting Policies".

### Revenue Recognition

**Description.** We recognize voyage revenue on either a load-to-discharge or discharge-to-discharge basis. Voyage revenues are recognized ratably from the beginning of when product is loaded to when it is discharged (unloaded) if using a load-to-discharge basis, or from when product is discharged at the end of the prior voyage to when it is discharged after the current voyage, if using a discharge-to-discharge basis. However, we do not begin recognizing revenue for any of our vessels until a charter has been agreed to by the customer and us, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

**Judgments and Uncertainties.** Whether to use the load-to-discharge basis or the discharge-to-discharge basis depends on whether the customer directs the use of the vessel throughout the period of use, pursuant to the terms of the voyage charter. This is a matter of judgement. However, we believe that if the customer has the right to direct the vessel to different load and discharge ports, among other things, a voyage charter contract contains a lease, and the lease term begins on the later of the vessel's last discharge or inception of the voyage charter contract. As such, in this case revenue is recognized on a discharge-to-discharge basis. Otherwise, it is recognized on a load-to-discharge basis. As at December 31, 2023, 2022 and 2021, revenue from voyages then in progress were recognized on a discharge-to-discharge basis.

**Effect if Actual Results Differ from Assumptions.** If our assessment of whether the customer directs the use of the vessel throughout the period of use is not consistent with actual results, then the period over which voyage revenue is recognized would be different and as such our revenues could be overstated or understated for any given period by the amount of such difference. Had revenue from voyages in progress been recognized on a load-to-discharge basis, our income from operations for the year ended December 31, 2023 would have increased by \$7.7 million.

### Vessel Depreciation

**Description.** The carrying value of each of our vessels represents its original cost at the time of delivery or purchase less depreciation and impairment charges. We depreciate the original cost, less an estimated residual value, of our vessels on a straight-line basis over each vessel's estimated useful life. The carrying values of our vessels may not represent their market value at any point in time because the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings, among other factors. Both charter rates and newbuilding costs tend to be cyclical in nature.

**Judgments and Uncertainties.** For the years ended December 31, 2023, 2022 and 2021, depreciation was calculated using an estimated useful life of 25 years, commencing on the date the vessel is delivered from the shipyard. The estimated useful life of our vessels involves an element of judgment, which takes into account design life, commercial considerations and regulatory restrictions.



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*Effect if Actual Results Differ from Assumptions.* The actual life of a vessel may be different than the estimated useful life, with a shorter actual useful life resulting in an increase in depreciation expense and potentially resulting in an impairment loss. A longer actual useful life will result in a decrease in depreciation expense. Had we depreciated our vessels using an estimated useful life of 20 years instead of 25 years effective December 31, 2022, our depreciation for the year ended December 31, 2023 would have increased by approximately \$56.7 million.

### **Vessel Impairment**

*Description.* We review vessels and equipment for impairment whenever events or circumstances indicate the carrying value of an asset, including the carrying value of the charter contract, if any, under which the vessel is employed, may not be recoverable. This occurs when the asset's carrying value is greater than the future estimated undiscounted cash flows the asset is expected to generate over its remaining useful life. If the estimated future undiscounted cash flows of an asset exceed the asset's carrying value, no impairment is recognized even though the fair value of the asset may be lower than its carrying value. If the estimated future undiscounted cash flows of an asset are less than the asset's carrying value and the fair value of the asset is less than its carrying value, the asset is written down to its fair value. Fair value is determined based on appraised values or discounted cash flows. In cases where an active second-hand sale and purchase market exists, an appraised value is generally the amount we would expect to receive if we were to sell the vessel. The appraised values are provided by third parties where available or prepared by us based on second-hand sale and purchase market data. In cases where an active second-hand sale and purchase market does not exist, or in certain other cases, fair value is calculated as the net present value of estimated future cash flows, which, in certain circumstances, will approximate the estimated market value of the vessel. For a vessel under charter, the discounted cash flows from that vessel may exceed its market value, as market values may assume the vessel is not employed on an existing charter.

*Judgments and Uncertainties.* Our evaluation of events or circumstances that may indicate impairment, include, amongst others, an assessment of the intended use of the assets and anticipated operating cash flows, which is primarily influenced by the estimate of future charter rates for the vessels. Our estimates of future undiscounted cash flows used to determine whether a vessel's carrying value is recoverable involve assumptions about future charter rates, vessel utilization, operating expenses, dry-docking expenditures, vessel residual values, the probability of the vessel being sold and the remaining estimated life of our vessels. Our estimated charter rates are based on rates under existing vessel contracts and market rates at which we expect we can re-charter our vessels. Such market rates for the first three years are based on prevailing market 3-year time-charter rates and thereafter, a 10-year historical average of actual spot-charter rates earned by our vessels, adjusted to exclude years which management has determined are outliers. We consider as outliers those years that have been impacted by rare events or circumstances that have distorted the historical 10-year trailing average to such a degree that this average is not representative of what a reasonable outlook would be if we do not exclude such years. We have identified such events in the current 10-year historical period as at December 31, 2023, which has resulted in the exclusion of the year 2021 from our averages. Our estimated charter rates are discounted for the years when the vessel age is 15 years and older, as compared to the estimated charter rates for years when the vessel is younger than 15 years. Such discounts primarily reflect expectations of lower utilization for older vessels.

Our estimates of vessel utilization, including estimated off-hire time, are based on historical experience. Our estimates of operating expenses and dry-docking expenditures are based on historical operating and dry-docking costs as well as our expectations of future inflation, operating and maintenance requirements, and our vessel maintenance strategy. Vessel residual values are a product of a vessel's lightweight tonnage and an estimated scrap rate per tonne. The probability of a vessel being sold is based on our current plans and expectations. The remaining estimated lives of our vessels used in our estimates of future cash flows are consistent with those used in the calculations of depreciation.

In our experience, certain assumptions relating to our estimates of future cash flows are more predictable by their nature, including estimated revenue under existing contract terms, ongoing operating costs and remaining vessel life. Certain assumptions relating to our estimates of future cash flows require more judgement and are inherently less predictable, such as future charter rates beyond the firm period of existing contracts, the probability and timing of vessels being sold and vessel residual values, due to their volatility. We believe that the assumptions used to estimate future cash flows of our vessels are reasonable at the time they are made. We can make no assurances, however, as to whether our estimates of future cash flows, particularly future vessel charter rates or vessel values, will be accurate.

*Effect if Actual Results Differ from Assumptions.* If we conclude that a vessel or equipment is impaired, we recognize a loss in an amount equal to the excess of the carrying value of the asset over its fair value at the date of impairment. The written-down amount becomes the new lower cost basis and will result in a lower annual depreciation expense than for periods before the vessel impairment. Consequently, any changes in our estimates of future undiscounted cash flows may result in a different conclusion as to whether a vessel or equipment is impaired, leading to a different impairment amount, including no impairment, and a different future annual depreciation expense. Consistent with our methodology in prior years, we have determined that none of our vessels have a market value less than their carrying value as of December 31, 2023. The recognition of an impairment in the future for our vessels may depend on future vessel values and charter rates, vessel utilization, operating expenses, dry-docking expenditures, vessel residual values, the probability of the vessel being sold and the remaining estimated life of our vessels.

### **Taxes**

*Description.* The expenses we recognize relating to taxes are based on our income, statutory tax rates and our interpretations of the tax regulations in the various jurisdictions in which we operate. We review our tax positions quarterly and adjust the balances as new information becomes available.

*Judgments and Uncertainties.* We recognize the tax benefits of uncertain tax positions only if it is more-likely-than-not that a tax position taken or expected to be taken in a tax return will be sustained upon examination by the taxing authorities, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in evaluating uncertainties.



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*Effect if Actual Results Differ from Assumptions.* If we determined that an uncertain tax position was sustained upon examination, and such amount was in excess of the net amount previously recognized, we would increase our net income or decrease our net loss in the period such determination was made. Likewise, if we determined that an uncertain tax position was not sustained upon examination, we would typically decrease our net income or increase our net loss in the period such determination was made. See "Item 18 – Financial Statements: Note 17 – Income Tax (Expense) Recovery" of this Annual Report. As at December 31, 2023, the total amount of recognized uncertain freight tax liabilities was \$47.8 million (December 31, 2022 - \$42.5 million). If the uncertainty about these freight tax liabilities is resolved in our favor, we would concurrently reverse these liabilities.

## NON-GAAP FINANCIAL MEASURES

### **EBITDA and Adjusted EBITDA**

EBITDA and Adjusted EBITDA are non-GAAP financial measures. EBITDA represents earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA before foreign exchange gain (loss), other income (loss), gain (loss) on sale and (write-down) of assets, adjustments for direct financing and sales-type leases to a cash basis, amortization of in-process revenue contracts, credit loss provision adjustments, unrealized gains (losses) on derivative instruments, realized gains (losses) on interest rate swaps, realized gains (losses) on interest rate swap amendments and terminations, write-downs related to equity-accounted investments, and equity income (loss). EBITDA and Adjusted EBITDA are used as supplemental financial performance measures by management and by external users of our financial statements, such as investors. EBITDA and Adjusted EBITDA assist our management and security holders by increasing the comparability of our fundamental performance from period to period and against the fundamental performance of other companies in our industry that provide EBITDA or Adjusted EBITDA-based information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest expense, taxes, depreciation or amortization (or other items in determining Adjusted EBITDA), which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. We believe that including EBITDA and Adjusted EBITDA benefits security holders in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength and health in order to assess whether to continue to hold our equity, or debt securities, as applicable.

Neither EBITDA nor Adjusted EBITDA should be considered as an alternative to net income, operating income or any other measure of financial performance presented in accordance with GAAP. EBITDA and Adjusted EBITDA exclude some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA and Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies.

The following table reconciles our consolidated EBITDA and Adjusted EBITDA to net income (loss) from continuing and discontinued operations.

	<b>Year Ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	(in thousands of U.S. Dollars)		
<i>Income Statement Data:</i>			
<b>Reconciliation of EBITDA and Adjusted EBITDA to Net income (loss)</b>			
Net income (loss)	\$ 517,423	\$ 189,360	\$ (3,368)
Depreciation and amortization	97,551	99,033	106,084
Interest expense, net of interest income	3,881	31,891	68,243
Income tax expense (recovery)	12,162	1,417	(4,963)
<b>EBITDA</b>	<b>631,017</b>	<b>321,701</b>	<b>165,996</b>
(Gain) loss on sale and write-down of assets	(10,360)	(21,863)	92,368
Asset retirement obligation extinguishment gain	—	—	(32,950)
Amortization of in-process revenue contracts and other	—	—	(203)
Unrealized losses (gains) on derivative instruments	3,709	(3,222)	(2,346)
Realized (gains) losses from interest rate swaps	(4,167)	(532)	1,275
Equity (income) loss	(3,432)	(244)	14,107
Other - net	2,140	(4,811)	15,190
Items related to loss on discontinued operations <sup>(1)</sup>	—	37,941	141,462
<b>Adjusted EBITDA</b>	<b>618,907</b>	<b>341,664</b>	<b>394,899</b>

(1) Includes amounts presented in (loss) income from discontinued operations on the consolidated statements of income (loss).



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**Net Revenues**

Net revenues is a non-GAAP financial measure. Consistent with general practice in the shipping industry, we use "net revenues" (defined as income (loss) from operations before vessel operating expenses, time-charter hire expenses, depreciation and amortization, general and administrative expenses, gain or loss on sale and write-down of assets, and restructuring charges) as a measure of equating revenues generated from voyage charters to revenues generated from time charters, which assists us in making operating decisions about the deployment of our vessels and their performance. Since, under time charters, the charterer pays the voyage expenses, whereas under voyage charters, the ship-owner pays these expenses, we include voyage expenses in net revenues. Some voyage expenses are fixed, and the remainder can be estimated. If we, as the ship owner, pay the voyage expenses, we typically pass the approximate amount of these expenses on to our customers by charging higher rates under the contract to them. As a result, although revenues from different types of contracts may vary, the net revenues are comparable across the different types of contracts. We principally use net revenues because it provides more meaningful information to us than income (loss) from operations, the most directly comparable GAAP financial measure. Net revenues is also widely used by investors and analysts in the shipping industry for comparing financial performance between companies and to industry averages. The following table reconciles Teekay Tankers' net revenues with income (loss) from operations from the conventional tanker segment:

(in thousands of U.S. Dollars)	Years Ended December 31,	
	2023	2022
<b>Teekay Tankers - Conventional Tankers Segment</b>		
Income from operations	535,910	255,949
<i>Add (subtract) specific items affecting income from operations:</i>		
Vessel operating expenses	148,960	150,448
Time-charter hire expenses	70,836	27,374
Depreciation and amortization	97,551	99,033
General and administrative expenses	45,936	41,769
(Gain) on sale and write-down of assets	(10,360)	(8,888)
Restructuring charges	1,248	1,822
<b>Net revenues</b>	<b>890,081</b>	<b>567,507</b>

**Item 6. Directors, Senior Management and Employees**

**Directors and Senior Management**

Our directors and senior management as of the date of this Annual Report and their ages as of December 31, 2023 are listed below:

<b>Name</b>	<b>Age</b>	<b>Position</b>
David Schellenberg	60	Chair <sup>(1)(2)(3)</sup>
Peter Antturi	65	Director
Rudolph Krediet	46	Director <sup>(3)</sup>
Heidi Locke Simon	56	Director <sup>(2)(4)(5)</sup>
Alan Semple	64	Director <sup>(6)</sup>
Kenneth Hvid	55	Director <sup>(5)</sup> , President and Chief Executive Officer
Brody Speers	40	Vice President, Finance & Treasurer
Kevin Mackay	55	President and Chief Executive Officer, Teekay Tankers Ltd.
Frans Lotz	39	General Counsel, Secretary & Privacy Officer

(1) Chair of Nominating and Governance Committee.

(2) Member of Audit Committee.

(3) Member of Compensation and Human Resources Committee.

(4) Chair of Compensation and Human Resources Committee.

(5) Member of Nominating and Governance Committee.

(6) Chair of Audit Committee.



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Certain biographical information about each of these individuals included in the table above is set forth below:

**David Schellenberg** joined the board of Teekay Corporation in 2017 and was appointed as its Chair in June 2019. Mr. Schellenberg has served on the board of Teekay Tankers Ltd. since June 2019 and served on the board of Teekay GP L.L.C., the general partner of Teekay LNG Partners L.P. (now known as Seapeak), from May 2019 until Stonepeak's acquisition of Seapeak in January 2022. He is a member of the Audit Committees of both Teekay Corporation and Teekay Tankers Ltd. Mr. Schellenberg brings over 25 years of financial and operating leadership experience to these roles. He is currently a Managing Director and Principal with Highland West Capital, a private equity firm in Vancouver, Canada. Prior to that, Mr. Schellenberg was with specialty aviation and aerospace businesses, Conair Group and its subsidiary Cascade Aerospace, from 2000 to 2013 and served as President and Chief Executive Officer from 2007 to 2013. Mr. Schellenberg also acted as a Managing Director in the Corporate Office of the Jim Pattison Group, Canada's second largest private company, from 1991 to 2000. Mr. Schellenberg is a member of the Young Presidents' Organization, holds an MBA and is a Fellow of the Chartered Professional Accountants of Canada (FCPA, FCA).

**Peter Antturi** joined the board of Teekay Corporation in 2019 and brings over 30 years of financial and operational experience in the shipping industry to this role. He also joined the board of Teekay Tankers Ltd. in June 2021. Additionally, Mr. Antturi serves as an executive officer and director of Teekay Corporation's largest shareholder, Resolute Investments, Ltd. (or *Resolute*), as well as other subsidiaries and affiliates of Kattegat Limited, a parent company of Resolute. Mr. Antturi previously worked with Teekay from 1991 through 2005, serving as President of Teekay's shuttle tanker division, as Senior Vice President, Chief Financial Officer and Controller.

**Rudolph Krediet** joined the board of Teekay Corporation in 2017 and brings over 20 years of experience as a financial investment professional to this role. He has served as a partner at Anholt Services (USA), Inc., a wholly-owned subsidiary of Kattegat Trust, which oversees the trust's globally diversified investment portfolio, since 2013. Mr. Krediet acted as Principal at Compass Group Management LLC, the manager of Compass Diversified Holdings, a publicly traded investment holding company, from 2010 to 2013, and as Vice President from 2006 to 2009. He acted as Vice President at CPM Roskamp Champion, a global leader in the design of manufacturing of oil seed processing equipment, from 2003 to 2004. Mr. Krediet has an MBA from the Darden Graduate School of Business at the University of Virginia.

**Heidi Locke Simon** joined the board of Teekay Corporation in 2017 and currently serves as the Chair of the Compensation and Human Resources Committee. Ms. Locke Simon brings over 25 years of strategic management experience to this role. She also served on the board of Teekay GP L.L.C., the general partner of Teekay LNG Partners L.P. (now known as Seapeak LLC), from June 2021 until Stonepeak's acquisition of Seapeak in January 2022, and as a Board Observer with Teekay Corporation from 2016 to 2017. Ms. Locke Simon was formerly a partner at Bain & Company, a global management consulting organization, where she worked from 1993 to 2012. Prior to this, Ms. Locke Simon was an Investment Banking Analyst at Goldman, Sachs & Co. She also served as a director of KQED Public Media from 2008 to 2014. Ms. Locke Simon has served as a director of Compass Diversified Holdings (NYSE: CODI) since July 2023, where she is also a member of the Audit Committee, as Board Chair of Reflex Protect, Inc. since 2021, and as a director of Turning Green since 2004. Ms. Locke Simon holds an MBA from Harvard Business School. She has completed the NACD Directorship Certificate and CERT Certificate in Cyber-Risk Oversight offered by the National Association of Corporate Directors.

**Alan Semple** has served as a director of Teekay Corporation since 2015 and currently serves as the Chair of the Audit Committee of Teekay Corporation. He previously served on the board of Teekay GP L.L.C., the general partner of Teekay LNG Partners L.P. (now known as Seapeak LLC), from May 2019 until Stonepeak's acquisition of Seapeak in January 2022. Mr. Semple brings over 30 years of finance experience, primarily in the energy industry, to these roles. He was formerly a director and Chief Financial Officer at John Wood Group PLC (or *Wood Group*), a provider of engineering, production support and maintenance management services to the oil and gas and power generation industries, a role he held from 2000 until his retirement in 2015. Prior to this, Mr. Semple held a number of senior finance roles in Wood Group from 1996. Mr. Semple currently serves on the board of Cactus, Inc. (NYSE: WHD) where he is the Chair of the Audit Committee. He also served as a director and Chair of the Audit Committee of Cobham PLC (LSE: COB) until 2018. Mr. Semple graduated from the University of Strathclyde (Glasgow, Scotland) in 1979 with a Bachelor of Arts degree in Business Administration and is a member of the Institute of Chartered Accountants of Scotland.

**Kenneth Hvid** has served as Teekay's President and Chief Executive Officer since 2017 and joined the board of Teekay Corporation in 2019. He has served as a director of Teekay Tankers Ltd. since 2017 and was appointed as its Chair in 2019. He also served as a director of Teekay GP L.L.C., the general partner of Teekay LNG Partners L.P. (now known as Seapeak LLC), from September 2018 to January 2022 and from 2011 to 2015, and was appointed as its Chair in May 2019. Mr. Hvid joined Teekay Corporation in 2000 and was promoted to Senior Vice President, Teekay Gas Services, in 2004 and to President of the Teekay Navion Shuttle Tankers and Offshore division in 2006. He served as Teekay Corporation's Chief Strategy Officer and Executive Vice President from 2011 to 2015. He also served as a director of Alterra Infrastructure GP L.L.C. (formerly known as Teekay Offshore GP L.L.C.) from 2011 to June 2020, and as President and Chief Executive Officer of Teekay Offshore Group Ltd. from 2015 to 2016. Mr. Hvid has 30 years of global shipping experience, 12 of which were spent with A.P. Moller in Copenhagen, San Francisco and Hong Kong. In 2007, Mr. Hvid joined the board of Gard P. & I. (Bermuda) Ltd.

**Brody Speers** was appointed as Vice President, Finance and Treasurer of Teekay Corporation in January 2022. He joined Teekay Corporation in 2008 and has served in several senior financial positions in Teekay's Finance, Accounting and Strategic Development departments. Mr. Speers was promoted to Director, Finance in 2013 and to Vice President, Finance in 2017. Mr. Speers also served as Chief Financial Officer of Teekay Gas Group Ltd., a company that provided services to Teekay LNG Partners L.P. and its affiliates, in 2017 and 2018. Prior to joining Teekay, Mr. Speers worked as a Chartered Professional Accountant for an accounting firm in Vancouver, Canada. Mr. Speers is also a Chartered Business Valuator.

**Kevin Mackay** was appointed as President and Chief Executive Officer of Teekay Tankers Ltd., a controlled subsidiary of Teekay Corporation, in 2014. Mr. Mackay joined Teekay Tankers Ltd. from Phillips 66, where he headed the global marine business unit, and held a similar role as the General Manager, Commercial Marine, at ConocoPhillips from 2009 to 2012 before the formation of Phillips 66. Mr. Mackay started his career working for Neptune Orient Lines in Singapore from 1991 to 1995. He then joined AET Inc. Limited (formerly American Eagle Tankers Inc.) in Houston, becoming the Regional Director – Americas, Senior Vice President. Mr. Mackay holds a B.Sc. (Econ) Honours from the London School of Economics & Political Science and has extensive international experience.



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**Frans Lotz** was appointed as General Counsel, Secretary and Privacy Officer of Teekay Corporation in October 2022, after having served as Secretary and Privacy Officer since March 2022. He has also served as Secretary of Teekay Tankers Ltd. since March 2022. Mr. Lotz joined Teekay Corporation in 2018 as in-house legal counsel. Prior to joining Teekay, Mr. Lotz practiced finance and corporate law in Vancouver, Canada. Mr. Lotz is a member of the Law Society of British Columbia and holds a Juris Doctor from Dalhousie University, a Bachelor of Arts from the University of Alberta and a Bachelor of Commerce from the University of Pretoria.

### **Compensation of Directors and Senior Management**

#### *Director Compensation*

The aggregate cash fees received by the five non-employee directors listed above under Directors and Senior Management for their service as directors was \$522,500. The Chair of the Board of Directors (or the *Board*) receives an annual cash retainer of \$155,000. Each non-employee director (other than the Chair of the Board), who does not also serve on the Teekay Tankers board, receives an annual cash retainer of \$90,000. Each non-employee director who serves on both the Teekay Corporation and Teekay Tankers boards, receives an annual cash retainer of \$30,000 for services provided to Teekay Corporation. Members of the Audit Committee, Compensation and Human Resources Committee, and Nominating and Governance Committee receive annual cash fees of \$10,000. The Chairs of the Audit Committee and Compensation and Human Resources Committee receive annual cash fees of \$20,000 and \$17,500, respectively. The Chair of the Board does not receive an additional cash retainer for being a member of the Audit Committee or the Compensation and Human Resources Committee or serving as the Chair of the Nominating and Governance Committee.

Each non-employee director also receives a \$110,000 annual retainer to be paid by way of a grant of restricted stock or stock options under our 2023 Equity Incentive Plan (or the *2023 Plan*). Pursuant to this annual retainer, during 2023, we granted 47,330 shares of restricted stock and 107,925 stock options in June 2023.

The restricted stock awards and stock options granted to directors as described in this section vest on their respective grant dates.

#### *Annual Executive Compensation*

The aggregate compensation earned in 2023, excluding equity-based compensation described below, by Teekay's three executive officers, Kenneth Hvid, Brody Speers and Kevin Mackay (or the *Executive Officers*), was \$4.2 million. This is comprised of base salary (\$1.4 million), annual bonus (\$2.1 million) and pension and other benefits (\$0.7 million). These amounts were paid primarily in Canadian Dollars, but are reported here in U.S. Dollars using an average exchange rate of 1.35 Canadian Dollars for each U.S. Dollar for 2023. Teekay's annual bonus plan considers both company performance and team performance.

### **Long-Term Incentive Program**

Teekay's long-term incentive program focuses on the returns realized by our shareholders and is intended to acknowledge and retain those executives who can influence our long-term performance. The long-term incentive plan provides a balance against short-term decisions and encourages a longer time horizon for decisions. This program consists of grants of stock options and restricted stock units. During June 2023, Teekay granted 134,089 restricted stock units to employees other than the Executive Officers, and also granted 195,646 restricted stock units and 398,654 stock options to the Executive Officers.

All grants in 2023 were made under our 2023 Plan.

### **Options to Purchase Securities from Registrant or Subsidiaries**

In March 2013, we adopted the 2013 Plan and suspended the 1995 Stock Option Plan and the 2003 Equity Incentive Plan (collectively referred to as the *Prior Plans*). In June 2022, we authorized 5,000,000 additional shares of common stock to be reserved for issuance pursuant to the 2013 Equity Incentive Plan. In March 2023, we adopted the 2023 Equity Incentive Plan (or the *2023 Plan*) and suspended our 2013 Plan. We did not increase our share reserve further in connection with the adoption of the 2023 Plan. As at December 31, 2023, we had reserved pursuant to our 2023 Plan, 11,324,227 shares (December 31, 2022 – 11,787,597) of common stock.

During 2023, we granted options to acquire up to 506,579 shares of common stock to eligible employees, Executive Officers and directors in such respective amounts as set forth above. Each option under the respective plans has a 10-year term and vests equally over three years from the grant date, with the exception of options granted to directors, which vest on their respective grant dates. The outstanding options under the 2023 Plan and Prior Plans as at December 31, 2023 are exercisable at prices ranging from \$2.88 to \$56.76 per share, with a weighted-average exercise price of \$7.27 per share and expire between March 11, 2024 and June 7, 2033.

Starting in 2013, employees who provide services to our publicly-traded subsidiary, Teekay Tankers, received a proportion of their annual equity compensation award under the Teekay Tankers' 2007 Long-Term Incentive Plan (and, from 2023 onwards, under Teekay Tankers' 2023 Long-Term Incentive Plan, which replaced the 2007 Long-Term Incentive Plan), depending on their level of contribution towards the applicable subsidiary. Teekay Tankers granted stock options from 2014 to 2019 to certain senior employees. Stock options vest one-third on each of the first three years and expire ten years after the date of their grant.

### **Board Practices**

Our Board currently consists of six members as listed above under Directors and Senior Management. The Board is divided into three classes, with members of each class elected to hold office for a term of three years in accordance with the classification indicated below or until his or her successor is elected and qualified.



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Directors Alan Semple and Kenneth Hvid have terms expiring in 2024, and Messrs. Semple and Hvid intend to stand for re-election at the 2024 annual meeting of shareholders. Directors Peter Antturi and David Schellenberg have terms expiring in 2025. David Schellenberg currently serves as Chair of the Board. Directors Heidi Locke Simon and Rudolph Krediet were elected at the 2023 annual meeting and have terms expiring in 2026.

There are no service contracts between us and any of our directors providing for benefits upon termination of their employment or service.

The Board has determined that each of the current members of the Board, other than Kenneth Hvid, Teekay's President and Chief Executive Officer, has no material relationship with Teekay (either directly or as a partner, shareholder or officer of an organization that has a relationship with Teekay), and is independent within the meaning of our director independence standards, which reflect the New York Stock Exchange (or NYSE) director independence standards as currently in effect and as they may be changed from time to time. In making this determination, the Board considered the relationships of Rudolph Krediet, Heidi Locke Simon and Peter Antturi with our largest shareholder or its affiliates and concluded these relationships do not materially affect their independence as directors. Please read "Item 7 – Major Shareholders and Certain Relationships and Related Party Transactions".

The Board has adopted Corporate Governance Guidelines that address, among other things, director qualification standards, director functions and responsibilities, director access to management, director compensation and management succession. This document is available under "Investors – Teekay Corporation – Governance" from the home page of our website at [www.teekay.com](http://www.teekay.com).

The NYSE does not require a company like ours, which is a "foreign private issuer", to have a majority of independent directors on the Board or to establish compensation or nominating/corporate governance committees composed of independent directors.

The Board has the following three committees: Audit Committee, Compensation and Human Resources Committee, and Nominating and Governance Committee. The membership of these committees during 2023 and the function of each of the committees are described below. Each of the committees is currently comprised of independent members, other than Mr. Hvid's membership on the Nominating and Governance Committee, and operates under a written charter adopted by the Board. All of the committee charters are available under "Investors – Teekay Corporation – Governance" from the home page of our website at [www.teekay.com](http://www.teekay.com). During 2023, the Board held four meetings, and each director attended all Board meetings. The members of the Audit Committee, Compensation and Human Resources Committee and Nominating and Governance Committee attended all committee meetings.

Our Audit Committee is composed entirely of directors who satisfy applicable NYSE and SEC audit committee independence standards. Our Audit Committee is currently comprised of Alan Semple (Chair), Heidi Locke Simon and David Schellenberg. All members of the committee are financially literate and the Board has determined that Mr. Semple qualifies as an audit committee financial expert.

The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of:

- the integrity of our consolidated financial statements;
- our compliance with legal and regulatory requirements;
- the independent auditors' qualifications and independence; and
- the performance of our internal audit function and independent auditors.

Our Compensation and Human Resources Committee is composed entirely of directors who satisfy applicable NYSE compensation committee independence standards. This committee is currently comprised of Heidi Locke Simon (Chair), Rudolph Krediet and David Schellenberg.

The Compensation and Human Resources Committee:

- reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluates the Chief Executive Officer's performance in light of these goals and objectives, and determines the Chief Executive Officer's compensation;
- reviews and approves the evaluation process and compensation structure for executive officers, other than the Chief Executive Officer, evaluates their performance and sets their compensation based on this evaluation;
- reviews and makes recommendations to the Board regarding compensation for directors;
- establishes and oversees long-term incentive compensation and equity-based plans; and
- oversees our other compensation plans, policies and programs.

Our Nominating and Governance Committee is currently comprised of David Schellenberg (Chair), Kenneth Hvid and Heidi Locke Simon.

The Nominating and Governance Committee:

- identifies individuals qualified to become Board members and recommends to the Board nominees for election as directors;
- maintains oversight of the operation and effectiveness of the Board and our corporate governance;
- develops, updates and recommends to the Board corporate governance principles and policies applicable to us, and monitors compliance with these principles and policies; and
- oversees the evaluation of the Board and its committees.

### **The Board's Role in Oversight of Environmental, Social and Corporate Governance**

Our Corporate Governance Guidelines outline the Board's role in oversight of our health, safety and environmental performance and our performance on sustainability and diversity efforts. In addition, the Board is responsible for evaluating and overseeing compliance with our policies, practices and contributions made in fulfillment of our social responsibilities and commitment to sustainability.



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## Crewing and Staff

As at December 31, 2023, we employed approximately 2,000 seagoing staff serving on our consolidated and equity-accounted vessels managed by us, and approximately 300 shore-based personnel, compared to approximately 2,100 seagoing and 370 shore-based personnel as at December 31, 2022 and 4,150 seagoing and 645 shore-based personnel as at December 31, 2021.

We regard attracting and retaining motivated seagoing personnel as a top priority. Through our global manning organization comprised of offices in Manila, Philippines; Mumbai, India; and Sydney, Australia, we offer seafarers what we believe are competitive employment packages and comprehensive benefits. We also intend to provide opportunities for personal and career development, which relate to our philosophy of promoting internally.

We are a party to a collective bargaining agreement with the Philippine Seafarers' Union, an affiliate of the International Transport Workers' Federation (or *ITF*), and an agreement with ITF London that cover substantially all of our junior officers and seafarers that operate our Bahamian-flagged vessels. We are also party to collective bargaining agreements with various Australian maritime unions that cover officers and seafarers employed through our Australian operations. We believe our relationships with these labor unions are good, with long-term collective bargaining agreements that demonstrate commitment from both parties.

Our commitment to training is fundamental to the development of the highest caliber seafarers for our marine operations. Our cadet training program is designed to balance academic learning with hands-on training at sea. We have relationships with training institutions in Croatia, India, Philippines, Turkey and the United Kingdom. After receiving formal instruction at one of these institutions, a cadet's training continues onboard a Teekay vessel. We also have an accredited Teekay-specific competence management system that is designed to ensure a continuous flow of qualified officers who are trained on our vessels and are familiar with our operational standards, systems and policies. We believe that high-quality manning and training policies will play an increasingly important role in distinguishing larger independent tanker companies that have in-house, or affiliate, capabilities from smaller companies that must rely on outside ship managers and crewing agents.

## Share Ownership

The following table sets forth certain information regarding beneficial ownership, as of March 1, 2024, of our common stock by our directors and Executive Officers as a group, described above under Directors and Senior Management as at the date of this Annual Report. The information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules, a person or entity beneficially owns any shares that the person or entity (a) has or shares voting or investment power over or (b) has the right to acquire as of April 30, 2024 (60 days after March 1, 2024) through the exercise of any common stock option or other right. Unless otherwise indicated, each person or entity has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares set forth in the following table. Information for certain holders is based on information delivered to us.

Identity of Person or Group	Shares Owned	Percent of Class
All directors and executive officers as a group (8 persons) <sup>(1)(2)</sup>	2,702,256	3.0% <sup>(3) (4)</sup>

(1) Includes 1,891,672 shares of common stock subject to stock options exercisable as of April 30, 2024 under our equity incentive plans with a weighted-average exercise price of \$6.07 that expire between March 5, 2025 and June 7, 2033. Excludes 1,000,800 shares of common stock subject to stock options that may become exercisable after April 30 2024 under the plans with a weighted average exercise price of \$4.05, that expire between June 30, 2032 and June 7, 2033. Also includes 453,790 RSUs that have vested but have not been issued as at March 1, 2024. Excludes shares held by our largest shareholder, Resolute, whose ultimate parent is Path Spirit Limited (or *Path*), which is the trust protector for the trust that indirectly owns all of Resolute's outstanding equity. For additional information on the relationships between Resolute and certain of our directors, please see the section titled "Item 7 – Major Shareholders and Certain Relationships and Related Party Transactions – Relationships with our Major Shareholder", below.

(2) Each director is expected to hold shares or certain other types of awards of Teekay or Teekay Tankers having a value of at least three times the value of the annual equity retainer paid to them for their Board service no later than the sixth anniversary of the date on which the director joined the Board or any subsequent increase in the equity retainer. In addition, each executive officer and certain other senior employees are expected to acquire shares of Teekay's or Teekay Tankers' common stock or certain other types of awards equivalent in value to one to four times their annual base salary (depending on their respective positions). These executive officers and senior employees have to comply with these guidelines within five years after joining Teekay or achieving a position covered by the guidelines.

(3) Based on a total of 91.3 million outstanding shares of our common stock as of March 1, 2024.

(4) Each director and executive officer, save for Kenneth Hvid, our President & Chief Executive Officer, beneficially owns less than 1% of the outstanding shares of common stock. As of March 1, 2024, Mr. Hvid beneficially owned 1,265,332 shares of our common stock, representing approximately 1.4% of our then-outstanding shares of common stock.

## Item 7. Major Shareholders and Certain Relationships and Related Party Transactions

### Major Shareholders

The following table sets forth information regarding beneficial ownership, as of March 1, 2024, of Teekay's common stock by each person we know to beneficially own more than 5% of the common stock. Information for certain holders is based on their latest filings with the SEC. The number of shares beneficially owned by each person or entity is determined under SEC rules and the information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules, a person or entity beneficially owns any shares as to which the person or entity has or shares voting or investment power. In addition, a person or entity beneficially owns any shares that the person or entity has the right to acquire as of April 30, 2024 (60 days after March 1, 2024) through the exercise of any stock option or other right. Unless otherwise indicated, each person or entity has sole voting and investment power with respect to the shares set forth in the following table.



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Identity of Person or Group	Shares Owned	Percent of Class <sup>(3)</sup>
Resolute Investments, Ltd. <sup>(1)</sup>	31,936,012	35.0%
Dimensional Fund Advisors LP <sup>(2)</sup>	5,084,487	5.6%

(1) Includes shared voting and shared dispositive power. The ultimate controlling person of Resolute is Path, which is the trust protector for the trust that indirectly owns all of Resolute's outstanding equity. This information is based in part on the Schedule 13D/A (Amendment No. 12) filed by Resolute and Path with the SEC on August 3, 2023. Resolute's beneficial ownership was 35.0% on March 1, 2024, and 32.5% on December 31, 2022. For additional information on the relationships between Resolute and certain of our directors, please see the section titled "Item 7 – Major Shareholders and Certain Relationships and Related Party Transactions – Relationships with our Major Shareholder" below.

(2) Dimensional Fund Advisors LP has sole dispositive power as to 5,084,487 common shares and has sole voting power as to 4,985,516 of these common shares. This information is based on the Schedule 13G/A filed with the SEC on February 9, 2024.

(3) Based on a total of 91.3 million outstanding shares of our common stock as of March 1, 2024.

Our major shareholders have the same voting rights as our other shareholders. No corporation or foreign government or other natural or legal person owns more than 50% of our outstanding common stock. We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of Teekay.

Teekay and certain of its subsidiaries have relationships or are parties to transactions with other Teekay subsidiaries, including Teekay's publicly-traded subsidiary, Teekay Tankers. Certain of these relationships and transactions are described below.

### **Relationships with Our Major Shareholder**

As of March 1, 2024, Resolute owned approximately 35.0% of our outstanding common stock. The ultimate controlling person of Resolute is Path, which is the trust protector for the trust that indirectly owns all of Resolute's outstanding equity. One of our current directors, Rudolph Krediet, is a partner at Anholt Services (USA), a wholly-owned subsidiary of Kattegat Limited, the parent company of Resolute. Director Peter Antturi serves as an executive officer and director of Resolute and other Kattegat Limited subsidiaries and affiliates. In addition, our director Heidi Locke Simon is engaged as a consultant to Kattegat Limited to oversee its investments, including in Teekay Corporation and Teekay Tankers.

### **Our Directors and Executive Officers**

Our directors David Schellenberg, Kenneth Hvid and Peter Antturi also serve as directors of Teekay Tankers, including Mr. Hvid as Chair of Teekay Tankers. Our executive officer Kevin Mackay also serves as the President and Chief Executive Officer of Teekay Tankers.

Because the Chief Executive Officer and Chief Financial Officer of Teekay Tankers are employees of Teekay's subsidiaries, their compensation (other than any awards under the long-term incentive plan of Teekay Tankers) is paid by Teekay or such other applicable entities. Pursuant to agreements with Teekay, Teekay Tankers has agreed to reimburse Teekay or its applicable subsidiaries for time spent by the executive officers in providing services to Teekay Tankers and its subsidiaries. For 2023, 2022 and 2021, these reimbursement obligations totaled approximately \$2.1 million, \$1.7 million and \$2.0 million, respectively.

### **Relationship and Management Agreement with Teekay Tankers**

Please see "Item 4C – Information on the Company – Organizational Structure" for information about our ownership interests in Teekay Tankers.

Teekay Tankers' organizational documents provide that Teekay may pursue business opportunities attractive to both parties and of which either party becomes aware. These business opportunities may include, among other things, opportunities to charter-out, charter-in or acquire oil tankers or to acquire tanker businesses.

**Management Agreement.** In connection with its initial public offering, Teekay Tankers entered into a long-term management agreement with a Teekay subsidiary, which currently is Teekay Services Limited (or the *Manager*).

Pursuant to the Management Agreement, the Manager agreed to provide the following types of services to Teekay Tankers: commercial (primarily vessel chartering), technical (primarily vessel maintenance and crewing), administrative (primarily accounting, legal and financial) and strategic (primarily advising on acquisitions, strategic planning and general management of the business). Following Teekay Tankers' purchase from us in 2018 of our subsidiary that previously provided commercial management and technical services for most of Teekay Tankers' fleet, Teekay Tankers has elected not to receive such services from us.

Under the Management Agreement, Teekay Tankers pays fees for administrative and strategic services that reimburse the Manager for its related direct and indirect expenses in providing such services and which includes a profit margin. During 2023, 2022, and 2021, Teekay Tankers incurred \$35.9 million, \$32.2 million and \$34.6 million, respectively, for all of these services, and during 2023, 2022 and 2021, the Manager paid to the Teekay Tankers subsidiaries with which it subcontracted for certain services, \$0.3 million, \$0.9 million and \$0.7 million, respectively.

The Management Agreement also provides for the payment of a performance fee in order to provide the Manager an incentive to increase cash available for distribution to Teekay Tankers' shareholders. Teekay Tankers did not incur any performance fees for 2023, 2022 or 2021.

### **Other**

Please see "Item 18 – Financial Statements: Note 13 – Related Party Transactions" for information about other related party transactions.



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### Item 8. Financial Information

#### **Consolidated Financial Statements and Notes**

Please see "Item 18 – Financial Statements" below for additional information required to be disclosed under this Item.

#### **Legal Proceedings**

From time to time we have been, and we expect to continue to be, subject to legal proceedings and claims in the ordinary course of our business, principally personal injury and property casualty claims. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We believe that any adverse outcome of existing claims, individually or in the aggregate, would not have a material effect on our financial position, results of operations or cash flows, when taking into account our insurance coverage and rights to seek indemnification from charterers.

#### **Dividend Policy**

From our initial public offering in 1995 until the quarter ended December 31, 2018, we declared and paid a regular cash dividend. Our Board eliminated the quarterly dividend on Teekay's common stock commencing with the quarter ended March 31, 2019.

In 2018, Teekay Tankers eliminated its regular dividend payments in order to preserve liquidity during the cyclical downturn of the tanker spot market and in November 2019, Teekay Tankers revised its dividend policy to provide that dividend payments would be subject to the discretion of its Board of Directors going forward. In May 2023, Teekay Tankers' Board of Directors approved an updated capital allocation plan under which it declared a regular, fixed quarterly cash dividend of \$0.25 per common share, with the initial dividend having been declared and paid for the quarter ended March 31, 2023. In addition, Teekay Tankers' Board of Directors declared and paid a special cash dividend of \$1.00 per common share in May 2023. In addition to the foregoing, any future dividends by Teekay Tankers will be paid when, as and if determined by Teekay Tankers' Board of Directors.

The timing and amount of our dividends, if any, will depend, among other things, on our results of operations, financial condition, cash requirements, restrictions in financing agreements and other factors deemed relevant by our Board. Since we primarily are a holding company, our ability to pay dividends on the common stock would depend primarily on the earnings and cash flow of our subsidiaries and distributions from our subsidiaries. Our Board may change our common stock dividends at any time.

#### **Significant Changes**

Please read "Item 18 – Financial Statements: Note 22 – Subsequent Events" for descriptions of significant changes that have occurred since December 31, 2023". Please read "Item 5 – Operating and Financial Review and Prospects: Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Development and Results of Operations".

### Item 9. The Offer and Listing

Our common stock is traded on the NYSE under the symbol "TK".

### Item 10. Additional Information

#### **Memorandum and Articles of Association**

Our Amended and Restated Articles of Incorporation, as amended, have been filed as Exhibits 1.1 and 1.2 to our Annual Report on Form 20-F (File No. 1-12874), filed with the SEC on April 7, 2009, and are hereby incorporated by reference into this Annual Report. Our Amended and Restated Bylaws have been previously filed as Exhibit 1.1 to our Report on Form 6-K (File No. 1-12874), furnished to the SEC on May 27, 2020, and are hereby incorporated by reference into this Annual Report, as Exhibit 1.3.

The rights, preferences and restrictions attaching to each class of our capital stock are described in Exhibit 2.3 (entitled "Description of Securities Registered Under Section 12 of the Exchange Act") to this Annual Report on Form 20-F, and are hereby incorporated by reference into this Annual Report.

The necessary actions required to change the rights of holders of our capital stock and the conditions governing the manner in which annual and special meetings of shareholders are convened are described in our Amended and Restated Bylaws previously filed as Exhibit 1.1 to our Report on Form 6-K (File No. 1-12874), furnished to the SEC on May 27, 2020, and hereby incorporated by reference into this Annual Report, as Exhibit 1.3.

There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by the laws of the Republic of the Marshall Islands or by our Articles of Incorporation or Bylaws.

#### **Material Contracts**

The contracts included as exhibits to this Annual Report are the contracts we consider to be both material and not entered into in the ordinary course of business. Descriptions of our credit facilities are included in "Item 18 – Financial Statements: Note 7 – Long-Term Debt".



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### **Exchange Controls and Other Limitations Affecting Security Holders**

We are not aware of any governmental laws, decrees or regulations, including foreign exchange controls, in the Republic of the Marshall Islands that restrict the export or import of capital or that affect the remittance of dividends, interest or other payments to holders of our securities that are non-resident and not citizens of the Marshall Islands and otherwise not conducting business or transactions in the Marshall Islands.

We are not aware of any limitations on the right of non-resident or foreign owners to hold or vote our securities imposed by the laws of the Republic of the Marshall Islands or our Articles of Incorporation and Bylaws.

### **Taxation**

Teekay Corporation was incorporated in the Republic of Liberia on February 9, 1979 and was domesticated in the Republic of the Marshall Islands on December 20, 1999. Its principal executive offices are located in Bermuda. The following provides information regarding taxes to which a U.S. Holder of our common stock may be subject.

### **Material United States Federal Income Tax Considerations**

The following is a discussion of certain material U.S. federal income tax considerations that may be relevant to shareholders. This discussion is based upon provisions of the Internal Revenue Code of 1986, as amended (or the *Code*), legislative history, applicable U.S. Treasury Regulations (or *Treasury Regulations*), judicial authority and administrative interpretations, all as in effect on the date of this Annual Report and which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to "we," "our" or "us" are references to Teekay Corporation.

This discussion is limited to shareholders who hold their common stock as a capital asset for tax purposes. This discussion does not address all tax considerations that may be important to a particular shareholder in light of the shareholder's circumstances, or to certain categories of shareholders that may be subject to special tax rules, such as:

- dealers in securities or currencies,
- traders in securities that have elected the mark-to-market method of accounting for their securities,
- persons whose functional currency is not the U.S. dollar,
- persons holding our common stock as part of a hedge, straddle, conversion or other "synthetic security" or integrated transaction,
- certain U.S. expatriates,
- financial institutions,
- insurance companies,
- persons subject to the alternative minimum tax,
- persons that actually or under applicable constructive ownership rules own 10% or more of our common stock (by vote or value), and
- entities that are tax-exempt for U.S. federal income tax purposes.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Partners in partnerships holding our common stock should consult their tax advisors to determine the appropriate tax treatment of the partnership's ownership of our common stock.

This discussion does not address any U.S. estate tax considerations or tax considerations arising under the laws of any state, local or non-U.S. jurisdiction. Each shareholder is urged to consult its tax advisor regarding the U.S. federal, state, local, non-U.S. and other tax consequences of the ownership or disposition of our common stock.

### **United States Federal Income Taxation of U.S. Holders**

As used herein, the term U.S. Holder means a beneficial owner of our common stock that is, for U.S. federal income tax purposes: (i) a U.S. citizen or U.S. resident alien (or a *U.S. Individual Holder*), (ii) a corporation or other entity taxable as a corporation, that was created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source, or (iv) a trust that either is subject to the supervision of a court within the United States and has one or more U.S. persons with authority to control all of its substantial decisions or has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

### **Distributions**

Subject to the discussion of passive foreign investment companies (or *PFICs*) below, any distributions made by us with respect to our common stock to a U.S. Holder generally will constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current and accumulated earnings and profits allocated to the U.S. Holder's common stock, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits allocated to the U.S. Holder's common stock will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in our common stock and thereafter as capital gain, which will be either long-term or short-term capital gain depending upon whether the U.S. Holder has held the common stock for more than one year. U.S. Holders that are corporations for U.S. federal income tax purposes generally will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. For purposes of computing allowable foreign tax credits for U.S. federal income tax purposes, dividends received with respect to our common stock will be treated as foreign source income and generally will be treated as "passive category income."



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Subject to holding period requirements and certain other limitations, dividends received with respect to our common stock by a U.S. Holder who is an individual, trust or estate (or a *Non-Corporate U.S. Holder*) will be treated as "qualified dividend income" that is taxable to such Non-Corporate U.S. Holder at preferential capital gain tax rates provided that we are not classified as a PFIC for the tax year during which the dividend is paid or the immediately preceding tax year (we intend to take the position that we have never been, and we do not expect to be for the 2023 tax year, classified as a PFIC, as discussed below). Any dividends received with respect to our common stock not eligible for these preferential rates will be taxed as ordinary income to a Non-Corporate U.S. Holder.

Special rules may apply to any "extraordinary dividend" paid by us. Generally, an extraordinary dividend is a dividend with respect to a share of common stock if the amount of the dividend is equal to or in excess of 10% of a common stockholder's adjusted tax basis (or fair market value in certain circumstances) in such common stock. In addition, extraordinary dividends include dividends received within a one-year period that, in the aggregate, equal or exceed 20% of a stockholder's adjusted tax basis (or fair market value in certain circumstances). If we pay an "extraordinary dividend" on our common stock that is treated as "qualified dividend income," then any loss recognized by a Non-Corporate U.S. Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of the amount of such dividend.

Certain Non-Corporate U.S. Holders are subject to a 3.8% tax on certain investment income, including dividends. Non-Corporate U.S. Holders should consult their tax advisors regarding the effect, if any, of this tax on their ownership of our common stock.

### *Sale, Exchange or Other Disposition of Common Stock*

Subject to the discussion of PFICs below, a U.S. Holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of our common stock in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such stock. Subject to the discussion of extraordinary dividends above, such gain or loss generally will be treated as (i) long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition, or short-term capital gain or loss otherwise and (ii) U.S.-source gain or loss, as applicable, for foreign tax credit purposes. Non-Corporate U.S. Holders may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

Certain Non-Corporate U.S. Holders are subject to a 3.8% tax on certain investment income, including capital gains from the sale or other disposition of stock. Non-Corporate U.S. Holders should consult their tax advisors regarding the effect, if any, of this tax on their disposition of our common stock.

### *Consequences of Possible PFIC Classification*

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a PFIC in any tax year in which, after taking into account the income and assets of the corporation and, pursuant to a "look through" rule, any other corporation or partnership in which the corporation directly or indirectly owns at least 25% of the stock or equity interests (by value) and any partnership in which the corporation directly or indirectly owns less than 25% of the equity interests (by value) to the extent the corporation satisfies an "active partner" test and does not elect out of "look through" treatment, either: (i) at least 75% of its gross income is "passive" income (or the *PFIC income test*), or (ii) at least 50% of the average value of its assets is attributable to assets that produce, or are held for the production of, passive income (or the *PFIC asset test*). For purposes of these tests, "passive income" includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. By contrast, income derived from the performance of services does not constitute "passive income."

For purposes of the PFIC asset test, cash and other current assets readily convertible into cash (or "cash assets") are considered to be assets that produce passive income. We currently have significant cash assets. Please read "Item 5 – Operating and Financial Review and Prospects – Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview". At the present time, we do not expect to be treated as a PFIC for the 2024 tax year under the PFIC asset test. However, if current estimates or assumptions relating to our current PFIC asset test modeling, including our assumptions on the tanker market and the value of our fleet, were to prove to be inaccurate or contrary to anticipated future financial results, or if any other factors that would negatively affect PFIC asset outcomes were to occur, we could be a PFIC in 2024 or in future tax years. In addition, should Teekay Tankers dispose of a certain number of their vessels without immediately replacing those vessels, we expect this would result in a significant risk that we would become a PFIC in the tax year in which these sales occurred. Furthermore, if our ownership of Teekay Tankers or another look-through subsidiary falls below 25% of the equity interests (by value), such as by way of us selling equity interests in any such look-through subsidiary, by way of any such look-through subsidiary issuing new equity and diluting our ownership, or by way of a merger of a look-through subsidiary, based on our current asset portfolio, we expect that we would become a PFIC in the year in which this event occurred. If any of the scenarios set out above were to occur or any other scenario were to occur which resulted in a substantial increase in cash or other passive assets, our PFIC status for any tax year may depend significantly on how, and how quickly, if at all, we use our cash assets, including the cash proceeds received in connection with any dispositions of our shares in Teekay Tankers (or another look-through subsidiary), or received from the sale of any of Teekay Tanker's vessels or from cash generated through vessel operations, and the extent to which we acquire or retain assets that are not considered to produce passive income. Accordingly, there can be no assurance that we will not be a PFIC in 2024 or any future tax years under the PFIC asset test, which could have adverse U.S. federal income tax consequences to U.S. shareholders and may cause the price of our common stock to decline and materially and adversely affect our ability to raise capital on acceptable terms.



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Additionally, with respect to the PFIC income test, there are legal uncertainties involved in determining whether the income derived from our and our look-through subsidiaries' time-chartering activities constitutes rental income or income derived from the performance of services, including legal uncertainties arising from the decision in *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), which held that income derived from certain time-chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the Code. However, the IRS stated in an Action on Decision (AOD 2010-01) that it disagrees with, and will not acquiesce to, the way that the rental versus services framework was applied to the facts in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. The IRS's statement with respect to *Tidewater* cannot be relied upon or otherwise cited as precedent by taxpayers. Consequently, in the absence of any binding legal authority specifically relating to the statutory provisions governing PFICs, there can be no assurance that the IRS or a court would not follow the *Tidewater* decision in interpreting the PFIC provisions of the Code. Moreover, the market value of our common stock and our publicly-traded look-through subsidiaries may be treated as reflecting the value of our assets, and our publicly traded look-through subsidiaries' assets, respectively, at any given time. Therefore, a decline in the market value of our common stock, or the stock of our publicly-traded look-through subsidiaries, which is not within our control, may impact the determination of whether we are a PFIC. Nevertheless, based on our and our look-through subsidiaries' current assets and operations, we intend to take the position that we are not now and have never been a PFIC by reason of the PFIC income test. No assurance can be given, however, that the IRS or a court of law will accept our position or that we would not constitute a PFIC by reason of the PFIC income test (or, alternatively, as described above, the PFIC asset test) for the 2024 tax year or any future tax year if there were to be changes in our or our look-through subsidiaries' assets, income or operations.

As discussed more fully below, if we were to be treated as a PFIC for any tax year, a U.S. Holder generally would be subject to different taxation rules depending on whether the U.S. Holder makes a timely and effective election to treat us as a "qualified electing fund" (or a *QEF election*). As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark-to-market" election with respect to our common stock, as discussed below.

**Taxation of U.S. Holders Making a Timely QEF Election.** A U.S. Holder who makes a timely QEF election (or an *Electing Holder*) must report the Electing Holder's pro rata share of our ordinary earnings and net capital gain, if any, for each tax year for which we are a PFIC that ends with or within the Electing Holder's tax year, regardless of whether or not the Electing Holder received distributions from us in that year. Such income inclusions would not be eligible for the preferential tax rates applicable to qualified dividend income. If we were to become a PFIC in 2024, the Electing Holders would be required to include their pro rata share of our ordinary earnings and net taxable capital gain, if any, in their income for their 2024 tax year. The Electing Holder's adjusted tax basis in our common stock will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that were previously taxed will result in a corresponding reduction in the Electing Holder's adjusted tax basis in our common stock and will not be taxed again once distributed. An Electing Holder generally will recognize capital gain or loss on the sale, exchange or other disposition of our common stock. A U.S. Holder makes a QEF election with respect to any year that we are a PFIC by filing IRS Form 8621 with the U.S. Holder's timely filed U.S. federal income tax return (including extensions)

If a U.S. Holder has not made a timely QEF election with respect to the first year in the U.S. Holder's holding period of our common stock during which we qualified as a PFIC, the U.S. Holder may be treated as having made a timely QEF election by filing a QEF election with the U.S. Holder's timely filed U.S. federal income tax return (including extensions) and, under the rules of Section 1291 of the Code, a "deemed sale election" to include in income as an "excess distribution" (described below) the amount of any gain that the U.S. Holder would otherwise recognize if the U.S. Holder sold the U.S. Holder's common stock on the "qualification date." The qualification date is the first day of our tax year in which we qualified as a "qualified electing fund" with respect to such U.S. Holder. In addition to the above rules, under very limited circumstances, a U.S. Holder may make a retroactive QEF election if the U.S. Holder failed to file the QEF election documents in a timely manner. If a U.S. Holder makes a timely QEF election for one of our tax years, but did not make such election with respect to the first year in the U.S. Holder's holding period of our common stock during which we qualified as a PFIC and the U.S. Holder did not make the deemed sale election described above, the U.S. Holder also will be subject to the more adverse rules described below.

A U.S. Holder's QEF election will not be effective unless we annually provide the U.S. Holder with certain information concerning our income and gain, calculated in accordance with the Code, to be included with the U.S. Holder's U.S. federal income tax return. We have not provided our U.S. Holders with such information in prior tax years and, at the present time, do not intend to provide such information in the current tax year as we have not been and do not expect to be treated as a PFIC for 2024. Accordingly, U.S. Holders will not be able to make an effective QEF election at this time. If we determine that we are or will be a PFIC for any tax year, we will provide U.S. Holders with the information necessary to make an effective QEF election with respect to our common stock.

**Taxation of U.S. Holders Making a Mark-to-Market Election.** If we were to be treated as a PFIC for any tax year and, as we anticipate, our common stock was treated as "marketable stock", then, as an alternative to making a QEF election, a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our common stock, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made for the first year a U.S. Holder holds or is deemed to hold our common stock and for which we are a PFIC, the U.S. Holder generally would include as ordinary income in each tax year that we are a PFIC the excess, if any, of the fair market value of the U.S. Holder's common stock at the end of the tax year over the U.S. Holder's adjusted tax basis in the common stock.

The U.S. Holder also would be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common stock over the fair market value thereof at the end of the tax year that we are a PFIC, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in our common stock would be adjusted to reflect any such income or loss recognized. Gain recognized on the sale, exchange or other disposition of our common stock in tax years that we are a PFIC would be treated as ordinary income, and any loss recognized on the sale, exchange or other disposition of our common stock in tax years that we are a PFIC would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder. Because the mark-to-market election only applies to marketable stock, it would not apply to a U.S. Holder's indirect interest in any of our subsidiaries that were also determined to be PFICs.



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If a U.S. Holder makes a mark-to-market election for one of our tax years and we were a PFIC for a prior tax year during which such U.S. Holder held our common stock and for which (i) we were not a QEF with respect to such U.S. Holder and (ii) such U.S. Holder did not make a timely mark-to-market election, such U.S. Holder would also be subject to the more adverse rules described below in the first tax year for which the mark-to-market election is in effect and also to the extent the fair market value of the U.S. Holder's common stock exceeds the U.S. Holder's adjusted tax basis in the common stock at the end of the first tax year for which the mark-to-market election is in effect.

**Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election.** If we were to be treated as a PFIC for any tax year, a U.S. Holder who does not make either a QEF election or a "mark-to-market" election for that year (a Non-Electing Holder) would be subject to special rules resulting in increased tax liability with respect to (i) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common stock in a tax year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding tax years, or, if shorter, the Non-Electing Holder's holding period for our common stock), and (ii) any gain realized on the sale, exchange or other disposition of our common stock. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for our common stock;
- the amount allocated to the current tax year and any tax year prior to the tax year we were first treated as a PFIC with respect to the Non-Electing Holder would be taxed as ordinary income in the current tax year;
- the amount allocated to each of the other tax years would be subject to U.S. federal income tax at the highest rate of tax in effect for the applicable class of taxpayer for that year; and
- an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other tax year.

Additionally, for each year during which a U.S. Holder holds our common stock, we are a PFIC, and the total value of all PFIC stock that such U.S. Holder directly or indirectly holds exceeds certain thresholds, such U.S. Holder will be required to file IRS Form 8621 with its annual U.S. federal income tax return to report its ownership of our common stock. In addition, if a Non-Electing Holder, who is an individual, dies while owning our common stock, such Non-Electing Holder's successor generally would not receive a step-up in tax basis with respect to such common stock.

**U.S. Holders are urged to consult their tax advisors regarding the PFIC rules, including the PFIC annual reporting requirements, as well as the applicability, availability and advisability of, and procedure for, making QEF, Mark-to-Market and other available elections with respect to us, and the U.S. federal income tax consequences of making such elections.**

### *U.S. Return Disclosure Requirements for U.S. Individual Holders*

U.S. Individual Holders who hold certain specified foreign financial assets, including stock in a foreign corporation that is not held in an account maintained by a financial institution, with an aggregate value in excess of \$50,000 on the last day of a tax year, or \$75,000 at any time during that tax year, may be required to report such assets on IRS Form 8938 with their U.S. federal income tax return for that tax year. This reporting requirement does not apply to U.S. Individual Holders who report their ownership of our common stock under the PFIC annual reporting rules described above. Penalties apply for failure to properly complete and file IRS Form 8938. U.S. Individual Holders are encouraged to consult with their tax advisors regarding the possible application of this disclosure requirement to their investment in our common stock.

### **United States Federal Income Taxation of Non-U.S. Holders**

A beneficial owner of our common stock (other than a partnership, including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is a Non-U.S. Holder.

#### *Distributions*

In general, a Non-U.S. Holder will not be subject to U.S. federal income tax on distributions received from us with respect to our common stock unless the distributions are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States). If a Non-U.S. Holder is engaged in a trade or business within the United States and the distributions are deemed to be effectively connected to that trade or business (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States), the Non-U.S. Holder generally will be subject to U.S. federal income tax on those distributions in the same manner as if it were a U.S. Holder. In addition, a Non-U.S. Holder that is a foreign corporation for U.S. federal income tax purposes may be subject to branch profits tax at a rate of 30% (or lower applicable treaty rate) on the after-tax earnings and profits attributable to such distributions.

#### *Sale, Exchange or Other Disposition of Common Stock*

In general, a Non-U.S. Holder is not subject to U.S. federal income tax on any gain resulting from the disposition of our common stock unless (i) such gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States) or (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the tax year in which such disposition occurs and meets certain other requirements. If a Non-U.S. Holder is engaged in a trade or business within the United States and the disposition of our common stock is deemed to be effectively connected to that trade or business (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States), the Non-U.S. Holder generally will be subject to U.S. federal income tax on the resulting gain in the same manner as if it were a U.S. Holder. In addition, a Non-U.S. Holder that is a foreign corporation for U.S. federal income tax purposes may be subject to branch profits tax at a rate of 30% (or lower applicable treaty rate) on the after-tax earnings and profits attributable to such gain.



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### **Information Reporting and Backup Withholding**

In general, distributions taxable as dividends with respect to, or the proceeds from a sale, redemption or other taxable disposition of, our common stock held by a Non-Corporate U.S. Holder will be subject to information reporting requirements, unless such distribution taxable as a dividend is paid and received outside the United States by a non-U.S. payor or non-U.S. middleman (within the meaning of U.S. Treasury Regulations), or such proceeds are effected through an office outside the U.S. of a broker that is considered a non-U.S. payor or non-U.S. middleman (within the meaning of U.S. Treasury Regulations). These amounts also generally will be subject to backup withholding if the Non-Corporate U.S. Holder:

- fails to timely provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or distributions required to be shown on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Information reporting and backup withholding generally will not apply to distributions taxable as dividends on our common stock to a Non-U.S. Holder if such dividend is paid and received outside the United States by a non-U.S. payor or non-U.S. middleman (within the meaning of U.S. Treasury Regulations) or the Non-U.S. Holder properly certifies under penalties of perjury as to its non-U.S. status (generally on IRS Form W-8BEN, W-8BEN-E, W-8ECI, or W-8EXP, as applicable) and certain other conditions are met or the Non-U.S. Holder otherwise establishes an exemption.

Payment of proceeds to a Non-U.S. Holder from a sale, redemption or other taxable disposition of our common stock to or through the U.S. office of a broker, or through a broker that is considered a U.S. payor or U.S. middleman (within the meaning of U.S. Treasury Regulations), generally will be subject to information reporting and backup withholding, unless the Non-U.S. Holder properly certifies under penalties of perjury as to its non-U.S. status (generally on IRS Form W-8BEN, W-8BEN-E, W-8ECI, or W-8EXP, as applicable) and certain other conditions are met or the Non-U.S. Holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Rather, a Non-Corporate U.S. Holder or Non-U.S. Holder generally may obtain a credit for any amount withheld against its liability for U.S. federal income tax (and obtain a refund of any amounts withheld in excess of such liability) by accurately completing and timely filing a U.S. federal income tax return with the IRS.

### **Non-United States Tax Considerations**

**Marshall Islands Tax Considerations.** Because we and our subsidiaries do not, and do not expect to, and assuming that we and our subsidiaries will not, conduct business, transactions or operations in the Republic of the Marshall Islands, and because all documentation related to issuances of shares of our common stock was and is expected to be, and assuming will be, executed outside of the Republic of the Marshall Islands, under current Marshall Islands law, holders of our common stock that are not citizens of and do not reside in, maintain offices in, or engage in business, operations, or transactions in the Republic of the Marshall Islands will not be subject to Marshall Islands taxation or withholding on our dividends. In addition, such shareholders will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of our common stock, and they will not be required by the Republic of the Marshall Islands to file a tax return relating to the common stock.

It is the responsibility of each shareholder to investigate the legal and tax consequences, under the laws of pertinent jurisdictions, including the Marshall Islands, of such shareholder's investment in us. Accordingly, each shareholder is urged to consult a tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each shareholder to file all state, local and non-U.S., as well as U.S. federal tax returns that may be required of such shareholder.

### **Documents on Display**

Documents concerning us that are referred to herein may be inspected at our principal executive offices at 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda. Those documents electronically filed via the Electronic Data Gathering, Analysis, and Retrieval (or *EDGAR*) system may also be obtained from the SEC's website at [www.sec.gov](http://www.sec.gov), free of charge.

## **Item 11. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from foreign currency fluctuations and changes in interest rates, credit risk associated with the counterparties that hold our cash and cash equivalents and short-term investments, bunker fuel prices and spot tanker market rates for vessels. We use foreign currency forward contracts, interest rate swaps and forward freight agreements to manage currency, interest rate, bunker fuel price and spot tanker market rate risks but we do not use these financial instruments for trading or speculative purposes. Please read "Item 18 – Financial Statements: Note 9 – Derivative Instruments and Hedging Activities".

### **Foreign Currency Fluctuation Risk**

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

In some cases, we hedge our near-term foreign currency exposure but this hedging does not exceed three years forward. As at December 31, 2023, we were not committed to any foreign currency forward contracts.



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## Interest Rate Risk

We are exposed to the impact of interest rate changes primarily through our borrowings that required us to make interest payments based on SOFR plus a margin. Significant increases in interest rates could adversely affect our operating margins, results of operations and our ability to service our debt. From time to time, we use interest rate swaps to reduce our exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with our floating-rate debt.

We are exposed to credit loss in the event of non-performance by the counterparties to the interest rate swap agreements. In order to minimize counterparty risk, we only enter into derivative transactions with counterparties that are rated A- or better by Standard & Poor's or A3 or better by Moody's at the time of the transaction. In addition, to the extent practical, interest rate swaps are entered into with different counterparties to reduce concentration risk. As at December 31, 2023 we were not committed to any interest rate swap agreements.

The table below provides information about our financial instruments, including our obligations related to finance leases as at December 31, 2023, that are sensitive to changes in interest rates. For obligations related to finance leases, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. The expected contractual maturity date does not reflect potential prepayments of obligations related to finance leases.

	Expected Maturity Date						Total	Fair Value Asset / (Liability)	Rate <sup>(1)</sup>
	2024	2025	2026	2027	2028	Thereafter			
	(in millions of U.S. dollars)								
<b>Obligations Related to Finance Leases:</b>									
Variable-Rate (\$U.S.) <sup>(1) (2) (3)</sup>	20.9	20.9	20.9	20.9	21.1	36.1	140.8	(144.0)	8.4 %

(1) Rate refers to the weighted-average interest rate for our obligations related to finance leases, including the margin we pay on our variable-rate finance leases which, as of December 31, 2023, was 3.0%.

(2) Interest payments on our obligations related to variable-rate finance leases are based on SOFR.

(3) Excludes the total cost of \$137.0 million under the purchase option notices that we provided in January 2024 to acquire eight Suezmax tankers as part of the repurchase options under the sale-leaseback arrangements described in "Item 18 - Financial Statements: Note 8 - Leases". The purchase and delivery of these vessels are expected to be completed in March 2024.

## Credit Risk

We are exposed to credit loss in the event of non-performance by the financial institutions where our cash, cash equivalents and short-term investments are held. In order to minimize credit risk, we only place deposits and short-term investments with counterparties that are rated A- or better by Standard & Poor's or A3 or better by Moody's at the time of the transaction. In addition, to the extent practical, cash deposits and short-term investments are held by and entered into with, as applicable, different counterparties to reduce concentration risk.

## Commodity Price Risk

From time to time, we may use bunker fuel swap contracts relating to a portion of our bunker fuel expenditures. As at December 31, 2023, we were not committed to any bunker fuel swap contracts.

## Spot Tanker Market Rate Risk

We are exposed to fluctuations in spot tanker market rates which can adversely affect our revenues. To reduce its exposure, at times Teekay Tankers uses forward freight agreements (or FFAs) in non-hedge-related transactions to increase or decrease its exposure to spot market rates, within defined limits. Net gains and losses from FFAs are recorded within realized and unrealized losses on non-designated derivative instruments in our consolidated statements of income (loss). As at December 31, 2023, we were not committed to any forward freight agreements.

## Item 12. Description of Securities Other than Equity Securities

Not applicable.

## PART II

## Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

## Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.



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### **Item 15. Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (or the *Exchange Act*)) that are designed to ensure that (i) information required to be disclosed in our reports that are filed or submitted under the Exchange Act, are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (ii) information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We conducted an evaluation of our disclosure controls and procedures under the supervision and with the participation of the Chief Executive Officer and Vice President, Finance & Treasurer (as Principal Executive Officer and Principal Financial Officer, respectively). Based on the evaluation, the Chief Executive Officer and Vice President, Finance & Treasurer concluded that our disclosure controls and procedures were effective as of December 31, 2023.

The Chief Executive Officer and Vice President, Finance & Treasurer do not expect that our disclosure controls or internal controls will prevent all errors and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within us have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

#### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for us.

Our internal controls are designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation and presentation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made in accordance with authorizations of management and the directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements even when determined to be effective and can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. However, based on the evaluation, management determined that internal control over financial reporting was effective as of December 31, 2023.

Our independent auditors, KPMG LLP, an independent registered public accounting firm, have audited the accompanying consolidated financial statements and our internal control over financial reporting as of December 31, 2023. Their attestation report on the effectiveness of our internal control over financial reporting can be found on page F-3 of this Annual Report.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the year ended December 31, 2023 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

### **Item 16A. Audit Committee Financial Expert**

The Board has determined that Director and Chair of the Audit Committee, Alan Semple, qualifies as an audit committee financial expert and is independent under applicable NYSE and SEC standards.

### **Item 16B. Code of Ethics**

We have adopted a Standards of Business Conduct Policy that applies to all employees and directors. This document is available under "Investors – Teekay Corporation – Governance" from the home page of our website ([www.teekay.com](http://www.teekay.com)). We also intend to disclose, under "Investors – Teekay Corporation – Governance" in the Investors section of our website, any waivers to or amendments of our Standards of Business Conduct Policy that benefit our directors and executive officers.



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### Item 16C. Principal Accountant Fees and Services

Our principal accountant for 2023 and 2022 was KPMG LLP, an independent registered public accounting firm. The following table shows the fees Teekay and our subsidiaries paid or accrued for audit and other services provided by KPMG LLP for 2023 and 2022.

Fees (in thousands of U.S. dollars)	2023	2022
Audit Fees <sup>(1)</sup>	1,596	1,610
Audit-Related Fees <sup>(2)</sup>	32	30
<b>Total</b>	<b>1,628</b>	<b>1,640</b>

(1) Audit fees represent fees for professional services provided in connection with the audits of our consolidated financial statements and effectiveness of internal control over financial reporting, reviews of our quarterly consolidated financial statements and audit services provided in connection with other statutory or regulatory filings for Teekay or our subsidiaries. Audit fees for 2023 and 2022 include approximately \$904,000 and \$830,526, respectively, of fees paid to KPMG LLP by our subsidiary Teekay Tankers that were approved by the Audit Committee of the Board of Directors of Teekay Tankers.

(2) Audit-related fees consisted of employee benefit plan audits and specified audit procedures.

The Audit Committee has the authority to pre-approve audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees. Engagements for proposed services either may be separately pre-approved by the Audit Committee or entered into pursuant to detailed pre-approval policies and procedures established by the Audit Committee, as long as the Audit Committee is informed on a timely basis of any engagement entered into on that basis. The Audit Committee separately pre-approved all engagements and fees paid to our principal accountant in 2023 and 2022.

In fiscal 2023, the Audit Committee did not approve any audit-related, tax or other services pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X, with the exception of financial statement preparation services relating to the statutory audits of certain of the Company's subsidiaries the fees for which represented less than 5% of total audit-related fees for fiscal 2023.

### Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

### Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On August 11, 2022 and March 22, 2023, we publicly announced that our Board had separately authorized the repurchase of up to \$30 million each of common shares (*Plan 1* and *Plan 2*, respectively). Under these programs, repurchases could be made from time to time in the open market, through privately-negotiated transactions and by any other means permitted under the rules of the SEC, in each case at times and prices considered appropriate by us. As at the date of this Annual Report, we have completed the two \$30 million repurchase programs as shown in the table below. All open market repurchases were made in accordance with Rule 10b-18 of the Exchange Act.

On June 9, 2023, we publicly announced that our Board of Directors had authorized a new share repurchase program for the repurchase of up to \$25 million of our outstanding common shares. Under the new program, repurchases can be made from time to time in the open market, through privately-negotiated transactions and by any other means permitted under the rules of the SEC, in each case at times and prices considered appropriate by us. The timing of any purchases and the exact number of shares to be purchased under the program will be subject to our discretion and upon market conditions and other factors. We intend to make all open market repurchases under the plan in accordance with Rule 10b-18 of the Exchange Act. As at March 1, 2024, the total remaining share repurchase authorization was \$19.1 million.



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Plan	Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Approximate dollar value of shares that may yet be purchased under the programs (in US\$ millions)
		#	\$	#	\$
1	January 3 to January 31, 2023	670,897	4.60	670,897	11.6
1	February 1 to February 3, 2023	65,686	4.90	736,583	11.3
1	March 10 to March 30, 2023	1,968,002	5.74	2,704,585	0.0
2	March 30, 2023	14,112	6.04	2,718,697	29.9
2	April 3 to April 28, 2023	1,445,565	5.80	4,164,262	21.5
2	May 1 to May 31, 2023	2,505,697	5.58	6,669,959	7.6
2	June 1 to June 30, 2023	1,001,192	5.87	7,671,151	1.7
2	September 6 to September 14, 2023	282,228	5.94	7,953,379	0.0
3	September 14 to September 25, 2023	303,110	5.90	8,256,489	23.2
3	October 2 to October 5, 2023	199,903	5.88	8,456,392	22.0
3	December 7 to December 18, 2023	428,374	6.69	8,884,766	19.2
		<b>8,884,766</b>	<b>5.69</b>	<b>8,884,766</b>	<b>19.2</b>

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance**

The following are the significant ways in which our corporate governance practices differ from those followed by domestic companies, and which difference are permitted by New York Stock Exchange (or NYSE) rules for "foreign private issuers" such as Teekay Corporation:

- In lieu of obtaining shareholder approval prior to the adoption of equity compensation plans or prior to certain equity issuances (including, among others, issuing 20% or more of our outstanding shares of common stock or voting power in a transaction), the Board of Directors approves such adoption or issuance; and
- One member of the Board of Directors' Nominating and Governance Committee is not independent under NYSE standards.

There are no other significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies under the listing requirements of the NYSE.

**Item 16H. Mine Safety Disclosure**

Not applicable.

**Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

**Item 16J. Insider Trading Policies**

Not applicable.

**Item 16K. Cybersecurity**

Risk Management and Strategy

We have developed and implemented a cybersecurity program which provides a structured approach to managing our people, processes and technology in connection with identifying, assessing, mitigating, and managing cybersecurity risks. The cybersecurity program is designed to respond to risks related to our information security and our physical assets, including our vessels.

Our cybersecurity program is integrated within our enterprise risk management program (or ERM Program). The ERM Program establishes the commitment, scope, principles, framework and processes for enterprise risk management within the Teekay Group. The ERM Program includes the following key activities: (a) risk identification, (b) risk assessment, (c) risk recording, (d) risk response and action plans, and (e) risk monitoring and reporting. Cybersecurity risks are evaluated alongside other critical business risks under the ERM Program to align cybersecurity efforts with our broader business goals and objectives.



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In addition to other components, our cybersecurity program provides for periodic, practical cybersecurity risk assessments using certain industry-recognized best practices and the National Institute of Standards and Technology (or *NIST*) Cybersecurity Framework (or *CSF*). The *CSF* is a voluntary framework of best practices to identify, protect, detect, respond to, and recover from cybersecurity events. These risk assessments, which we prepare with support from third-party consultants and cybersecurity experts, form an important part of our day-to-day, mid-term and long-term cybersecurity risk detection and prevention strategies. Using the results of these assessments, along with other protocols, policies and analyses in our cybersecurity program, we seek to continue to tailor and improve our approach to cybersecurity risk management.

We rely on third-party service providers, with whom we may share data and services, to defend their digital technologies and services against attack. We evaluate potential cybersecurity risks associated with our use of these third-party service providers, and manage any identified risks in conjunction with such parties.

Our cybersecurity program includes our Cyber Incident Response Plan (or *Incident Response Plan*). The Incident Response Plan provides specific guidance on assessing and handling cyber threats and managing cyber incidents and outlines roles and responsibilities of various parts of the management team, based on the nature and criticality of any cyber events or incidents as determined by our Vice President, Information Technology and Chief Information Officer (or *CIO*). The Incident Response Plan was developed based on the NIST Computer Security Incident Handling Guide. The Incident Response Plan applies to all Teekay Group offices and vessels, and is overseen by the CIO, supported by a management team in our information technology (or *IT*) department, which includes a Director, Infrastructure and Cybersecurity (or *Cybersecurity Director*).

As of the date of this Annual Report, risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected our business strategy, results of operations or financial conditions. Please read "Item 3. Key Information – Risk Factors" in the rest of this Annual Report for additional information about potential risks of cybersecurity attacks or breaches of our IT systems on our business.

## Governance

The Board has delegated responsibility for oversight of information systems and security (including cybersecurity) to the Audit Committee, which also supports the Board in overseeing aspects of the Company's ERM Program. As a matter of course, the Audit Committee is informed of any cybersecurity incidents dealt with under the Incident Response Plan as part of the routine reporting by management to the Audit Committee on matters under its purview. The Audit Committee reviews and discusses with management the Company's major risk exposures related to information systems and security (including cybersecurity), and the steps management has taken to mitigate, monitor and control any such exposures. The Audit Committee also receives regular briefings from the CIO, who is supported by the Cybersecurity Director, on the Company's and the Teekay Group's readiness to deal with any information system security threats and incidents and the effectiveness of our cybersecurity program. The Audit Committee reports to the Board on significant issues that arise with respect to information systems and security (including cybersecurity) affecting the Teekay Group as the committee deems appropriate. Two members of the Audit Committee have completed the CERT Certificate in Cyber-Risk Oversight offered by the National Association of Corporate Directors.

The CIO leads all components of our IT functions. Our CIO has over 15 years of IT experience with the Teekay Group and has had a broad range of assignments across all areas of IT delivery, operations and management. The Cybersecurity Director, reporting to the CIO, is directly responsible for our cybersecurity program, including day-to-day cybersecurity operations (such as prevention, detection, mitigation and remediation of cybersecurity incidents), as well as supporting the development of our cybersecurity planning. Our Cybersecurity Director has over 12 years of experience in IT and cybersecurity. Prior to joining the Teekay Group, our Cybersecurity Director held various leadership roles in IT, including architecture, infrastructure management and security, and enterprise platform management.

Our Incident Response Plan also provides a structured process for responding to suspected cybersecurity incidents, including the appropriate reporting and escalation of cybersecurity incidents to senior management. A dedicated, cross-functional team (consisting of the CIO, Cybersecurity Director, and relevant members of the Company's IT, finance, legal and accounting departments) classifies the issue following an assessment of its severity and business impact. If the assessment group determines that a cybersecurity incident has occurred and the level of severity is such that senior management and/or the incident management team should be involved in managing the response effort, the assessment team then activates the appropriate incident response mechanism. Our incident response team also coordinates with internal and external legal and technical advisors, communication specialists, and other key stakeholders regarding any confirmed material or potentially material cybersecurity incident (including to determine whether public disclosure regarding a cybersecurity incident in our public filings is warranted or required, based on a materiality assessment conducted in conjunction with senior management and legal counsel).

When responding to a potential cybersecurity incident pursuant to the Incident Response Plan, the Vice President, Finance & Treasurer and General Counsel, in consultation with the CIO, determine the timing and extent of the Audit Committee's specific oversight responsibilities in light of its role in providing general oversight of cybersecurity matters. The Audit Committee will be promptly notified if a cybersecurity incident were to occur and is determined to be material or potentially material by our senior management and incident response team.

## **PART III**

### **Item 17. Financial Statements**

Not applicable.

### **Item 18. Financial Statements**

The following consolidated financial statements and schedule, together with the related reports of KPMG LLP, Independent Registered Public Accounting Firm, are filed as part of this Annual Report:



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All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required, are inapplicable or have been disclosed in the Notes to the Consolidated Financial Statements and therefore have been omitted.



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### Item 19. Exhibits

The following exhibits are filed as part of this Annual Report:

<u>1.1</u>	Amended and Restated Articles of Incorporation of Teekay Corporation. <sup>(1)</sup>
<u>1.2</u>	Articles of Amendment of Articles of Incorporation of Teekay Corporation. <sup>(1)</sup>
<u>1.3</u>	Amended and Restated Bylaws of Teekay Corporation. <sup>(2)</sup>
<u>2.1</u>	Agreement Regarding Registration Rights Agreement, dated May 30, 2014, between Kattegat Private Trustees (Bermuda) Ltd., as sole trustee of the Kattegat Trust, and Teekay Corporation. <sup>(3)</sup>
<u>2.2</u>	Specimen of Teekay Corporation Common Stock Certificate. <sup>(3)</sup>
<u>2.3</u>	Description of Securities Registered Under Section 12 of the Exchange Act. *
<u>4.1</u>	Form of Indemnification Agreement between Teekay and each of its officers and directors. <sup>(3)</sup>
<u>4.2</u>	Amended and Restated Omnibus Agreement dated as of December 19, 2006, among Teekay Corporation, Teekay GP L.L.C., Teekay LNG Partners L.P., Teekay LNG Operating L.L.C., Teekay Offshore GP L.L.C., Teekay Offshore Partners L.P., Teekay Offshore Operating GP L.L.C. and Teekay Offshore Operating L.P. <sup>(4)</sup>
<u>4.3</u>	2013 Equity Incentive Plan. <sup>(5)</sup>
<u>4.4</u>	Secured Revolving Credit Facility Agreement dated January 28, 2020, between Teekay Tankers Ltd., Nordea Bank Abp, New York Branch and various other banks, for a \$532.8 million long-term debt facility. <sup>(6)</sup>
<u>4.5</u>	Equity Distribution Agreement dated December 29, 2020, between Teekay Corporation and Citigroup Global Markets Inc. <sup>(7)</sup>
<u>4.6</u>	Agreement and Plan of Merger, dated October 4, 2021, among Stonepeak Limestone Holdings L.P., Limestone Merger Sub, Inc., Teekay LNG Partners L.P. and Teekay GP L.L.C. <sup>(8)</sup>
<u>4.7</u>	Limited Liability Company Interest Purchase Agreement, dated October 4, 2021, between Teekay Corporation and Stonepeak Limestone Holdings L.P. <sup>(8)</sup>
<u>4.8</u>	Covenant Letter Agreement dated October 4, 2021 between Teekay Corporation and Stonepeak Limestone Holdings L.P. *
<u>4.9</u>	2023 Equity Incentive Plan. <sup>(9)</sup>
<u>4.10</u>	Secured Revolving Credit Facility Agreement dated May 3, 2023 between Teekay Tankers Ltd., Nordea Bank Abp, New York Branch, and various other banks, for a \$350.0 million long-term debt facility. <sup>(10)</sup>
<u>8.1</u>	List of Subsidiaries. *
<u>12.1</u>	Rule 13a-14(a)/15d-14(a) Certification of Teekay's Chief Executive Officer. *
<u>12.2</u>	Rule 13a-14(a)/15d-14(a) Certification of Teekay's Vice President, Finance & Treasurer. *
<u>13.1</u>	Teekay Corporation Certification of Kenneth Hvid, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
<u>13.2</u>	Teekay Corporation Certification of Brody Speers, Vice President, Finance and Treasurer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
<u>15.1</u>	Consent of KPMG LLP, as independent registered public accounting firm. *
<u>97</u>	Teekay Corporation Incentive Compensation Recovery Policy. *
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because the XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101.INS)

• Filed herewith.

\*\* Furnished herewith.

(1) Previously filed as an exhibit to the Company's Report on Form 20-F (File No. 1-12874), filed with the SEC on April 7, 2009, and hereby incorporated by reference to such Report.

(2) Previously filed as an exhibit to the Company's Report on Form 6-K (File No.1-12874), filed with the SEC on May 27, 2020, and hereby incorporated by reference to such Report.

(3) Previously filed as an exhibit to the Company's Report on Form 20-F (File No. 1-12874), filed with the SEC on April 1, 2021, and hereby incorporated by reference to such Report.



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- (4) Previously filed as exhibit 4.15 to the Company's Report on Form 20-F (File No. 1-12874), filed with the SEC on April 19, 2007, and hereby incorporated by reference to such Report.
- (5) Previously filed as exhibit 99.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-187142), filed with the SEC on March 8, 2013, and hereby incorporated by reference to such Registration Statement.
- (6) Previously filed as exhibit 4.32 to the Company's Report on Form 20-F (File No. 1-12874), filed with the SEC on April 9, 2020, and hereby incorporated by reference to such Report.
- (7) Previously filed as exhibit 4.15 to the Company's Report on Form 20-F (File No. 1-12874), filed with the SEC on April 1, 2021, and hereby incorporated by reference to such Report.
- (8) Previously filed as exhibits 4.1 and 4.2 to the Company's Report on Form 6-K (File No. 1-12874), filed with the SEC on October 12, 2021, and hereby incorporated by reference to such Report.
- (9) Previously filed as exhibit 4.9 to the Company's Report on Form 20-F (File No. 1-12874), filed with the SEC on March 31, 2023, and hereby incorporated by the reference to such Report.
- (10) Previously filed as exhibit 4.10 to the Company's Report on Form 6-K (File No. 1-12874), filed with the SEC on May 12, 2023, and hereby incorporated by the reference to such Report.





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### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

#### **TEEKAY CORPORATION**

##### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Teekay Corporation and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income, changes in total equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 15, 2024 expressed, an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

##### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

##### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

##### *Indicators of Impairment for Vessels and Equipment*

As discussed in Note 1 to the consolidated financial statements, at each reporting date, the Company evaluates vessels and equipment that are intended to be held and used in the Company's business for impairment when events or circumstances indicate that the carrying amount of the asset may not be recoverable. If the asset's net carrying value exceeds the estimated net undiscounted cash flows expected to be generated over its remaining useful life, the carrying value of the asset is reduced to its estimated fair value. The Company's evaluation of events or circumstances that may indicate impairment include, amongst others, an assessment of the intended use of the assets and anticipated operating cash flows, which is primarily influenced by the estimation of future charter rates for vessels. The carrying value of vessels and equipment reported on the consolidated balance sheet as of December 31, 2023 was \$1,234,524 thousand. The Company did not identify any indicators of impairment as of December 31, 2023 for its vessels and equipment.

We identified the assessment of indicators of impairment for vessels and equipment as a critical audit matter. A higher degree of subjective auditor judgment was required to assess the Company's evaluation of anticipated operating cash flows, including estimated future charter rates and assumptions regarding the intended use of the assets as these assumptions are market-dependent and subject to significant changes. Changes in these significant assumptions could have changed the Company's conclusion regarding indicators of impairment.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the critical audit matter. This included controls related to the Company's identification and evaluation of indicators of impairment and the determination of estimated future charter rates and assumptions regarding the intended use of the vessels and equipment. We assessed estimated future charter rates by comparing them to historical rates and the rates in third-party industry publications for vessels with similar characteristics, including type and size. We assessed the intended use of the vessels and equipment by examining minutes of Board meetings to evaluate their use taking into account the changes in market conditions and events affecting the Company.



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/s/ KPMG LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2011.

Vancouver, Canada

March 15, 2024



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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

### TEEKAY CORPORATION

#### *Opinion on Internal Control Over Financial Reporting*

We have audited Teekay Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income, changes in total equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements), and our report dated March 15, 2024 expressed an unqualified opinion on those consolidated financial statements.

#### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

#### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

March 15, 2024



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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS) (notes 1 and 21)**  
(in thousands of U.S. dollars, except share and per share amounts)

	Year Ended December 31, 2023 \$	Year Ended December 31, 2022 \$	Year Ended December 31, 2021 \$
Revenues (notes 2 and 13)	1,464,975	1,190,184	682,508
Voyage expenses	(474,371)	(495,604)	(315,113)
Vessel operating expenses	(241,585)	(275,139)	(295,599)
Time-charter hire expenses (note 13)	(70,836)	(27,374)	(15,440)
Depreciation and amortization	(97,551)	(99,033)	(106,084)
General and administrative expenses	(57,590)	(57,552)	(74,387)
Gain on sale and (write-down) of assets (note 14)	10,360	21,863	(92,368)
Asset retirement obligation extinguishment gain (note 6)	—	—	32,950
Restructuring charges (note 15)	(1,677)	(11,579)	(1,820)
<b>Income (loss) from vessel operations</b>	<b>531,725</b>	<b>245,766</b>	<b>(185,353)</b>
Interest expense	(28,009)	(38,580)	(68,412)
Interest income	24,128	6,689	169
Realized and unrealized gains on non-designated derivative instruments (note 9)	449	4,817	467
Equity income (loss) (note 4)	3,432	244	(14,107)
Loss on bond repurchases	—	(12,694)	—
Other - net (note 16)	(2,140)	4,811	(15,190)
<b>Income (loss) from continuing operations before income taxes</b>	<b>529,585</b>	<b>211,053</b>	<b>(282,426)</b>
Income tax (expense) recovery (note 17)	(12,162)	(1,417)	4,963
<b>Income (loss) from continuing operations</b>	<b>517,423</b>	<b>209,636</b>	<b>(277,463)</b>
(Loss) income from discontinued operations (note 21)	—	(20,276)	274,095
<b>Net income (loss)</b>	<b>517,423</b>	<b>189,360</b>	<b>(3,368)</b>
Net (income) loss attributable to non-controlling interests (note 1)	(366,782)	(110,953)	11,174
<b>Net income attributable to the shareholders of Teekay Corporation</b>	<b>150,641</b>	<b>78,407</b>	<b>7,806</b>
<b>Amounts attributable to the shareholders of Teekay Corporation</b>			
Income (loss) from continuing operations	517,423	209,636	(277,463)
Net (income) loss attributable to non-controlling interests, continuing operations	(366,782)	(172,881)	174,792
Net income (loss) attributable to the shareholders of Teekay Corporation, continuing operations	150,641	36,755	(102,671)
(Loss) income from discontinued operations	—	(20,276)	274,095
Net loss (income) attributable to non-controlling interests, discontinued operations	—	61,928	(163,618)
Net income attributable to the shareholders of Teekay Corporation, discontinued operations	—	41,652	110,477
<b>Net income attributable to the shareholders of Teekay Corporation</b>	<b>150,641</b>	<b>78,407</b>	<b>7,806</b>
<b>Per common share attributable to the shareholders of Teekay Corporation (note 18)</b>			
• Basic income (loss) from continuing operations attributable to shareholders of Teekay Corporation	1.59	0.36	(1.01)
• Basic income from discontinued operations attributable to shareholders of Teekay Corporation	—	0.41	1.08
• Basic income	1.59	0.77	0.08
• Diluted income (loss) from continuing operations attributable to shareholders of Teekay Corporation	1.54	0.35	(1.01)
• Diluted income from discontinued operations attributable to shareholders of Teekay Corporation	—	0.40	1.08
• Diluted income	1.54	0.76	0.08
<b>Weighted average number of common shares outstanding (note 18)</b>			
• Basic	94,484,659	102,119,129	102,148,629
• Diluted	96,644,969	104,415,597	102,148,629

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



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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (notes 1 and 21)**  
(in thousands of U.S. dollars)

	Year Ended December 31, 2023 \$	Year Ended December 31, 2022 \$	Year Ended December 31, 2021 \$
<b>Net income (loss)</b>	517,423	189,360	(3,368)
<b>Other comprehensive income:</b>			
<b>Other comprehensive income before reclassifications</b>			
Unrealized gain on qualifying cash flow hedging instruments - discontinued operations	—	—	29,292
Pension adjustments, net of taxes	20	1,024	1,881
<b>Amounts reclassified from accumulated other comprehensive loss</b>			
Realized loss on qualifying cash flow hedging instruments - discontinued operations	—	682	23,559
Realized loss on pension adjustment	1,952	—	—
<b>Other comprehensive income</b>	1,972	1,706	54,732
Comprehensive income	519,395	191,066	51,364
Comprehensive income attributable to non-controlling interests	(366,782)	(111,362)	(20,203)
<b>Comprehensive income attributable to shareholders of Teekay Corporation</b>	<b>152,613</b>	<b>79,704</b>	<b>31,161</b>

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



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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (notes 1 and 21)**  
(in thousands of U.S. dollars)

	As at December 31, 2023 \$	As at December 31, 2022 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (notes 7 and 19)	480,080	309,857
Short-term investments	172,604	210,000
Restricted cash – current (notes 8, 9 and 19)	691	3,714
Accounts receivable	117,794	140,837
Accrued revenue	70,026	82,923
Bunker and lube oil inventory	53,219	60,832
Asset held for sale (note 14)	11,910	—
Prepaid expenses	15,624	15,442
<b>Total current assets</b>	<b>921,948</b>	<b>823,605</b>
Restricted cash – non-current (notes 8 and 19)	—	3,135
<b>Vessels and equipment (note 7)</b>		
At cost, less accumulated depreciation of \$440,900 (2022 – \$171,800)	929,237	429,987
Vessels related to finance leases, at cost, less accumulated amortization of \$92,400 (2022 – \$290,000) (note 8)	228,973	823,381
Operating lease right-of-use assets (notes 1 and 8)	76,314	42,894
<b>Total vessels and equipment</b>	<b>1,234,524</b>	<b>1,296,262</b>
Investment in and loan to equity-accounted investment (note 4)	15,731	16,198
Goodwill, intangibles and other non-current assets (notes 5 and 9)	24,435	25,646
<b>Total assets</b>	<b>2,196,638</b>	<b>2,164,846</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable	33,954	47,371
Accrued liabilities and other (note 6)	82,468	86,971
Current portion of long-term debt (note 7)	—	21,184
Current obligations related to finance leases (note 8)	20,517	60,161
Current portion of operating lease liabilities (notes 1 and 8)	35,882	16,585
<b>Total current liabilities</b>	<b>172,821</b>	<b>232,272</b>
Long-term obligations related to finance leases (note 8)	119,082	472,599
Long-term operating lease liabilities (notes 1 and 8)	40,432	26,858
Other long-term liabilities (note 6)	63,957	63,511
<b>Total liabilities</b>	<b>396,292</b>	<b>795,240</b>
<b>Equity</b>		
Common stock and additional paid-in capital (\$0.001 par value; 725,000,000 shares authorized; 91,006,182 shares outstanding and 92,379,826 shares issued (2022 – 98,318,395 shares outstanding and 102,077,387 shares issued)) (note 11)	945,471	1,022,040
Accumulated deficit	(213,193)	(396,605)
Non-controlling interest	1,068,068	746,143
Accumulated other comprehensive loss (note 1)	—	(1,972)
<b>Total equity</b>	<b>1,800,346</b>	<b>1,369,606</b>
<b>Total liabilities and equity</b>	<b>2,196,638</b>	<b>2,164,846</b>

Subsequent events (note 22)

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



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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (notes 1 and 21)**  
(in thousands of U.S. dollars)

	Year Ended December 31, 2023 \$	Year Ended December 31, 2022 \$	Year Ended December 31, 2021 \$
Cash, cash equivalents, restricted cash and cash held for sale provided by (used for)			
<b>OPERATING ACTIVITIES</b>			
Net income (loss)	517,423	189,360	(3,368)
Less: Loss (income) from discontinued operations	—	20,276	(274,095)
Income (loss) from continuing operations	517,423	209,636	(277,463)
Non-cash and non-operating items:			
Depreciation and amortization	97,551	99,033	106,084
(Gain) loss on sale and write-down of assets (note 14)	(10,360)	(21,863)	92,368
Asset retirement obligation extinguishment gain (note 6)	—	—	(32,950)
Loss on bond repurchase (note 7)	—	12,694	—
Other	22,503	5,089	33,470
Change in operating assets and liabilities (note 19)	6,339	(132,301)	(63,414)
Net operating cash flow - continuing operations	633,456	172,288	(141,905)
Net operating cash flow - discontinued operations (note 21)	—	26,866	220,021
<b>Net operating cash flow</b>	<b>633,456</b>	<b>199,154</b>	<b>78,116</b>
<b>FINANCING ACTIVITIES</b>			
Issuance costs, net of proceeds from issuance of long-term debt	(3,536)	—	221,167
Prepayments of long-term debt	(1,000)	(614,677)	(135,000)
Scheduled repayments of long-term debt and settlement of related swaps (note 7)	(21,184)	(56,914)	(11,229)
Proceeds from short-term debt	50,000	134,000	50,000
Prepayments of short-term debt	(50,000)	(159,000)	(35,000)
Proceeds from financings related to sale-leaseback of vessels, net of issuance costs	—	288,108	140,226
Prepayments of obligations related to finance leases	(364,201)	—	(184,115)
Scheduled repayments of obligations related to finance leases	(34,113)	(50,636)	(23,873)
Sale of Teekay Tankers common shares (note 12)	—	22,809	—
Purchase of Teekay Tankers common shares (note 12)	(4,765)	(5,269)	(4,749)
Distributions from subsidiaries to non-controlling interests	(42,732)	—	—
Repurchase of Teekay Corporation common shares (note 11)	(50,713)	(15,369)	—
Other financing activities	(1,806)	—	(1,046)
Net financing cash flow - continuing operations	(524,050)	(456,948)	16,381
Net financing cash flow - discontinued operations (note 21)	—	—	(242,037)
<b>Net financing cash flow</b>	<b>(524,050)</b>	<b>(456,948)</b>	<b>(225,656)</b>
<b>INVESTING ACTIVITIES</b>			
Expenditures for vessels and equipment	(10,198)	(15,430)	(21,447)
Maturity (purchase) of short-term investments (note 1)	37,396	(210,000)	—
Proceeds from sale of vessels and equipment (note 14)	23,561	82,621	58,090
Proceeds from the sale of the Teekay Gas Business, net of cash sold (\$178.0 million) (note 21)	—	454,789	—
Repayments by (advances to) equity-accounted joint venture	3,900	(3,000)	1,500
Net investing cash flow - continuing operations	54,659	308,980	38,143
Net investing cash flow - discontinued operations (note 21)	—	—	(30,973)
<b>Net investing cash flow</b>	<b>54,659</b>	<b>308,980</b>	<b>7,170</b>
Increase (decrease) in cash, cash equivalents and restricted cash	164,065	51,186	(140,370)
Cash, cash equivalents and restricted cash, beginning of the year	316,706	265,520	405,890
<b>Cash, cash equivalents and restricted cash, end of the year</b>	<b>480,771</b>	<b>316,706</b>	<b>265,520</b>
Supplemental cash flow information (note 19)			

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



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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY (note 1)**  
(in thousands of U.S. dollars and shares)

	TOTAL EQUITY					Total \$
	Thousands of Shares of Common Stock Outstanding #	Common Stock and Additional Paid-In Capital \$	Accumulated Deficit \$	Accumulated Other Compre- hensive Loss \$	Non- controlling Interest \$	
Balance at December 31, 2020	101,109	1,057,319	(527,028)	(48,883)	1,989,883	2,471,291
Net income (loss)	—	—	7,806	—	(11,174)	(3,368)
Other comprehensive income	—	—	—	23,355	31,377	54,732
Dividends declared	—	—	—	—	(85,384)	(85,384)
Equity-based compensation (note 11)	462	2,817	—	—	—	2,817
Change in accounting policies (note 1)	—	(6,334)	—	—	—	(6,334)
Changes to non-controlling interest from equity contributions and other	—	—	5,980	18	(7,269)	(1,271)
Balance at December 31, 2021	101,571	1,053,802	(513,242)	(25,510)	1,917,433	2,432,483
Net income	—	—	78,407	—	110,953	189,360
Other comprehensive income	—	—	—	1,297	409	1,706
Repurchase of common shares	(3,759)	(35,789)	20,420	—	—	(15,369)
Equity-based compensation (note 11)	506	4,027	—	—	—	4,027
Impact of deconsolidation of Teekay Gas Business (note 21)	—	—	—	22,241	(1,284,890)	(1,262,649)
Changes to non-controlling interest from equity contributions and other	—	—	17,810	—	2,238	20,048
Balance at December 31, 2022	98,318	1,022,040	(396,605)	(1,972)	746,143	1,369,606
Net income	—	—	150,641	—	366,782	517,423
Other comprehensive income	—	—	—	1,972	—	1,972
Dividends declared	—	—	—	—	(42,921)	(42,921)
Repurchase of common shares	(8,885)	(84,311)	33,597	—	—	(50,714)
Equity-based compensation (note 11)	1,573	7,742	—	—	—	7,742
Changes to non-controlling interest from equity contributions and other	—	—	(826)	—	(1,936)	(2,762)
Balance at December 31, 2023	91,006	945,471	(213,193)	—	1,068,068	1,800,346

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



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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(all tabular amounts stated in thousands of U.S. dollars, other than share data and unless otherwise indicated)

**1. Summary of Significant Accounting Policies**

**Basis of presentation**

These consolidated financial statements have been prepared in accordance 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, its wholly-owned or controlled subsidiaries and any variable interest entities of which Teekay is the primary beneficiary (collectively, the *Company*). Teekay's controlled subsidiaries include Teekay Tankers Ltd. (NYSE: TNK) (or *Teekay Tankers*). Teekay and its subsidiaries, other than Teekay Tankers, are referred to herein as *Teekay Parent*.

The preparation of these consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant intercompany balances and transactions have been eliminated upon consolidation.

Certain of Teekay's significant non-wholly-owned subsidiaries are consolidated in these financial statements even though Teekay owns less than a 50% ownership interest in the subsidiaries. These significant subsidiaries include the following publicly traded subsidiaries: Teekay Tankers Ltd. (or *Teekay Tankers*) and, until January 13, 2022 (see below), Teekay LNG Partners L.P. (or *Teekay LNG Partners*) (now known as Seapeak LLC (or *Seapeak*)). As of December 31, 2023, Teekay had no ownership interest in Seapeak (2022 – 0.0%) or Seapeak's general partner. As of December 31, 2023, Teekay owned 28.7% of the capital stock of Teekay Tankers (2022 – 28.5%), including Teekay Tankers' outstanding shares of Class B common stock, which entitle the holders to five votes per share, subject to a 49% aggregate Class B Common Stock voting power maximum. Teekay maintains control of Teekay Tankers through its ownership of a sufficient number of Class A common shares and Class B common shares, which provide increased voting rights, to maintain a majority voting interest in Teekay Tankers and thus consolidates this subsidiary. Prior to January 13, 2022 (see below), Teekay maintained control of Teekay LNG Partners by virtue of its 100% ownership interest in the general partner of Teekay LNG Partners, which was a publicly-traded partnership.

Effective on February 25, 2022, Teekay LNG Partners L.P. converted from a limited partnership formed under the laws of the Republic of the Marshall Islands into a limited liability company formed under the laws of the Republic of the Marshall Islands, and changed its name from "Teekay LNG Partners L.P." to "Seapeak LLC".

On October 4, 2021, Teekay LNG Partners and Stonepeak, together with affiliates, entered into an agreement and plan of merger pursuant to which Stonepeak would acquire Teekay LNG Partners. In connection with the merger, the Company agreed to sell its general partner interest in Teekay LNG Partners, all of its common units in Teekay LNG Partners and certain subsidiaries which collectively contain the shore-based management operations of Teekay LNG Partners and certain of Teekay LNG Partners' joint ventures (collectively *the Teekay Gas Business*). The transactions closed on January 13, 2022, which resulted in Teekay deconsolidating the Teekay Gas Business for accounting purposes on that date. The presentation of certain information in these consolidated financial statements reflects that the Teekay Gas Business is a discontinued operation of the Company. See Note 21 – Discontinued Operations for further information.

**Non-Controlling Interests**

Where Teekay's ownership interest in a consolidated subsidiary is less than 100%, the non-controlling interests' share of these non-wholly-owned subsidiaries is reported in the Company's consolidated balance sheets as a separate component of equity. The non-controlling interests' share of the net income of these non-wholly-owned subsidiaries is reported in the Company's consolidated statements of income (loss) as a deduction from the Company's net income (loss) to arrive at net income attributable to the shareholders of Teekay.

The basis for attributing net income or loss of each non-wholly-owned subsidiary to the controlling interest and the non-controlling interest is based on the relative ownership interests of the non-controlling interests compared to the controlling interest (Teekay), which is consistent with how dividends and distributions were paid or were payable for these non-wholly-owned subsidiaries. In periods when vessels are sold by Seapeak or Teekay Tankers that were previously purchased from wholly-owned subsidiaries of Teekay, the amount of the gain or loss from sale allocated to the controlling interest and non-controlling interest is adjusted to reflect the non-controlling interest's share of the deferred gain or loss that was incurred when Teekay previously sold these vessels from its wholly-owned subsidiaries to its non-wholly-owned subsidiaries Seapeak or Teekay Tankers. As reflected in the table below, during 2021, 2022 and 2023, such vessel sales by Teekay Tankers resulted in increases (decreases) in net income (loss) of Teekay Tankers attributable to the non-controlling interest (controlling interest) by (\$1.8) million, \$10.6 million and \$nil, respectively. Upon the sale and deconsolidation of Seapeak on January 13, 2022, \$84.8 million, which is the total unrecognized net deferred gains relating to vessels previously sold from Teekay to Seapeak, was recognized as an increase to net income attributable to non-controlling interests for the year ended December 31, 2022.

Prior to its conversion to a limited liability company in February 2022, Seapeak had limited partners and a general partner. Seapeak's general partner was wholly-owned by Teekay until January 13, 2022. Seapeak's limited partners held common units and preferred units. For each quarterly period, the method of attributing Seapeak's net income (loss) of that period to the non-controlling interests of Seapeak begins by attributing net income (loss) of Seapeak to the non-controlling interests which hold 100% of the preferred units of Seapeak based on the amount of preferred unit distributions declared for the quarterly period.



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**TEEKAY CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(all tabular amounts stated in thousands of U.S. dollars, other than share data and unless otherwise indicated)

The total net income (loss) of Teekay's consolidated partially-owned entities and the attribution of that net income (loss) to controlling and non-controlling interests is as follows:

	Net income (loss) attributable to non-controlling interests			Controlling Interest		Net income (loss) of consolidated partially-owned entities <sup>(1)</sup>	
	Non-public partially-owned subsidiaries	Preferred unit-holders	Earnings (Loss)	Total Non-Controlling Interest	Earnings (Loss)		Total Controlling Interest (Teekay)
Teekay Tankers	—	—	366,909	366,909	146,762	146,762	513,671
Other entities and eliminations	—	—	(127)	(127)	—	—	—
For the Year End December 31, 2023	—	—	<u>366,782</u>	<u>366,782</u>	—	—	—
Seapeak <sup>(2)</sup>	872	928	(63,728)	(61,928)	100,364	100,364	38,436
Teekay Tankers	—	—	172,857	172,857	56,229	56,229	229,086
Other entities and eliminations	—	—	24	24	—	—	—
For the Year End December 31, 2022	<u>872</u>	<u>928</u>	<u>109,153</u>	<u>110,953</u>	—	—	—
Seapeak <sup>(2)</sup>	12,900	25,702	125,016	163,618	91,930	91,930	255,548
Teekay Tankers	—	—	(174,787)	(174,787)	(67,585)	(67,585)	(242,372)
Other entities and eliminations	—	—	(5)	(5)	—	—	—
For the Year Ended December 31, 2021	<u>12,900</u>	<u>25,702</u>	<u>(49,776)</u>	<u>(11,174)</u>	—	—	—

(1) Includes earnings attributable to common and preferred shares.

(2) Seapeak forms part of discontinued operations during 2022 and 2021.

When Teekay's non-wholly-owned subsidiaries declare dividends or distributions to their owners or require all of their owners to contribute capital to the non-wholly-owned subsidiaries, such amounts are paid to, or received from, each of the owners of the non-wholly-owned subsidiaries based on the relative ownership interests in the non-wholly-owned subsidiary. As such, any dividends or distributions paid to, or capital contributions received from, the non-controlling interests are reflected as a reduction (dividends or distributions) or an increase (capital contributions) in non-controlling interest in the Company's consolidated balance sheets.

When Teekay's non-wholly-owned subsidiaries issue additional equity interests to non-controlling interests, Teekay is effectively selling a portion of the non-wholly-owned subsidiaries. Consequently, the proceeds received by the subsidiaries from their issuance of additional equity interests are allocated between non-controlling interests and retained earnings in the Company's consolidated balance sheets. The portion allocated to non-controlling interests on the Company's consolidated balance sheets consists of the carrying value of the portion of the non-wholly-owned subsidiary that is effectively disposed of, with the remaining amount attributable to the controlling interests, which consists of the Company's dilution gain or loss that is reflected in retained earnings.

#### Foreign currency

The consolidated financial statements are stated in U.S. Dollars and the functional currency of the Company is the U.S. Dollar. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the U.S. Dollar are translated to reflect the year-end exchange rates. Resulting gains or losses are reflected in other - net in the accompanying consolidated statements of income (loss).

#### Revenues

The Company's voyage charters, time charters and floating production storage and offloading (or FPSO) contracts (the last of which ended in the first half of 2022), include both a lease component, consisting of the lease of the vessel, and a non-lease component, consisting of the operation of the vessel for the customer. The Company has elected not to separate the non-lease component from the lease component for all such charters where the lease component is classified as an operating lease and certain other required criteria are met, and to account for the combined component as an operating lease. Time-charter contracts accounted for as direct financing leases and sales type leases contain both a lease component (lease of the vessel) and a non-lease component (operation of the vessel). The Company has allocated the contract consideration between the lease component and non-lease component on a relative standalone selling price basis. The standalone selling price of the non-lease component has been determined using a cost-plus approach, whereby the Company estimates the cost to operate the vessel using cost benchmarking studies prepared by a third party, when available, or internal estimates when not available, plus a profit margin. The standalone selling price of the lease component has been determined using an adjusted market approach, whereby the Company calculates a rate excluding the operating component based on a market time-charter rate from published broker estimates, when available, or internal estimates when not available. Given that there are no observable standalone selling prices for either of these two components, judgment is required in determining the standalone selling price of each component.

#### FPSO contracts and time charters

Revenues from FPSO contracts and time charters accounted for as operating leases are recognized by the Company on a straight-line basis daily over the term of the contract. If collectability of the receipts from these contracts accounted for as operating leases is not probable, revenue that would have otherwise been recognized is limited to the amount collected from the charterer. The Company disposed of its last FPSO unit in October 2022.



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Upon commencement of an FPSO contract or time charter accounted for as a sales-type lease or direct financing lease, the carrying value of the vessel is derecognized and the net investment in the lease is recognized, based on the fair value of the vessel. For direct financing leases and sales-type leases, the lease element of time charter hire receipts is allocated to the lease receivable and revenues over the term of the lease using the effective interest rate method. The non-lease element of receipts is recognized by the Company on a straight-line basis daily over the term of the contract. Drydock cost reimbursements allocable to the non-lease element of a time-charter are recognized on a straight-line basis over the period between the previous scheduled dry dock and the next scheduled dry dock. In addition, if collectability of non-lease receipts of payments from a customer is not probable, any such receipts are recognized as a liability unless the receipts are non-refundable and either the contract has been terminated or the Company has no remaining performance obligations.

The Company does not recognize revenues during days that the vessel is off-hire. When the FPSO contract or time charter contains a profit-sharing agreement, drydock cost reimbursements for time charters accounted for as operating leases, or other variable consideration, including performance-based metrics such as production tariffs and other operational performance measures, the Company recognizes this revenue in the period in which the changes in facts and circumstances on which the variable charter hire payments are based occur. In addition, performance-based revenue based on a multi-period performance-based metric that is allocable to non-lease services provided, is estimated and recognized over the performance period to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the charterer is responsible for the operation of the vessel, the Company offsets any vessel operating expenses it incurs against reimbursements from the charterer.

*Voyage charters*

Revenues from voyage charters are recognized on a proportionate performance method. The Company uses a discharge-to-discharge basis in determining proportionate performance for all spot voyages that contain a lease and a load-to-discharge basis in determining proportionate performance for all spot voyages that do not contain a lease. The Company does not begin recognizing revenue until a charter has been agreed to by the customer and the Company, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage. Revenues from the Company's vessels performing voyage charters subject to revenue sharing agreements (or RSAs) follow the same revenue recognition policy as voyage charters not subject to RSAs. The difference between the net revenue earned by a vessel of the Company performing voyage charters subject to RSAs and its allocated share of the aggregate net contribution is reflected within voyage expenses. The consolidated balance sheets reflect in accrued revenue the accrued portion of revenues for those voyages that commence prior to the balance sheet date and complete after the balance sheet date. Voyage expenses incurred that are recoverable from the Company's customers in connection with its voyage charter contracts are reflected in voyage charter revenues and voyage expenses.

*Management fees and other*

Revenues are also earned from the management of third-party vessels. The Company recognizes fixed revenue on a straight-line basis over the duration of the management contract and variable revenue, such as monthly commissions, in the month they are earned. The Company presents the reimbursement of expenditures it incurs to provide the promised goods or services as revenue, if it controls such goods or services before they are transferred to the customer, and presents such reimbursement of expenditures as an offset against the expenditures, if the Company does not control the goods or services before they are transferred to the customer.

**Operating expenses**

Voyage expenses are all expenses unique to a particular voyage, including fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. In addition, the difference between the net revenue earned by a vessel of the Company performing voyage charters subject to an RSA and its allocated share of the aggregate net contribution is reflected within voyage expenses. The Company, as shipowner, pays voyage expenses under voyage charters. The Company's customers pay voyage expenses under time charters, except when the vessel is off-hire during the term of a time charter in which case the Company pays voyage expenses.

Vessel operating expenses include crewing, ship management services, repairs and maintenance, insurance, stores, lube oils and communication expenses.

Voyage expenses and vessel operating expenses are recognized when incurred, except when the Company incurs pre-operational costs related to the repositioning of a vessel that relates directly to a specific customer contract, that generates or enhances resources of the Company that will be used in satisfying performance obligations in the future, whereby such costs are expected to be recovered via the customer contract. In this case, such costs are deferred and amortized over the duration of the customer contract.

**Cash and cash equivalents**

The Company classifies all highly liquid investments with an original maturity date of three months or less as cash and cash equivalents.

**Short-term investments**

The Company makes short-term investments which are comprised of short-term debt securities issued by the United States government and time deposits from financial institutions with a range of maturity dates up to twelve months from the origination date. The short-term debt securities and time deposits with initial maturity dates of more than three months, but less than or equal to twelve months from the origination date are classified as short-term investments on the consolidated balance sheets. The Company classifies these investments as held-to-maturity investments, which are carried at amortized cost.



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**Restricted cash**

The Company maintains restricted cash deposits relating to certain forward freight agreements which are presented as current on the consolidated balance sheet (see Note 9). The Company maintains restricted cash deposits as required by the Company's obligations related to certain finance leases which are presented as non-current on the consolidated balance sheet (see Note 8).

**Accounts receivable and other loan receivables**

Accounts receivable are recorded at the invoiced amount and do not bear interest. The consolidated balance sheets reflect in accounts receivable, any amounts where the right to consideration is conditioned upon the passage of time, and, in accrued revenue, any accrued revenue where the right to consideration is conditioned upon something other than the passage of time.

The Company's advance to its equity-accounted joint venture is recorded at cost.

**Vessels and equipment**

All pre-delivery costs incurred during the construction of newbuildings, including interest, supervision and technical costs, are capitalized. The acquisition cost and all costs incurred to restore used vessels purchased by the Company to the standard required to properly service the Company's customers are capitalized.

Vessel capital modifications include the addition of new equipment or certain modifications to the vessel that are aimed at improving or increasing the operational efficiency and functionality of the asset. This type of expenditure is capitalized and depreciated over the estimated useful life of the modification. Expenditures covering recurring routine repairs and maintenance are expensed as incurred.

Depreciation is calculated on a straight-line basis over a vessel's estimated useful life, less an estimated residual value. Depreciation is calculated using an estimated useful life of 25 years for tankers carrying crude oil and refined product, commencing the date the vessel is delivered from the shipyard, or a shorter period if regulations prevent the Company from operating the vessels for 25 years. Depreciation of vessels and equipment, excluding amortization of dry-docking expenditures, for the years ended December 31, 2023, 2022 and 2021 aggregated \$71.9 million, \$71.9 million, and \$78.5 million, respectively. Depreciation includes depreciation of all owned vessels and amortization of vessels accounted for as finance leases.

Generally, the Company dry docks each oil tanker every two and a half years to five years. The Company capitalizes certain costs incurred during dry docking and amortizes those costs on a straight-line basis from the completion of a dry docking to the estimated completion of the next dry docking. The Company includes in capitalized dry docking those costs incurred as part of the dry dock to meet classification and regulatory requirements. The Company expenses costs related to routine repairs and maintenance performed during dry docking that do not improve or extend the useful lives of the assets. When significant dry-docking expenditures occur prior to the expiration of the original amortization period, the remaining unamortized balance of the original dry-docking cost is expensed in the month of the subsequent dry docking.

The following table summarizes the change in the Company's capitalized dry-docking costs from January 1, 2021 to December 31, 2023:

	Year Ended December 31,		
	2023	2022	2021
	\$	\$	\$
Balance at the beginning of the year	51,474	62,914	67,527
Costs incurred for dry dockings	15,483	15,792	23,042
Dry-dock amortization	(25,245)	(26,666)	(27,123)
Write-down / sales of vessels	(1,139)	(566)	(532)
Balance at the end of the year	<u>40,573</u>	<u>51,474</u>	<u>62,914</u>

Vessels and equipment that are intended to be held and used in the Company's business are assessed for impairment when events or circumstances indicate the carrying value of the asset may not be recoverable. The Company's evaluation of events or circumstances that may indicate impairment, include, amongst others, an assessment of the intended use of the assets and anticipated operating cash flows, which is primarily influenced by the estimate of future charter rates for the vessels. The Company did not identify any indicators of impairment as of December 31, 2023, for its vessels. If the asset's net carrying value exceeds the estimated net undiscounted cash flows expected to be generated over its remaining useful life, and the fair value of the asset is less than its carrying value, the carrying value of the asset is reduced to its estimated fair value. The estimated fair value for the Company's impaired vessels is determined using discounted cash flows or appraised values. In cases where an active second-hand sale and purchase market does not exist, or in certain other cases, the Company uses a discounted cash flow approach to estimate the fair value of an impaired vessel. In cases where an active second-hand sale and purchase market exists, an appraised value is used to estimate the fair value of an impaired vessel. An appraised value is generally the amount the Company would expect to receive if it were to sell the vessel. Such appraisal is based on second-hand sale and purchase data, and other information provided by third parties.

Vessels and equipment that are "held for sale" are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated while classified as held for sale. Interest and other expenses and related liabilities attributable to vessels and equipment classified as held for sale continue to be recognized as incurred.

**Bunker and lube oil inventory**

Bunker and lube oil inventory is stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.



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**Equity-accounted investments**

The Company's investments in certain joint ventures and other partially-owned entities in which the Company does not control the entity but has the ability to exercise significant influence over the operating and financial policies of the entity are accounted for using the equity method of accounting. Under the equity method of accounting, investments are stated at initial cost and are adjusted for subsequent additional investments and the Company's proportionate share of earnings or losses and distributions. The Company evaluates its equity-accounted for investments for impairment when events or circumstances indicate that the carrying value of such investments may have experienced an other-than-temporary decline in value below its carrying value. If an equity-accounted for investment experiences an other-than-temporary decline in value and if the estimated fair value is less than the carrying value, the carrying value is written down to its estimated fair value and the resulting impairment is recorded in the Company's consolidated statements of income (loss).

**Debt issuance costs**

Debt issuance costs related to a recognized debt liability, including fees, commissions, and legal expenses, are deferred and presented as a direct reduction from the carrying amount of that debt liability and amortized on an effective interest rate method over the term of the relevant loan. Debt issuance costs which are not attributable to a specific debt liability or where the debt issuance costs exceed the carrying value of the related debt liability (primarily undrawn revolving credit facilities) are deferred and presented as non-current assets in the Company's consolidated balance sheets. Amortization of debt issuance costs is included in interest expense in the Company's consolidated statements of income (loss).

Fees paid to substantially amend a non-revolving credit facility are associated with the extinguishment of the old debt instrument and included in determining the debt extinguishment gain or loss to be recognized. Other costs incurred with third parties directly related to the extinguishment are deferred and presented as a direct reduction from the carrying amount of the replacement debt instrument and amortized using the effective interest rate method. In addition, any unamortized debt issuance costs associated with the old debt instrument are written off. If the amendment is considered not to be a substantial amendment, then the fees would be associated with the replacement or modified debt instrument and, along with any existing unamortized premium, discount and unamortized debt issuance costs, would be amortized as an adjustment of interest expense over the remaining term of the replacement or modified debt instrument using the effective interest method. Other related costs incurred with third parties directly related to the modification, other than the loan amendment fee, are expensed as incurred.

Fees paid to amend a revolving credit facility are deferred and amortized over the term of the modified revolving credit facility. If the borrowing capacity of the revolving credit facility increases as a result of the amendment, unamortized debt issuance costs of the original revolving credit facility are amortized over the remaining term of the modified revolving credit facility. If the borrowing capacity of the revolving credit facility decreases as a result of the amendment, a proportionate amount, based on the reduction in borrowing capacity, of the unamortized debt issuance costs of the original revolving credit facility are written off and the remaining amount is amortized over the remaining term of the modified revolving credit facility.

**Credit losses**

The Company utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for net investments in direct financing and sales-type leases, loans to equity accounted joint ventures, guarantees of secured loan facilities of equity-accounted joint ventures, non-operating lease accounts receivable, contract assets and other receivables at the time the financial asset is originated or acquired. The expected credit losses are subsequently adjusted each period for changes in expected lifetime credit losses. The Company discontinues accrual of interest on financial assets if collection of required payments is no longer probable, and in those situations, recognizes payments received on non-accrual assets on a cash basis method, until collection of required payments becomes probable. The Company considers a financial asset to be past due when payment is not made with 30 days of it being owed, assuming there is no dispute or other uncertainty regarding the amount owing.

Expected credit loss provisions are presented on the consolidated balance sheets as a reduction to the carrying value of the related financial asset and as an other long-term liability for expected credit loss provisions that relate to guarantees of secured loan facilities of equity-accounted joint ventures. Changes in expected credit loss provisions are presented within other - net within the consolidated statements of income (loss).

For charter contracts being accounted for as operating leases, if the remaining lease payments are no longer probable of being collected, any unpaid accounts receivable and any accrued revenue will be reversed against revenue and any subsequent payments will be recognized as revenue when collected until such time that the remaining lease payments are probable of being collected.

**Derivative instruments**

All derivative instruments are initially recorded at fair value as either assets or liabilities in the accompanying consolidated balance sheets and subsequently remeasured to fair value each period end, regardless of the purpose or intent for holding the derivative. The method of recognizing the resulting gain or loss is dependent on whether the derivative contract is designed to hedge a specific risk and whether the contract qualifies for hedge accounting. The Company does not apply hedge accounting to its derivative instruments, except for certain types of interest rate swaps designated as cash flow hedges, which are included in discontinued operations.

When a derivative is designated as a cash flow hedge, the Company formally documents the relationship between the derivative and the hedged item. This documentation includes the strategy and risk management objective for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge. Any gains and losses on the derivative that are excluded from the assessment of hedge effectiveness are recognized immediately in earnings. The Company does not apply hedge accounting if it is determined that the hedge is not effective or will no longer be effective, the derivative is sold or exercised, or the hedged item is sold, repaid or no longer probable of occurring.



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For derivative financial instruments designated and qualifying as cash flow hedges, changes in the fair value of the derivative financial instruments are initially recorded as a component of accumulated other comprehensive loss in total equity. In the periods when the hedged items affect earnings, the associated fair value changes on the hedging derivatives are transferred from total equity to the corresponding earnings line item (e.g. interest expense) in the Company's consolidated statements of income (loss). If a cash flow hedge is terminated or de-designated and the originally hedged item is still considered probable of occurring, the gains and losses initially recognized in total equity remain there until the hedged item impacts earnings, at which point they are transferred to the corresponding earnings line item in the Company's consolidated statements of income (loss). If the hedged items are no longer probable of occurring, amounts recognized in total equity are immediately transferred to the corresponding earnings line item in the Company's consolidated statements of income (loss).

For derivative financial instruments that are not designated or that do not qualify as hedges under Financial Accounting Standards Board (or FASB) Accounting Standards Codification (or ASC) 815, *Derivatives and Hedging*, changes in the fair value of the derivative financial instruments are recognized in earnings. Gains and losses from the Company's non-designated interest rate swaps related to long-term debt, non-designated bunker fuel swap contracts and forward freight agreements, and non-designated foreign currency forward contracts are recorded in realized and unrealized gains (losses) on non-designated derivative instruments in the Company's consolidated statements of income (loss). Gains and losses from the Company's non-designated cross currency swaps are recorded in income from discontinued operations in the Company's consolidated statements of income (loss).

**Goodwill and intangible assets**

Goodwill is not amortized but is reviewed for impairment at the reporting unit level on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. A reporting unit is a component of the Company that constitutes a business for which discrete financial information is available and regularly reviewed by management. When goodwill is reviewed for impairment, the Company may elect to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, the Company may bypass this step and use a fair value approach to identify potential goodwill impairment and, when necessary, measure the amount of impairment.

The Company uses a discounted cash flow model to determine the fair value of reporting units unless there is a readily determinable fair market value. Goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill.

Customer-related intangible assets are amortized over the expected life of a customer contract or the expected duration that the customer relationships are estimated to contribute to the cash flows of the Company. The amount amortized each year is weighted based on the projected revenue to be earned under the contracts or projected revenue to be earned as a result of the customer relationships. Intangible assets are assessed for impairment when and if impairment indicators exist. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value.

**Lease obligations and right-of-use assets**

For its chartered-in vessels and office leases, as of the lease commencement date, the Company recognizes a liability for its lease obligation, initially measured at the present value of lease payments not yet paid, and an asset for its right to use the underlying asset, initially measured equal to the lease liability and adjusted for lease payments made at or before lease commencement, lease incentives, and any initial direct costs. The discount rate used to determine the present value of the lease payments is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment. The initial recognition of the lease obligation and right-of-use asset excludes short-term leases for the Company's chartered-in vessels and office leases. Short-term leases are leases with an original term of one year or less, excluding those leases with an option to extend the lease for greater than one year or an option to purchase the underlying asset that the lessee is deemed reasonably certain to exercise. The initial recognition of this lease obligation and right-of-use asset excludes variable lease payments that are based on the usage or performance of the underlying asset and the portion of payments related to non-lease elements of vessel charters.

For those leases classified as operating leases, lease interest and right-of-use asset amortization in aggregate result in a straight-line expense profile that is presented in time charter hire expense for vessels and general and administrative expense for office leases, unless the right-of-use asset becomes impaired. For those leases classified as finance leases, the Company uses the effective interest rate method to subsequently account for the lease liability, whereby interest is recognized in interest expense in the Company's consolidated statements of income (loss). For those leases classified as finance leases, the right-of-use asset is amortized on a straight-line basis over the remaining life of the vessel, with such amortization included in depreciation and amortization in the Company's consolidated statements of income (loss). Variable lease payments that are based on the usage or performance of the underlying asset are recognized as an expense when incurred, unless achievement of a specified target triggers the lease payment, in which case an expense is recognized in the period when achievement of the target is considered probable.

The Company recognizes the expense from short-term leases and any non-lease components of vessels time chartered from other owners, on a straight-line basis over the firm period of the charters. The expense is included in time charter hire expense for vessel charters and general and administrative expenses for office leases.

The right-of-use asset is assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. If the right-of-use asset's net carrying value exceeds the net undiscounted cash flows expected to be generated over its remaining useful life, the carrying amount of the right-of-use asset is reduced to its estimated fair value. The estimated fair value for the Company's impaired right-of-use assets from in-chartered vessels is determined using a discounted cash flow approach to estimate the fair value. Subsequent to an impairment, a right-of-use asset related to an operating lease is amortized on a straight-line basis over its remaining life.



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The Company has determined that all of its time-charter-in contracts contain both a lease component (lease of the vessel) and a non-lease component (technical operation of the vessel). The Company has allocated the contract consideration between the lease component and non-lease component on a relative standalone selling price basis. The standalone selling price of the non-lease component has been determined using a cost-plus approach, whereby the Company estimates the cost to technically operate the vessel using cost benchmarking studies prepared by a third party, when available, or internal estimates when not available, plus a profit margin. The standalone selling price of the lease component has been determined using an adjusted market approach, whereby the Company calculates a rate excluding the operating component based on a market time-charter rate information from published broker estimates, when available, or internal estimates when not available. Given that there are no observable standalone selling prices for either of these two components, judgment is required in determining the standalone selling price of each component. The bareboat charter contracts contain only a lease component.

Vessels sold and leased back by the Company, where the Company has a fixed price repurchase obligation or other situations where the leaseback would be classified as a finance lease, are accounted for as a failed sale of the vessel. For such transactions, the Company does not derecognize the vessel sold and continues to depreciate the vessel as if it was the legal owner. Proceeds received from the sale of the vessel are recognized as an obligation related to finance lease, and bareboat charter hire payments made by the Company to the lessor are allocated between interest expense and principal repayments on the obligation related to finance lease.

#### **Asset retirement obligation**

The Company has an asset retirement obligation (or ARO) relating to the recycling of the *Petrojarl Foinaven* FPSO unit in accordance with EU ship recycling regulations on completion of its last contract, and the Company had an ARO relating to the subsea production facility associated with the *Petrojarl Banff* FPSO unit which operated in the North Sea. The obligation relating to the *Petrojarl Banff* FPSO unit, which was fully discharged in May 2021, generally involved the costs associated with the restoration of the environment surrounding the facility and removal and disposal of all production equipment. The ARO related to the *Petrojarl Foinaven* FPSO unit is expected to be fully covered by a contractual payment received in August 2022 by the Company from the FPSO contract counterparty.

The Company records the fair value of an ARO as a liability in the period when the obligation arises. The fair value of the ARO is measured using expected future cash outflows discounted at the Company's credit-adjusted risk-free interest rate. When the liability is recorded, the Company capitalizes the cost by increasing the carrying amount of the related equipment. Each period, the liability is increased for the change in its present value, and the capitalized cost is depreciated over the useful life of the related asset. Changes in the amount or timing of the estimated ARO are recorded as an adjustment to the related asset and liability. Please refer to Note 6 for further details of the Company's AROs.

#### **Equity-based compensation**

The Company grants stock options, restricted stock units, performance share units and restricted stock awards as incentive-based compensation to certain employees and directors. The Company measures the cost of such awards using the grant date fair value of the award and recognizes that cost, net of estimated forfeitures, over the requisite service period, which generally equals the vesting period. The fair value is remeasured at the end of each reporting period for those awards that are required to be settled in cash. For equity-based compensation awards subject to graded vesting, the Company calculates the value for the award as if it was one single award with one expected life and amortizes the calculated expense for the entire award on a straight-line basis over the vesting period of the award.

Compensation cost for awards with performance conditions is recognized when it is probable that the performance condition will be achieved. The compensation cost of the Company's equity-based compensation awards is substantially reflected in general and administrative expenses. Awards that are required to be settled in cash are reflected in accrued liabilities in the Company's consolidated balance sheet.

#### **Income taxes**

The Company accounts for income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the consolidated financial statement basis and the tax basis of the Company's assets and liabilities using the applicable jurisdictional tax rates. A valuation allowance for deferred tax assets is recorded when it is determined that it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized.

The Company recognizes the tax benefits of uncertain tax positions only if it is more-likely-than-not that a tax position taken or expected to be taken in a tax return will be sustained upon examination by the taxing authorities, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefits recognized in the Company's consolidated financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions in income tax (expense) recovery in the Company's consolidated statements of income (loss).

The Company believes that it and its subsidiaries are not subject to income taxation under the laws of the Republic of the Marshall Islands or Bermuda, and that distributions by its subsidiaries to the Company will not be subject to any income taxes under the laws of such countries. The Company qualifies for the Section 883 exemption under U.S. federal income tax purposes.



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**Accumulated other comprehensive loss**

The following table contains the changes in the balances of each component of accumulated other comprehensive loss attributable to shareholders of Teekay for the periods presented.

	Pension Adjustments Relating to Continuing Operations \$	Qualifying Cash Flow Hedging Instruments Related to Discontinued Operations \$	Total \$
Balance as of December 31, 2020	(4,877)	(44,006)	(48,883)
Other comprehensive loss and other	1,881	21,474	23,355
Changes to non-controlling interest in AOCI from equity contributions	—	18	18
Balance as of December 31, 2021	(2,996)	(22,514)	(25,510)
Other comprehensive income and other	1,024	682	1,706
Impact of deconsolidation of Teekay Gas Business	—	21,832	21,832
Balance as of December 31, 2022	(1,972)	—	(1,972)
Other comprehensive income and other	1,972	—	1,972
Balance as of December 31, 2023	—	—	—

**Employee pension plans**

The Company has defined contribution pension plans covering the majority of its employees. Pension costs associated with the Company's required contributions under its defined contribution pension plans are based on a percentage of employees' salaries and are charged to earnings in the year incurred. The Company's employees are generally eligible to participate in defined contribution plans. These plans allow for the employees to contribute a certain percentage of their base salaries into the plans. The Company matches all or a portion of the employees' contributions, depending on how much each employee contributes. During the years ended December 31, 2023, 2022 and 2021, the amount of cost recognized for the Company's defined contribution pension plans was \$3.2 million, \$3.2 million and \$6.2 million, respectively.

The Company also had defined benefit pension plans (or the *Benefit Plans*) covering certain of its employees in Australia. The Company accrued the costs and related obligations associated with its defined benefit pension plans based on actuarial computations using the projected benefits obligation method and management's best estimates of expected plan investment performance, salary escalation, and other relevant factors. For the purpose of calculating the expected return on plan assets, those assets were valued at fair value. The overfunded or underfunded status of the defined benefit pension plans was recognized as assets or liabilities in the consolidated balance sheets. The Company recognized as a component of other comprehensive loss, the gains or losses that arose during a period but that were not recognized as part of net periodic benefit costs. During the year ended December 31, 2023, the Company disposed of its defined benefit pension plans in Australia and recognized a loss of \$3.6 million in other - net in the consolidated statements of net income (loss).

**Earnings (loss) per common share**

The computation of basic earnings (loss) per share is based on the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the exercise of all dilutive stock options and restricted stock awards using the treasury stock method. The computation of diluted loss per share does not assume such exercises. In periods with discontinued operations where potential common shares are antidilutive to earnings per share from continuing operations, such potential common shares are excluded from the calculation of diluted earnings per share - discontinued operations.

**Accounting pronouncements**

In March 2020, the FASB issued ASU 2020-04 - *Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This update provides optional guidance for a limited period of time to ease potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as the London Interbank Offered Rate (or *LIBOR*). This update applies only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued. During December 2022, the FASB issued ASU 2022-06 - *Deferral of the Sunset Date of Topic 848*, to extend ASU 2020-04 to be effective through December 31, 2024. The adoption did not have a material impact on the Company's consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06. This update simplified the accounting for convertible debt instruments and convertible preferred stock by reducing the number of accounting models and the number of embedded conversion features that could be recognized separately from the primary contract. This update also enhanced transparency and improved disclosures for convertible instruments and earnings per share guidance. This update is mandatory beginning January 1, 2022; however, the Company early adopted this update effective January 1, 2021, using the modified retrospective method of transition. The adoption of ASU 2020-06 has impacted the accounting for the Company's Convertible Senior Notes due January 15, 2023 (or the *Convertible Notes*) whereby the existing debt and equity components have been recombined into a single component accounted for as a single liability, at its amortized cost.



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On adoption, the Company increased the carrying value of long-term debt by \$6.3 million and decreased common stock and additional paid-in capital by \$6.3 million. Adoption of ASU 2020-06 also decreased the Company's interest expense by \$3.0 million for the year ended December 31, 2021, and therefore increased income from continuing operations and net income by the same amounts for this period. In addition, the adoption of ASU 2020-06 resulted in the Company having to change from the use of the treasury stock method to the if-converted method to determine the dilutive impact of the Convertible Notes when calculating diluted earnings per share attributable to shareholders of Teekay Corporation. For the year ended December 31, 2021, had the Convertible Notes been dilutive, the change to the if-converted method would have increased the Company's diluted income attributable to shareholders of Teekay Corporation by \$6.4 million, increased the denominator of the diluted earnings per share calculation by 9,588,378 shares, and increased the diluted earnings per share attributable to shareholders of Teekay Corporation by \$0.08 (see Note 18).

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting - Improvements to Reportable Segment Disclosures* (or *ASU 2023-07*). ASU 2023-07 introduced updates for how significant segment expense categories and amounts for each reportable segment are disclosed. A significant segment expense is defined as an expense that is:

- Significant to the segment,
- Regularly provided to or easily computed from information regularly provided to the chief operating decision maker (or *CODM*), and
- Included in the reported measure of segment profit or loss.

This additional disclosure for segmented reporting is intended to provide additional information to financial statement users as now expenses such as direct expenses, shared expenses, allocated corporate overhead, or significant interest expense need to be disaggregated and reported separately for each segment. The ASU is effective for public entities for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024, and early adoption is permitted. Upon adoption, a public entity will adopt the ASU as of the beginning of the earliest period presented. The Company will adopt this standard starting with its annual financial statements as at and for the year ending December 31, 2024. The standard is not expected to have a significant impact on the Company's financial statements.

In December 2023, the FASB issued a new accounting standard ASU 2023-09, *Improvements to Income Tax Disclosures* (or *ASU 2023-09*) which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. This additional disclosure is intended to provide additional information and transparency of income tax disclosures by providing consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. The amendments in the standard are effective for annual periods beginning after December 15, 2024. Early adoption is permitted and should be applied prospectively, with retrospective application permitted. The Company expects to adopt this standard in its annual period beginning fiscal year 2025. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

## 2. Revenues

The Company's primary source of revenue is chartering its vessels (Suezmax tankers, Aframax tankers and Long Range 2 (or *LR2*) tankers) to its customers and providing operational and maintenance marine services through its Australian operations. The Company utilizes three primary forms of contracts, consisting of voyage charter contracts, time charter contracts and contracts for FPSO units. In October 2022, the Company divested its last remaining FPSO unit to a recycling yard. The Company also generates revenue from the management and operation of vessels owned by third parties.

### **Voyage Charters**

Voyage charters are charters for a specific voyage that are usually priced on a current or "spot" market rate. The performance obligations within a voyage charter contract, which will typically include the lease of the vessel to the charterer as well as the operation of the vessel, are satisfied as services are rendered over the duration of the voyage, as measured using the time that has elapsed from commencement of performance. In addition, any expenses that are unique to a particular voyage, including fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, are the responsibility of the vessel owner.

The Company's voyage charters will normally contain a lease; however, judgment is necessary to determine whether this is the case based upon the decision-making rights the charterer has under the contract. Consideration for such contracts is fixed or variable, depending on certain conditions. Delays caused by the charterer result in additional consideration. Payment for the voyage is not due until the voyage is completed. The duration of a single voyage will typically be less than three months. As such, accrued revenue at the end of a period will be invoiced and paid in the subsequent period. The amount of accrued revenue at any point in time will depend on the percent completed of each voyage in progress as well as the freight rate agreed for those specific voyages. The Company does not engage in any specific tactics to minimize vessel residual value risk due to the short-term nature of the contracts.

### **Time Charters**

Pursuant to a time charter, the Company charters a vessel to a customer for a period of time, generally one year or more. The performance obligations within a time charter contract, which will include the lease of the vessel to the charterer as well as the operation of the vessel, are satisfied as services are rendered over the duration of such contract, as measured using the time that has elapsed from commencement of performance. In addition, any expenses that are unique to a particular voyage, including any fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, are the responsibility of the customer, as long as the vessel is not off-hire.



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Hire is typically invoiced monthly in advance for time charter contracts, based on a fixed daily hire amount. However, certain sources of variability exist. Those include penalties, such as those that relate to periods the vessels are off-hire and where minimum speed and performance metrics are not met. In addition, certain time charters contracts contain provisions that allow the Company to be compensated for increases in the Company's costs during the term of the charter. Such provisions may be in the form of annual hire rate adjustments for changes in inflation indices or interest rates or in the form of cost reimbursements for vessel operating expenditures or dry-docking expenditures. Finally, in a small number of charters, the Company may earn profit share consideration, which occurs when actual spot tanker rates earned by the vessel exceed certain thresholds for a period of time. The Company does not engage in any specific tactics to minimize vessel residual value risk.

**FPSO Contracts**

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

In October 2022, the Company divested its last remaining FPSO unit to a recycling yard and expects to make the remaining payments related to this recycling by mid-2024.

**Management Fees and Other**

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

**Revenue Table**

The following tables contain the Company's total revenue, excluding revenue of the Teekay Gas Business (see Note 21), for the years ended December 31, 2023, 2022 and 2021, by contract type, by segment and by business line within segments.

	<b>Year Ended December 31, 2023</b>		
	<b>Teekay Tankers Conventional Tankers</b>	<b>Teekay Parent Marine Services and Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Voyage charters	1,321,487	—	1,321,487
Time charters	31,149	—	31,149
Management fees and other	11,816	100,523	112,339
	<b>1,364,452</b>	<b>100,523</b>	<b>1,464,975</b>
	<b>Year Ended December 31, 2022</b>		
	<b>Teekay Tankers Conventional Tankers</b>	<b>Teekay Parent Marine Services and Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Voyage charters	1,039,262	—	1,039,262
Time charters	14,738	—	14,738
FPSO contracts	—	27,064	27,064
Management fees and other	9,111	100,009	109,120
	<b>1,063,111</b>	<b>127,073</b>	<b>1,190,184</b>



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	Year Ended December 31, 2021		
	Teekay Tankers Conventional Tankers	Teekay Parent Marine Services and Other	Total
	\$	\$	\$
Voyage charters	485,896	—	485,896
Time charters	46,159	2,220	48,379
FPSO contracts	—	47,895	47,895
Management fees and other	10,312	90,026	100,338
	542,367	140,141	682,508

The following table contains the Company's total revenue, excluding revenue of the Teekay Gas Business (see Note 21), by those contracts or components of contracts accounted for as leases and by those contracts or components not accounted for as leases for the years ended December 31, 2023, 2022 and 2021:

	Year Ended December 31,		
	2023	2022	2021
	\$	\$	\$
Lease revenue			
Lease revenue from lease payments of operating leases	1,352,636	1,062,738	551,715
Interest income on lease receivables	—	—	293
Variable lease payments – cost reimbursements <sup>(1)</sup>	—	18,326	30,162
	1,352,636	1,081,064	582,170
Non-lease revenue			
Management fees and other income	112,339	109,120	100,338
Total	1,464,975	1,190,184	682,508

(1) Reimbursement for vessel operating expenditures, dry-docking expenditures and decommissioning expenditures received from the Company's customers relating to such costs incurred by the Company to operate the vessel for the customer or decommission an asset or location.

**Operating Leases**

As at December 31, 2023, two of the Company's vessels operated under time-charter contracts with the Company's customers, one of which expired in February 2024 and the other which is scheduled to expire in September 2024. As at December 31, 2023, the future hire payments expected to be received by the Company under time charters then in place were approximately \$12.1 million (2024) (December 31, 2022 - \$30.9 million (2023) and \$10.9 million (2024)). The hire payments should not be construed to reflect a forecast of total charter hire revenues for any of the periods. Future hire payments do not include hire payments generated from new contracts entered into after December 31, 2023, from unexercised option periods of contracts that existed on December 31, 2023, or from variable consideration, if any, under contracts. In addition, future hire payments disclosed above have been reduced by estimated off-hire time for required periodic maintenance and do not reflect the impact of any applicable revenue sharing arrangements whereby time-charter revenues are shared with other revenue sharing arrangement participants. Actual amounts may vary given future events such as unplanned vessel maintenance.

The net carrying amount of the vessels employed on time charter contracts that have been accounted for as operating leases at December 31, 2023, was \$38.9 million (2022 – \$48.1 million). At December 31, 2023, the cost and accumulated depreciation of such vessels were \$51.1 million (2022 – \$53.4 million) and \$12.2 million (2022 – \$5.3 million), respectively.

**Contract Liabilities**

The Company enters into certain customer contracts that result in situations where the customer will pay consideration upfront for performance to be provided in the following month or months. These receipts are contract liabilities and are presented as deferred revenue until performance is provided. As at December 31, 2023 and December 31, 2022, there were contract liabilities of \$3.4 million and \$1.7 million, respectively. During the years ended December 31, 2023 and December 31, 2022, the Company recognized \$1.7 million and \$0.9 million, respectively, of revenue that was included in the contract liability balance at the beginning of the respective periods, excluding such amounts of the Teekay Gas Business (see Note 21).



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### 3. Segment Reporting

On October 4, 2021, Teekay LNG Partners (now known as Seapeak) and Stonepeak, together with affiliates, entered into an agreement and plan of merger pursuant to which Stonepeak would acquire Teekay LNG Partners. In connection with the merger, the Company sold to Stonepeak the Teekay Gas Business, which included the Company's general partner interest in Teekay LNG Partners, all of its common units in Teekay LNG Partners, and certain subsidiaries which collectively contain the shore-based management operations of Teekay LNG Partners and certain of Teekay LNG Partners' joint ventures. The Company's interests in Teekay LNG Partners constituted the Company's Teekay LNG segment. The Company's shore-based management operations included in the transactions were included in the Company's Teekay Parent – Marine Services and Other segment. The segment information below excludes the results of these operations that the Company sold on January 13, 2022, which resulted in Teekay deconsolidating the Teekay Gas Business for accounting purposes on that date. See Note 21 for information on the historical results of these operations and other information about this transaction.

The Company allocates capital and assesses performance from the separate perspectives of its publicly-traded subsidiary, Teekay Tankers, and from Teekay and its remaining subsidiaries (or *Teekay Parent*), as well as from the perspective of the Company's lines of business. The primary focus of the Company's organizational structure, internal reporting and allocation of resources by the chief operating decision maker is on Teekay Tankers and Teekay Parent, and its segments are presented accordingly on this basis. The Company has two primary lines of business: (1) conventional tankers and (2) marine services. The Company manages these businesses for the benefit of all stakeholders. Starting in 2023, Teekay Parent elected to combine its Offshore Production segment with the Marine Services and Other segment, and presented the comparative figures accordingly.

The following table includes the Company's revenues and income (loss) from vessel operations by segment, excluding such amounts of the Company's Teekay Gas Business (see Note 21), for the periods presented in these financial statements:

	Revenues			Income (loss) from Vessel Operations <sup>(1)</sup>		
	Year Ended December 31,			Year Ended December 31,		
	2023	2022	2021	2023	2022	2021
	\$	\$	\$	\$	\$	\$
Teekay Tankers - Conventional Tankers	1,364,452	1,063,111	542,367	535,910	255,949	(194,095)
Teekay Parent - Marine Services and Other	100,523	127,073	140,141	(4,185)	(10,183)	8,742
	<u>1,464,975</u>	<u>1,190,184</u>	<u>682,508</u>	<u>531,725</u>	<u>245,766</u>	<u>(185,353)</u>

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

No customer accounted for more than 10% of the Company's consolidated revenues, excluding such amounts of the Company's discontinued operations (see Note 21), during the periods presented.

The following table includes other income statement items by segment, excluding such amounts of the Company's Teekay Gas Business (see Note 21).

	Depreciation and Amortization			Gain on sale and (Write-down) of assets			Equity income (loss)		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Teekay Tankers - Conventional Tankers	(97,551)	(99,033)	(106,084)	10,360	8,888	(92,368)	3,432	244	(14,107)
Teekay Parent - Marine Services and Other	—	—	—	—	12,975	—	—	—	—
	<u>(97,551)</u>	<u>(99,033)</u>	<u>(106,084)</u>	<u>10,360</u>	<u>21,863</u>	<u>(92,368)</u>	<u>3,432</u>	<u>244</u>	<u>(14,107)</u>

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

	December 31, 2023	December 31, 2022
	\$	\$
Teekay Tankers – Conventional Tankers	1,508,243	1,603,142
Teekay Parent – Marine Services and Other	35,840	44,333
Cash and cash equivalents	480,080	309,857
Short-term investments	172,604	210,000
Eliminations	(129)	(2,486)
Consolidated total assets	<u>2,196,638</u>	<u>2,164,846</u>



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The following table includes capital expenditures by segment, excluding such amounts of the Company's Teekay Gas Business (see Note 21), for the periods presented in these financial statements.

	December 31, 2023	December 31, 2022
	\$	\$
Teekay Tankers – Conventional Tankers	10,198	15,430

**4. Equity-accounted Investments**

Teekay Tankers has a joint venture arrangement with Wah Kwong Maritime Transport Holdings Limited (or *Wah Kwong*), whereby Teekay Tankers has a 50% economic interest in the High-Q joint venture, which is jointly controlled by Teekay Tankers and Wah Kwong. The High-Q joint venture owns one 2013-built VLCC, which trades on spot voyage charters in a pool managed by a third party.

As at December 31, 2023, the High-Q joint venture had a loan outstanding with a financial institution with a balance of \$20.6 million (2022 - \$24.4 million). The loan is secured by a first-priority mortgage on the VLCC owned by the High-Q joint venture and 50% of the outstanding loan balance is guaranteed by Teekay Tankers.

During the year ended December 31, 2021, Teekay Tankers recognized an other-than-temporary decline in the carrying value of its investment in the High-Q joint venture, primarily due to a decline in the value of the VLCC as a result of the tanker market which was impacted by the COVID-19 pandemic. The investment was written down by \$11.6 million to its estimated fair value, which was recognized in equity income (loss) in the consolidated statements of income (loss) for the year ended December 31, 2021.

For the year ended December 31, 2023, Teekay Tankers recorded equity income (loss) of \$3.4 million (2022 - \$0.2 million and 2021 - \$(14.1) million), which comprises its share of net income (loss) from the High-Q joint venture, as well as the impairment recognized in 2021.

As at December 31, 2023 and 2022, Teekay Tankers had a total investment in and advances to its equity-accounted joint venture of \$15.7 million and \$16.2 million, respectively (Note 10).

**5. Goodwill and Intangible Assets**

The Company's goodwill and intangible assets relate to Teekay Tankers' 2015 acquisition of a ship-to-ship transfer business (previously referred to as SPT and now known as Teekay Marine Solutions or *TMS*) from a company jointly owned by Teekay Corporation and a Norway-based marine transportation company, I.M. Skaugen SE.

**Goodwill**

The carrying amount of goodwill was \$2.4 million as at December 31, 2023 and 2022. In 2023, 2022 and 2021, the Company conducted its annual goodwill impairment review and concluded that no impairment had occurred.

**Intangible Assets**

The carrying amounts of intangible assets are as follows:

	As at	
	December 31, 2023	December 31, 2022
	\$	\$
Customer relationships		
At cost of \$5.7 million, less accumulated amortization of \$5.0 million		
(2022 - cost of \$5.7 million, less accumulated amortization of \$4.6 million) <sup>(1)</sup>	658	1,051
	<b>658</b>	<b>1,051</b>

1. The customer relationships are being amortized over a weighted average amortization period of 10 years. Amortization expense of intangible assets for the year ended December 31, 2023 was \$0.4 million (2022 - \$0.4 million, 2021 - \$0.5 million). Amortization of intangible assets for the remaining two years following 2023 is expected to be \$0.4 million (2024) and \$0.3 million (2025).

**6. Accrued Liabilities and Other and Other Long-Term Liabilities**

The following tables reflect the components of accrued liabilities and other and other long-term liabilities as at the dates indicated:

**Accrued Liabilities and Other**

	December 31, 2023	December 31, 2022
	\$	\$
Accrued liabilities	73,320	78,301
Deferred revenues - current	3,402	1,650
Office lease liability – current (note 1)	2,527	2,232
Asset retirement obligation - current	3,219	4,788
	<b>82,468</b>	<b>86,971</b>



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**Other Long-Term Liabilities**

	December 31, 2023	December 31, 2022
	\$	\$
Freight tax provisions (note 17)	47,813	42,477
Asset retirement obligation	—	2,923
Office lease liability – long-term (note 1)	8,764	10,537
Pension liabilities	6,594	6,194
Other	786	1,380
	<u>63,957</u>	<u>63,511</u>

**Asset Retirement Obligations**

In April 2021, the charterer of the *Petrojarl Foinaven* FPSO unit announced its decision to suspend production from the Foinaven oil fields and permanently remove the *Petrojarl Foinaven* FPSO unit from the site. The FPSO unit was redelivered to Teekay Parent on August 30, 2022. Upon redelivery, the Company received a lump sum payment from the charterer, which the Company expects will cover the cost of recycling the FPSO unit. On October 21, 2022, the Company delivered the FPSO unit to an EU-approved shipyard for green recycling which is expected to be completed in mid-2024. As of December 31, 2023, the *Petrojarl Foinaven* FPSO unit's estimated ARO relating to recycling costs was \$3.2 million.

**7. Long-Term Debt**

The following table and subsequent information includes the Company's long-term debt, excluding such amounts of the Teekay Gas Business (see Note 21), as at the dates indicated:

	December 31, 2023	December 31, 2022
	\$	\$
Convertible Senior Notes (5%) due January 2023	—	21,184
Total principal	—	21,184
Less: unamortized discount and debt issuance costs	—	—
<b>Total debt</b>	—	21,184
Less: current portion	—	(21,184)
Long-term portion	—	—

On January 26, 2018, Teekay Parent completed a private offering of \$125.0 million in aggregate principal amount of 5% Convertible Senior Notes due January 17, 2023 (or the *Convertible Notes*). At the election of the holder, the Convertible Notes were convertible into Teekay's common stock, initially at a rate of 85.4701 shares of common stock per \$1,000 principal amount of Convertible Notes. This represented an initial effective conversion price of \$11.70 per share of common stock. The initial conversion price represented a premium of 20% to the concurrent common stock offering price of \$9.75 per share. During the year ended December 31, 2022, Teekay Parent repurchased \$91.0 million of the aggregate principal amount of the Convertible Notes, which represented approximately 81.1% of the total outstanding as of December 31, 2021. The total consideration of repurchases during the year ended December 31, 2022 was \$92.8 million, resulting in a loss of \$3.5 million, which is included in loss on bond repurchases on the Company's consolidated statement of income. As at December 31, 2022, the outstanding principal value of the Convertible Notes was \$21.2 million, the net carrying amount was \$21.2 million and the estimated fair value (Level 2) was \$21.2 million. On January 17, 2023, Teekay Parent repaid the remaining principal amount of \$21.2 million upon maturity.

In May 2019, Teekay Parent issued \$250.0 million in aggregate principal amount of 9.25% senior secured notes at par due November 2022 (or the *2022 Notes*). During the year ended December 31, 2022, Teekay Parent redeemed the 2022 Notes in full at a redemption price equal to 102.313%, plus accrued and unpaid interest. The total consideration for the redemption was \$249.0 million, resulting in a loss of \$9.2 million, which is included in loss on bond repurchases on the Company's consolidated statement of income during the year ended December 31, 2022.

The weighted-average interest rate on the Company's aggregate long-term debt, until the redemption of the Convertible Notes on January 17, 2023, was 5.0% (December 31, 2022 – 5.0%). Thereafter, the Company had no long-term debt outstanding.

In May 2023, Teekay Tankers entered into a new secured revolving credit facility agreement (or the *2023 Revolver*), and in July 2023, Teekay Tankers cancelled its previous revolving credit facility (or the *2020 Revolver*). As of December 31, 2023, Teekay Tankers had one revolving credit facility, which as at such date, provided for aggregate borrowings of up to \$321.8 million (December 31, 2022 - \$82.5 million), of which \$321.8 million was undrawn (December 31, 2022 - \$82.5 million). The 2023 Revolver matures in May 2029, and interest payments are based on the Secured Overnight Financing Rate (or *SOFR*) plus a margin of 2.00% (December 31, 2022 - London Inter-Bank Offered Rate (or *LIBOR*) plus a margin of 2.40%). The total amount available under the 2023 Revolver is scheduled to decrease by \$67.8 million (2024), \$67.8 million (2025), \$66.4 million (2026), \$55.0 million (2027), \$43.3 million (2028) and \$21.5 million (thereafter). The 2023 Revolver is collateralized by 19 of Teekay Tanker's vessels, together with other related security.



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The 2023 Revolver requires Teekay Tankers to maintain a minimum hull coverage ratio of 125% of the total outstanding drawn balance for the facility. This requirement is assessed on a semi-annual basis with reference to vessel valuations compiled by two or more agreed upon third parties. Should this ratio drop below the required amount, the lender may request that Teekay Tankers either prepay a portion of the loan in the amount of the shortfall or provide additional collateral in the amount of the shortfall, at Teekay Tanker's option. As at December 31, 2023, the hull coverage ratio for the 2023 Revolver was not applicable due to no balance being drawn. In addition, Teekay Tankers is required to maintain a minimum liquidity (cash, cash equivalents and undrawn committed revolving credit lines with at least six months to maturity) of the greater of \$35.0 million and at least 5% of Teekay Tankers' total consolidated debt and obligations related to finance leases. As at December 31, 2023, Teekay Tankers was in compliance with all covenants in respect of the 2023 Revolver.

**8. Leases**

**Operating leases**

The Company charters in vessels from other vessel owners on time-charter contracts, whereby the vessel owner provides use and technical operation of the vessel for the Company. A time-charter-in contract is typically for a fixed period of time, although in certain cases, the Company may have the option to extend the charter. The Company typically pays the owner a daily hire rate that is fixed over the duration of the charter. The Company is generally not required to pay the daily hire rate during periods the vessel is not able to operate.

With respect to time charter-in contracts with an original term of more than one year, for the year ended December 31, 2023, Teekay Tankers incurred \$70.8 million (2022 - \$26.5 million) of time-charter hire expenses related to ten (2022 - seven) time-charter-in contracts, of which \$41.1 million (2022 - \$11.4 million) was allocable to the lease component and \$29.7 million (2022 - \$15.1 million) was allocable to the non-lease component. The \$41.1 million (2022 - \$11.4 million) allocable to the lease component approximates the cash paid for the amounts included in lease liabilities and is reflected as a reduction in operating cash flows for the year ended December 31, 2023. Five of Teekay Tankers' time-charter-in contracts include an option to extend the charter for an additional one-year term, and one charter-in contract includes options to extend the charter for up to three additional one-year terms. Since it is not reasonably certain that Teekay Tankers will exercise the options, the lease components of the options are not recognized as part of the right-of-use assets and lease liabilities. As at December 31, 2023, the weighted-average remaining lease term and weighted-average discount rate for these time-charter-in contracts were 3.0 years and 6.4%, respectively (2022 - 3.4 years and 6.0%, respectively).

The Company has elected to recognize the lease payments of short-term leases in the statement of income (loss) on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred, which is consistent with the recognition of payment for the non-lease component. Short-term leases are leases with an original term of one year or less, excluding those leases with an option to extend the lease for greater than one year or an option to purchase the underlying asset that the lessee is deemed reasonably certain to exercise. For the year ended December 31, 2023, the Company incurred \$nil (2022 - \$0.9 million) of time-charter hire expense related to time-charter-in contracts classified as short-term leases.

During the year ended December 31, 2023, Teekay Tankers chartered in three Aframax / LR2 vessels for periods of 24 months, 36 months and 84 months, respectively, which resulted in the Company recognizing right-of-use assets and lease liabilities of \$56.2 million on the lease commencement dates for these vessels. During the year ended December 31, 2023, Teekay Tankers also exercised its options to extend three existing Aframax / LR2 vessel in-charter contracts for periods of 12 months and one existing lightering support vessel in-charter contract for a period of 18 months, which resulted in Teekay Tankers recognizing right-of-use assets and lease liabilities of \$12.6 million and \$0.9 million on the option declaration dates for the Aframax / LR2 vessels and lightering support vessel, respectively.

During the year ended December 31, 2022, Teekay Tankers chartered in one Aframax / LR2 vessel and one Suezmax vessel for periods of 24 months and 54 months, respectively, which resulted in the Company recognizing right-of-use assets and lease liabilities of \$8.9 million and \$30.3 million on the lease commencement dates for the Aframax / LR2 vessel and Suezmax vessel, respectively. During the year ended December 31, 2022, Teekay Tankers also agreed to modify two existing lightering support vessel in-charter contracts, which resulted in Teekay Tankers recognizing right-of-use assets and lease liabilities of \$2.1 million on the lease modification dates.



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A maturity analysis of the Company's operating lease liabilities, excluding such amounts related to discontinued operations (see Note 21), from time-charter-in contracts (excluding short-term leases) at December 31, 2023 is as follows:

	Lease Commitment	Non-Lease Commitment	Total Commitment
	\$	\$	\$
Payments			
2024	39,627	26,713	66,340
2025	20,484	12,370	32,854
2026	11,415	7,400	18,815
2027	6,214	4,933	11,147
2028	3,015	3,250	6,265
Thereafter	3,195	3,443	6,638
Total payments	83,950	58,109	142,059
Less: imputed interest	(7,636)		
Carrying value of operating lease liabilities	76,314		
Less: current portion	(35,882)		
Carrying value of long-term operating lease liabilities	40,432		

As at December 31, 2023, the total minimum commitments to be incurred by the Company under time-charter-in contracts were approximately \$66.3 million (2024), \$32.9 million (2025), \$18.8 million (2026), \$11.2 million (2027), \$6.3 million (2028) and \$6.6 million (thereafter). As at December 31, 2022, the total minimum commitments to be incurred by the Company under time charter-in contracts were approximately \$53.9 million (2023), \$36.0 million (2024), \$30.0 million (2025), \$18.8 million (2026), \$11.2 million (2027), and \$12.9 million (thereafter), including two Aframax / LR2 tankers that were delivered to the Company in the first quarter of 2023 and commenced a seven-year time charter-in contract and a three-year time charter-in contract, respectively.

**Obligations related to finance leases**

	December 31, 2023	December 31, 2022
	\$	\$
Obligations related to finance leases	140,811	536,480
Less: unamortized discount and debt issuance costs	(1,212)	(3,720)
Total obligations related to finance leases	139,599	532,760
Less current portion	(20,517)	(60,161)
Long-term obligations related to finance leases	119,082	472,599

As at December 31, 2023, Teekay Tankers had sale-leaseback financing transactions with financial institutions relating to eight of its vessels (excluding nine, six and four vessels which Teekay Tankers repurchased in March 2023, May 2023 and September 2023, respectively, for a total price of \$164.3 million, \$142.8 million and \$57.2 million, respectively, pursuant to repurchase options under the applicable sale-leaseback arrangements).

Under the sale-leaseback arrangements, Teekay Tankers transferred the vessels to subsidiaries of the financial institutions (collectively, the Lessors) and leased the vessels back from the Lessors on bareboat charters ranging from six to nine-year terms ending between 2028 and 2031. Teekay Tankers has the option to repurchase each of the eight vessels starting in March 2024 until the end of their respective lease terms. In January 2024, Teekay Tankers gave notice to exercise its options to acquire the eight vessels for a total cost of \$137.0 million pursuant to repurchase options under related sale-leaseback arrangements. Teekay Tankers expects to complete the repurchase and delivery of these eight vessels in March 2024 (see note 22). Upon redelivery of these eight vessels, the vessels will be unencumbered.

The sale-leaseback transactions for the eight sale-leaseback vessels for which repurchase options were exercised in January 2024 have been accounted for, as of December 31, 2023, as failed sales and Teekay Tankers has not derecognized the assets and continues to depreciate the assets as if it was the legal owner. Proceeds received from the sales have been set up as an obligation related to finance lease and bareboat charter hire payments made by Teekay Tankers to the Lessor are allocated between interest expense and principal repayments on the obligation related to finance lease.

The bareboat charters related to the eight vessels require that Teekay Tankers maintain a minimum liquidity (cash, cash equivalents and undrawn committed revolving credit lines with at least six months to maturity) of the greater of \$35.0 million and at least 5.0% of Teekay Tankers' consolidated debt and obligations related to finance leases.



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The bareboat charters require Teekay Tankers to maintain, for each vessel, a minimum hull coverage ratio of 100% of the total outstanding principal balance. As at December 31, 2023, these ratios ranged from 232% to 285% (2022 - ranged from 173% to 292%). For the eight bareboat charters, should any of these ratios drop below the required amount, the relevant Lessor may request that Teekay Tankers make a payment to reduce the outstanding principal balance or provide additional collateral satisfactory to the relevant Lessor in the amount of the shortfall, in each case to restore compliance with the relevant ratio.

The requirements of the bareboat charters are assessed annually with reference to vessel valuations compiled by two or more agreed upon third parties. As at December 31, 2023, Teekay Tankers was in compliance with all covenants in respect of its obligations related to finance leases.

The weighted average interest rate on Teekay Tankers' obligations related to finance leases as at December 31, 2023 was 8.4% (December 31, 2022 – 7.2%).

As at December 31, 2023, Teekay Tankers' total remaining commitments related to financial liabilities of these vessels were approximately \$181.7 million (December 31, 2022 – \$695.2 million), including imputed interest of \$40.9 million (December 31, 2022 – \$158.7 million), repayable from 2024 through 2031, as indicated below:

<u>Year</u>	<u>Commitments<sup>(1)</sup></u> <u>December 31, 2023</u>
	<u>\$</u>
2024	31,951
2025	30,170
2026	28,422
2027	26,674
2028	25,064
Thereafter	39,414

(1) Excludes the effect of the repurchase option notices that the Company provided in January 2024 to acquire eight vessels pursuant to repurchase options under related sale-leaseback arrangements which is expected to be completed in March 2024, as described above.

## 9. Derivative Instruments and Hedging Activities

As deemed appropriate, the Company from time to time uses derivative instruments to manage certain risks in accordance with its overall risk management policies.

### Foreign Exchange Risk

From time to time, the Company economically hedges portions of its forecasted expenditures denominated in foreign currencies with foreign currency forward contracts. As at December 31, 2023, the Company was not committed to any foreign currency forward contracts.

### Forward Freight Agreements

As deemed appropriate, the Company from time to time uses forward freight agreements (or FFAs) in non-hedge-related transactions to increase or decrease its exposure to spot tanker market rates, within defined limits. Net gains and losses from FFAs are recorded within realized and unrealized gains on derivative instruments in the Company's consolidated statements of income (loss). As at December 31, 2023, the Company was not committed to any FFAs.

### Interest Rate Risk

From time to time, the Company enters into interest rate swap agreements, which exchange a receipt of floating interest for a payment of fixed interest, to reduce the Company's exposure to interest rate variability on its outstanding floating-rate debt.

In March 2020, the Company entered into an interest rate swap agreement which was scheduled to mature in December 2024. The Company did not designate for accounting purposes its interest rate swap agreement as a cash flow hedge of its U.S. Dollar LIBOR-denominated borrowings. In June 2023, the Company terminated its interest rate swap agreement and received a \$3.2 million cash payment, which was recognized as a realized gain on derivative instruments in the Company's consolidated statement of income for the year ended December 31, 2023. As at December 31, 2023, the Company was not committed to any interest rate swap agreements.

### Tabular Disclosure

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



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	<b>Prepaid Expenses and Other</b>	<b>Goodwill, Intangibles and Other Non-Current Assets</b>
	<b>\$</b>	<b>\$</b>
<b>As at December 31, 2023</b>		
Derivatives not designated as a cash flow hedge:		
Interest rate swap agreement	—	—
	—	—
<b>As at December 31, 2022</b>		
Derivatives not designated as a cash flow hedge:		
Interest rate swap agreement	2,087	1,622
	2,087	1,622

Realized and unrealized gains (losses) from derivative instruments that are not designated for accounting purposes as cash flow hedges are recognized in earnings and reported in realized and unrealized gains (losses) on non-designated derivative instruments, excluding those held by the Teekay Gas Business (see Note 21), in the consolidated statements of income (loss) as follows:

	<b>Year Ended December 31, 2023</b>	<b>Year Ended December 31, 2022</b>	<b>Year Ended December 31, 2021</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Realized gains (losses) relating to:			
Interest rate swap agreement	953	532	(1,275)
Interest rate swap agreement termination	3,215	—	—
Foreign currency forward contracts	—	(421)	(31)
Forward freight agreements	(10)	1,484	(572)
	4,158	1,595	(1,878)
Unrealized (losses) gains relating to:			
Interest rate swap agreement	(3,709)	3,160	2,407
Foreign currency forward contracts	—	58	(58)
Forward freight agreements	—	4	(4)
	(3,709)	3,222	2,345
Total realized and unrealized gains on derivative instruments	449	4,817	467

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

**10. Fair Value Measurements and Financial Instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments and other non-financial assets.

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

**Short-term investments** – The fair value of the Company's short-term investments approximates their carrying amounts reported in the accompanying consolidated balance sheets.

**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 by the Company using discounted cash flow analyses, based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the Company. Alternatively, if the fixed-rate and variable-rate long-term debt is held for sale the fair value is based on the estimated sales price.

**Long-term obligation related to finance leases** – The fair value of the Company's long-term obligation related to finance leases is estimated by the Company using discounted cash flow analyses, based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the Company.



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**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, fixed interest rates on interest rate swaps, current interest rates, foreign exchange rates, spot market rates for vessels, and the current credit worthiness of both the Company and the derivative counterparties. The estimated amount is the present value of future cash flows. The Company transacts all of its derivative instruments through investment-grade rated financial institutions at the time of the transaction and requires no collateral from these institutions. Given the 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 Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value. 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 table includes the estimated fair value and carrying value of those assets and liabilities that are measured at fair value on a recurring and non-recurring basis, as well as the estimated fair value of the Company's financial instruments that are not accounted for at a fair value on a recurring basis.

	Fair Value Hierarchy Level	December 31, 2023		December 31, 2022	
		Carrying Amount Asset (Liability) \$	Fair Value Asset (Liability) \$	Carrying Amount Asset (Liability) \$	Fair Value Asset (Liability) \$
<b>Recurring</b>					
Cash, cash equivalents and restricted cash	Level 1	480,771	480,771	316,706	316,706
Short-term investments	Level 1	172,604	172,604	210,000	210,000
Derivative instruments (note 9)					
Interest rate swap agreements – assets	Level 2	—	—	3,709	3,709
<b>Other</b>					
Advances to equity-accounted joint venture – long-term	Level 2	2,880	(1)	6,780	(1)
Long-term debt, including current portion – non-public (note 7)	Level 2	—	—	(21,184)	(21,078)
Obligations related to finance leases, including current portion (note 8)	Level 2	(139,599)	(143,968)	(532,760)	(533,977)

(1) The advances to its equity-accounted joint venture, together with the Company's investment in the equity-accounted joint venture, form the net aggregate carrying value of the Company's interests in the equity-accounted joint venture in these consolidated financial statements. As at December 31, 2023 and December 31, 2022, the fair values of the individual components of such aggregate interests were not determinable.

The Company is exposed to credit loss in the event of non-performance by the financial institutions where its cash, cash equivalents and short-term investments are held. In order to minimize credit risk, the Company only places deposits and short-term investments with counterparties that are rated A- or better by Standard & Poor's or A3 or better by Moody's at the time of the transaction. In addition, to the extent practical, cash deposits and short-term investments are held by and entered into with, as applicable, different counterparties to reduce concentration risk.

**11. Capital Stock**

The authorized capital stock of Teekay at December 31, 2023, 2022, and 2021, was 25 million shares of Preferred Stock, with a par value of \$1 per share, and 725 million shares of Common Stock, with a par value of \$0.001 per share. As at December 31, 2023, 92,379,826 shares of Common Stock (2022 – 102,077,387) were issued, 91,006,182 (2022 – 98,318,395) were outstanding, 1,373,644 (2022 – 3,758,992) were held in treasury, and no shares of Preferred Stock were issued or outstanding

In August 2022, Teekay's Board of Directors authorized the repurchase of up to \$30 million of common shares in the open market and other transactions. Following the completion of this share repurchase program in March 2023, Teekay's Board of Directors authorized two additional share repurchase programs in March 2023 and June 2023 for the repurchase of up to an additional \$30 million and \$25 million, respectively, of Teekay common shares in the open market, through privately-negotiated transactions and by any other means permitted under the rules of the U.S. Securities and Exchange Commission (or SEC).

During the year ended December 31, 2023, Teekay repurchased approximately 8.9 million common shares for \$50.7 million, or an average of \$5.69 per share, pursuant to such authorizations, which resulted in the Company recording a reduction of book value of capital stock of \$84.3 million and a reduction to accumulated deficit of \$33.6 million. As at December 31, 2023, the total remaining share repurchase authorization was \$19.2 million.

During the year ended December 31, 2022, Teekay repurchased approximately 3.8 million common shares for \$15.3 million, or an average of \$4.07 per share pursuant to the prior authorization, which resulted in the Company recording a reduction of book value of capital stock of \$35.8 million and a reduction to accumulated deficit of \$20.4 million.



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In June 2022, the Company authorized 5,000,000 additional shares of common stock to be reserved for issuance pursuant to the 2013 Equity Incentive Plan.

In December 2020, Teekay filed a continuous offering program (or COP) under which Teekay could issue shares of its common stock, at market prices up to a maximum aggregate amount of \$65.0 million. No shares of common stock were issued under this COP prior to its expiration in January 2024.

Dividends may be declared and paid out of surplus, 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. Surplus is the excess of the net assets of the Company over the aggregated par value of the issued shares of Teekay. 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.

**Equity-based compensation**

In March 2013, the Company adopted the 2013 Equity Incentive Plan (or the *2013 Plan*) and suspended the 1995 Stock Option Plan and the 2003 Equity Incentive Plan. In March 2023, the Company adopted a 2023 Equity Incentive Plan (or the *2023 Plan* and, together with the 2013 Plan, collectively referred to as the *Plans*) and suspended the Company's 2013 Plan. As at December 31, 2023, the Company had reserved 11,324,227 (2022 – 11,787,597) shares of Common Stock pursuant to the Plans, for issuance upon the exercise of options or equity awards granted or to be granted.

During the year ended December 31, 2023, the Company granted options under the 2023 Plan to acquire up to 506,579 shares (2022 - 1,489,648) of Common Stock, to certain eligible officers, employees and non-management directors of the Company. The options under the Plans have ten-year terms and vest equally over three years from the grant date, with the exception of options granted to directors, which vest on their respective grant dates. No stock options were granted by the Company during 2021. All options outstanding as of December 31, 2023, expire between March 11, 2024 and June 7, 2033, ten years after the date of each respective grant.

A summary of the Company's stock option activity and related information for the years ended December 31, 2023, 2022, and 2021, are as follows:

	December 31, 2023		December 31, 2022		December 31, 2021	
	Options (000's) #	Weighted- Average Exercise Price \$	Options (000's) #	Weighted- Average Exercise Price \$	Options (000's) #	Weighted- Average Exercise Price \$
Outstanding – beginning of year	6,208	6.99	5,449	9.90	5,584	10.02
Granted	507	5.81	1,490	2.88	—	—
Exercised	(1,210)	3.89	(205)	3.98	—	—
Forfeited / expired	(112)	21.70	(526)	26.59	(135)	14.22
Outstanding – end of year	<u>5,393</u>	<u>7.27</u>	<u>6,208</u>	<u>6.99</u>	<u>5,449</u>	<u>9.90</u>
Exercisable – end of year	<u>4,392</u>	<u>8.01</u>	<u>4,952</u>	<u>8.03</u>	<u>4,690</u>	<u>10.86</u>

A summary of the Company's non-vested stock option activity and related information for the years ended December 31, 2023, 2022 and 2021, are as follows:

	December 31, 2023		December 31, 2022		December 31, 2021	
	Options (000's) #	Weighted- Average Grant Date Fair Value \$	Options (000's) #	Weighted- Average Grant Date Fair Value \$	Options (000's) #	Weighted- Average Grant Date Fair Value \$
Outstanding non-vested stock options – beginning of year	1,255	1.16	759	1.53	2,094	1.97
Granted	507	2.55	1,490	1.16	—	—
Vested	(761)	1.36	(853)	0.65	(1,309)	2.22
Forfeited	—	—	(141)	6.03	(26)	1.73
Outstanding non-vested stock options – end of year	<u>1,001</u>	<u>1.71</u>	<u>1,255</u>	<u>1.16</u>	<u>759</u>	<u>1.53</u>

The weighted average grant date fair value for non-vested options forfeited in 2023 was \$nil (2022 – \$nil, 2021 – \$45.0 thousand).

As of December 31, 2023, there was \$nil unrecognized compensation cost related to non-vested stock options granted under the Plans. During the years ended December 31, 2023, 2022, and 2021, the Company recognized \$1.6 million, \$1.1 million and \$1.0 million, respectively, of compensation cost relating to stock options granted under the Plans. The intrinsic value of options exercised was \$3.5 million, \$0.1 million and \$nil, respectively, during the years ended December 31, 2023, 2022, and 2021.



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As at December 31, 2023, the intrinsic value was \$10.5 million for outstanding stock options and \$7.4 million for exercisable stock options (2022 – \$3.8 million for outstanding stock options and \$1.7 million for exercisable stock options). As at December 31, 2023, the weighted-average remaining life of options vested and expected to vest was 5.5 years (2022 – 5.9 years).

Further details regarding the Company's outstanding and exercisable stock options at December 31, 2023 are as follows:

	Outstanding Options			Exercisable Options		
	Options (000's) #	Weighted- Average Remaining Life (Years)	Weighted- Average Exercise Price \$	Options (000's) #	Weighted- Average Remaining Life (Years)	Weighted- Average Exercise Price \$
Range of Exercise Prices						
\$0.00 – \$4.99	2,602	6.9	3.37	1,999	6.5	3.52
\$5.00 – \$9.99	2,043	4.7	8.17	1,645	3.6	8.75
\$10.00 – \$19.99	571	2.8	10.18	571	2.8	10.18
\$20.00 – \$59.99	177	1.1	44.90	177	1.1	44.90
	<u>5,393</u>	5.5	7.27	<u>4,392</u>	4.7	8.01

The weighted-average grant-date fair value of options granted during 2023 was \$2.55 (2022 - \$1.16). The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model. The following weighted-average assumptions were used in computing the fair value of the options granted in 2023: expected volatility of 41.27% (2022 - 38.63%); expected life of 5.5 years (2022 - 5.5 years); dividend yield of 0% (2022 - 0%); risk-free interest rate of 3.83% (2022 - 3.01%); and estimated forfeiture rate of 0% (2022 - 6%). The expected life of the options granted was estimated using the historical exercise behavior of employees. The expected volatility was based on historical volatility as calculated using historical data from October 4, 2021 (the announcement date of the divestment of the Teekay Gas Business) to the grant date.

The Company grants restricted stock units to certain eligible officers and employees of the Company. Each restricted stock unit is equal in value to one share of the Company's common stock plus reinvested dividends or distributions from the grant date to the vesting date. The restricted stock units vest equally over three years from the grant date. Any portion of an award that is not vested on the date of a recipient's termination of service is canceled, unless their termination arises as a result of the recipient's retirement, in which case the award will continue to vest in accordance with the vesting schedule. Upon vesting, the awards are paid to a substantial majority of the grantees in the form of common shares, net of withholding tax.

During 2023, the Company granted 329,735 restricted stock units with a fair value of \$1.9 million to certain eligible officers and employees of the Company. During 2023, a total of 651,135 restricted stock units with a market value of \$2.0 million vested, and that amount, net of withholding taxes, was paid to grantees by issuing 149,217 shares of common stock, with the issuance of a remaining 354,580 shares deferred. During 2023, an additional 369,672 previously vested and deferred restricted stock units were released, net of withholding taxes, to grantees by issuing 184,498 shares of common stock. During 2022, the Company granted 787,586 restricted stock units with a fair value of \$2.3 million to certain of the Company's employees. During 2022, a total of 631,706 restricted stock units with a market value of \$2.2 million vested and that amount, net of withholding taxes, was paid to grantees by issuing 218,671 shares of common stock, with the issuance of a remaining 243,171 shares deferred. During 2021, the Company granted 355,944 restricted stock units with a fair value of \$1.4 million, to certain of the Company's officers and employees. During 2021, a total of 880,320 restricted stock units with a market value of \$4.7 million vested and that amount, net of withholding taxes, was paid to grantees by issuing 222,590 shares of common stock. For the year ended December 31, 2023, the Company recorded an expense of \$2.7 million (2022 – \$2.9 million, 2021 – \$2.3 million) related to the restricted stock units.

The Company grants restricted stock awards to certain of the Company's non-management directors. Each restricted stock award is equal in value to one share of the Company's common stock. Restricted stock awards vest immediately. Upon vesting, the value of the restricted stock units or restricted stock awards are paid to each grantee in the form of shares.

During 2023, the Company granted 47,330 (2022 – 95,485 and 2021 – 149,366) shares as restricted stock awards with a fair value of \$0.3 million (2022 – \$0.3 million and 2021 – \$0.6 million), based on the quoted market price, to the Company's non-management directors. During 2023, the Company issued 28,398 shares (2022 - 82,396) to restricted stock award grantees with a further 18,932 shares deferred (2022 - 19,097).

During 2021, the Company granted 489,443 performance share units with a fair value of \$5.7 million, to certain of the Company's officers and employees. The performance share units vested in full following closing of the sale of the Teekay Gas Business, which occurred in January 2022. Each performance share unit was equal in value to one common unit of Seapeak. Upon vesting, the value of the performance share units was paid to each grantee in the form of cash.

*Equity-based Compensation of Subsidiaries*

During 2023, 2022 and 2021, no stock options were granted by Teekay Tankers.

For the year ended December 31, 2023, a total of 8,188 shares (2022 – 16,648 shares, 2021 – 16,772 shares) of Class A common stock were granted to Teekay Tankers' non-management directors as part of their annual compensation with an aggregate value of \$0.3 million, (2022 - \$0.3 million, 2021 - \$0.3 million).



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Teekay Tankers grants equity-based compensation awards as incentive-based compensation to certain employees of Teekay's subsidiaries that provide services to Teekay Tankers. During 2023, 2022 and 2021, Teekay Tankers granted restricted stock units with respect to 63,699, 104,185 and 109,953 Class A common shares of Teekay Tankers, respectively, with aggregate grant date fair values of \$2.3 million, \$1.9 million, and \$1.7 million, respectively, based on Teekay Tankers' closing unit or stock prices on the grant dates.

Each restricted stock unit is equal in value to one of Teekay Tankers' Class A common shares plus reinvested distributions or dividends from the grant date to the vesting date. The awards vest equally over three years from the grant date. Any portion of an award that is not vested on the date of a recipient's termination of service is canceled, unless their termination arises as a result of the recipient's retirement, in which case the award will continue to vest in accordance with the vesting schedule. Upon vesting, the awards are paid to a substantial majority of the grantees in the form of common shares, net of withholding tax.

## 12. Equity Financing Transactions

In the second quarter of 2023, Teekay purchased 132,479 of Teekay Tankers Class A common shares through open market purchases for \$4.8 million at an average price of \$35.95 per share.

In the third quarter of 2022, Teekay Parent sold 0.9 million Class A common shares of Teekay Tankers in open market sales for \$22.8 million at an average price of \$25.20 per share. The shares sold had previously been purchased in the open market in the first quarter of 2022 and December 2021 for a total cost of \$10.0 million as follows: in January and February 2022, Teekay Parent purchased 0.5 million of Teekay Tankers Class A common shares through open market purchases for \$5.3 million at an average price of \$10.82 per share and in December 2021, Teekay Parent purchased 0.4 million of Teekay Tankers Class A common shares through open market purchases for \$4.7 million at an average price of \$11.27 per share.

As a result of the share transactions related to Teekay Tankers, the Company recorded decreases to accumulated deficit of \$0.5 million, \$5.2 million and \$5.7 million in 2023, 2022 and 2021, respectively. These amounts represent Teekay's net dilution gains from the Teekay Tankers share transactions.

## 13. Related Party Transactions

Until the sale of the Teekay Gas Business in January 2022, the Company provided ship management and corporate services to certain of its equity-accounted joint ventures that own and operate LNG carriers on long-term charters, all of which form part of discontinued operations as at December 31, 2021. In addition, the Company was reimbursed for costs incurred by the Company for its seafarers operating these LNG carriers. On October 4, 2021, the Company entered into an agreement to, among other things, sell certain subsidiaries which collectively contain the shore-based management operations for certain of Seapeak's joint ventures (see Note 21). This sale closed on January 13, 2022. Following this sale, the Company no longer provides ship management and corporate services to joint ventures of Seapeak. The Company earned \$82.8 million for the year ended December 31, 2021 of fees pursuant to these management agreements and reimbursement of costs. Such amounts for 2021 are recorded in income (loss) from discontinued operations (see Note 21) in the consolidated statement of loss.

In September 2018, Teekay LNG Partners entered into an agreement with its 52%-owned joint venture with Marubeni Corporation to charter in one of the joint venture's LNG carriers, the *Magellan Spirit*, which charter had an original term of two years and was further extended by 21 months to June 2022. Time-charter hire expenses for the period from January 1, 2022 to January 13, 2022 were \$0.8 million (for the year ended December 31, 2021 - \$23.5 million), and such amounts are recorded in (loss) income from discontinued operations (see Note 21) in the consolidated statements of income (loss).

## 14. Gain on Sale and (Write-down) of Assets

During the year ended December 31, 2023, Teekay Tankers completed the sale of one Aframax / LR2 tanker for \$23.0 million with a gain on sale of \$10.4 million.

During the year ended December 31, 2022, Teekay Parent completed the sale of the *Sevan Hummingbird* FPSO for a net price of \$13.0 million. The FPSO unit's book value had previously been written down to \$nil.

During the year ended December 31, 2022, Teekay Tankers completed the sales of three Aframax / LR2 tankers and one Suezmax tanker for a total price of \$68.4 million, with an aggregate gain on sales of \$9.4 million. During the year ended December 31, 2022, the previous write-down of \$0.6 million for one of these vessels was reversed to reflect its agreed sales price.

During the year ended December 31, 2021, Teekay Tankers completed the sale of four Aframax / LR2 tankers for a total price of \$56.7 million, with an aggregate loss on sales of \$2.1 million related to two of these vessels. In addition, the Company's consolidated statement of loss for the year ended December 31, 2021, includes write-downs of \$4.6 million related to two vessels, which were classified as held for sale on the Company's consolidated balance sheet as at December 31, 2021, one of which was written down to its agreed sales price less selling costs and the other was written-down to its estimated sales price less estimated selling costs.

During the year ended December 31, 2021, the carrying values of three Suezmax tankers and four Aframax / LR2 tankers were written down to their estimated fair values, using appraised values provided by third parties. The write-downs were primarily due to a weaker near-term tanker market outlook and a reduction in charter rates as a result of the economic environment, which was impacted by the COVID-19 pandemic. The Company's consolidated statement of loss for the year ended December 31, 2021, includes write-downs totaling \$85.0 million related to these vessels.



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During the years ended December 31, 2022 and 2021, the Company recorded write-downs of \$1.1 million and \$0.7 million, respectively, on its operating lease right-of-use assets, which were written-down to their estimated fair values based on prevailing charter rates for comparable periods, due to a reduction in these charter rates.

**15. Restructuring Charges**

During 2023, the Company recorded restructuring charges of \$1.7 million (2022 – \$11.6 million, 2021 – \$1.8 million).

The restructuring charges in 2023 primarily related to organizational changes made to the Company's commercial and technical operations teams.

The restructuring charges in 2022 primarily related to the reorganization and realignment of resources of the Company's shared service functions and the separation of information technology systems following the sale of the Teekay Gas Business, and costs associated with the termination of the charter contract for the *Sevan Hummingbird* FPSO unit. For the year ended December 31, 2022, \$2.6 million of the costs were recovered from Seapeak and were recorded as part of revenues on the consolidated statement of income (loss).

The restructuring charges in 2021 primarily related to costs associated with the termination of contract for the *Sevan Hummingbird* FPSO unit.

At December 31, 2023 and 2022, \$0.7 million and \$3.0 million, respectively, of restructuring liabilities were included in accrued liabilities on the consolidated balance sheets.

**16. Other - net**

	Year Ended December 31, 2023 \$	Year Ended December 31, 2022 \$	Year Ended December 31, 2021 \$
Asset retirement obligation decrease (increase) <sup>(1)</sup>	884	638	(8,394)
Credit loss provision <sup>(2)</sup>	—	2,604	(2,490)
Foreign exchange gain (loss)	1,431	2,995	(2,414)
Loss on disposal of defined benefit pension plan	(3,619)	—	—
Miscellaneous loss	(836)	(1,426)	(1,892)
Other - net	(2,140)	4,811	(15,190)

(1) Net ARO expense reflecting the changes in estimates and the accretion of the present value of ARO liabilities relating to *Petrojarl Foinaven* FPSO and *Petrojarl Banff* FPSO units (see Notes 1 and 6).

(2) Unrealized credit loss provision related to the *Petrojarl Foinaven* FPSO unit sales-type lease.

**17. Income Tax (Expense) Recovery**

Teekay and a majority of its subsidiaries are not subject to income tax in the jurisdictions in which they are incorporated because they do not conduct business or operate in those jurisdictions. However, among others, the Company's Australian, U.K. and Canadian subsidiaries are subject to income taxes.

The significant components of the Company's deferred tax assets and liabilities from continuing operations are as follows:

	December 31, 2023 \$	December 31, 2022 \$
<b>Deferred tax assets:</b>		
Vessels and equipment	437	21,837
Tax losses carried forward and disallowed finance costs <sup>(1)</sup>	115,564	98,558
Other	7,166	5,094
<b>Total deferred tax assets</b>	123,167	125,489
<b>Deferred tax liabilities:</b>		
Vessels and equipment	32	369
Provisions	87	—
Other	76	407
<b>Total deferred tax liabilities</b>	195	776
Net deferred tax assets	122,972	124,713
Valuation allowance	(120,810)	(123,461)
<b>Net deferred tax assets</b>	2,162	1,252



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(1) Substantially all of the Company's estimated net operating loss carryforwards of \$470.0 million as at December 31, 2023, relate to its U.K. and Norwegian subsidiaries. The Company had estimated disallowed finance costs in Norway of approximately \$12.6 million at December 31, 2023, which are available 10 years from the year the costs are incurred for offset against future taxable income in Norway.

Deferred tax balances are presented in other non-current assets in the accompanying consolidated balance sheets.

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

	Year Ended December 31, 2023 \$	Year Ended December 31, 2022 \$	Year Ended December 31, 2021 \$
Current	(13,386)	(532)	4,082
Deferred	1,224	(885)	881
<b>Income tax (expense) recovery</b>	<b>(12,162)</b>	<b>(1,417)</b>	<b>4,963</b>

The Company operates in countries that have differing tax laws and rates. Consequently, a consolidated weighted average tax rate will vary from year-to-year according to the source of earnings or losses by country and the change in applicable tax rates. Reconciliations of the tax charge related to the relevant year at the applicable statutory income tax rates and the actual tax charge related to the relevant year are as follows:

	Year Ended December 31, 2023 \$	Year Ended December 31, 2022 \$	Year Ended December 31, 2021 \$
Net income (loss) before taxes	529,585	211,053	(282,426)
Net income (loss) not subject to taxes	508,201	204,462	(336,040)
<b>Net income subject to taxes</b>	<b>21,384</b>	<b>6,591</b>	<b>53,614</b>
<b>At applicable statutory tax rates</b>	<b>4,411</b>	<b>2,234</b>	<b>12,476</b>
Permanent and currency differences, adjustments to valuation allowances and uncertain tax positions	7,422	(702)	(13,870)
Other	329	(115)	(3,569)
<b>Tax expense (recovery) related to the year</b>	<b>12,162</b>	<b>1,417</b>	<b>(4,963)</b>

The following table reflects changes in uncertain tax positions relating to freight tax liabilities, which are recorded in other long-term liabilities and accrued liabilities on the Company's consolidated balance sheets:

	Year Ended December 31, 2023 \$	Year Ended December 31, 2022 \$	Year Ended December 31, 2021 \$
Balance as at January 1	42,477	46,956	51,562
Increases for positions related to the current year	9,708	5,820	3,749
Increases for positions related to prior years	7,394	2,983	4,801
Decreases for positions related to prior years	(4,798)	(964)	—
Decreases related to statute of limitations	(5,430)	(8,972)	(12,753)
Foreign exchange (gain) loss	(1,538)	(3,346)	(403)
<b>Balance as at December 31</b>	<b>47,813</b>	<b>42,477</b>	<b>46,956</b>

Included in the Company's current income tax recovery (expense) are provisions for uncertain tax positions relating to freight taxes. Freight taxes recognized for positions related to the current year will vary between years based upon changes in the trading patterns of the Company's vessels.

Interest and penalties related to freight taxes during the years ended December 31, 2023, 2022 and 2021 are included in the table, and were approximately \$6.2 million, \$3.8 million and \$6.2 million, respectively. As at December 31, 2023, 2022 and 2021, total interest and penalties recognized were \$24.1 million, \$22.3 million and \$26.7 million, respectively.

The Company does not presently anticipate that its provisions for these uncertain tax positions will significantly increase in the next 12 months; however, this is dependent on the jurisdictions in which vessel trading activity occurs. The Company reviews its freight tax obligations on a regular basis and may update its assessment of its tax positions based on available information at that time. Such information may include legal advice as to applicability of freight taxes in relevant jurisdictions. Freight tax regulations are subject to change and interpretation; therefore, the amounts recorded by the Company may change accordingly.



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**18. Net Income (Loss) Per Share**

	Year Ended December 31,		
	2023 \$	2022 \$	2021 \$
Net income (loss) attributable to the shareholders of Teekay:			
- Continuing operations - basic and diluted	150,641	36,755	(102,671)
- Discontinued operations - basic and diluted	—	41,652	110,477
	<u>150,641</u>	<u>78,407</u>	<u>7,806</u>
Increase in net earnings for interest expense recognized during the period relating to Convertible notes	—	1,675	—
Reduction in net earnings due to dilutive impact of equity-based awards in Teekay Tankers	(1,754)	(743)	—
Accretion add back due to if-converted method adoption	—	143	—
Net income attributable to the shareholders of Teekay - Diluted	<u>148,887</u>	<u>79,482</u>	<u>7,806</u>
Weighted average number of common shares <sup>(1)</sup>	<u>94,484,659</u>	<u>102,119,129</u>	<u>102,148,629</u>
Dilutive effect of Convertible Notes	—	1,810,599	—
Dilutive effect of equity-based awards	2,160,310	485,869	—
Common stock and common stock equivalents	<u>96,644,969</u>	<u>104,415,597</u>	<u>102,148,629</u>
Net income (loss) per common share			
- Continuing operations - basic	1.59	0.36	(1.01)
- Discontinued operations - basic	—	0.41	1.08
- Basic	1.59	0.77	0.08
- Continuing operations - diluted	1.54	0.35	(1.01)
- Discontinued operations - diluted	—	0.40	1.08
- Diluted	1.54	0.76	0.08

(1) Includes 809,997 shares of common stock related to non-forfeitable equity-based awards for the year ended December 31, 2023.

Equity-based awards that have an anti-dilutive effect on the calculation of diluted income (loss) per common share from continuing operations are excluded from diluted income (loss) per common share, including diluted income (loss) per common share from continuing operations and discontinued operations. For the years ended December 31, 2023, 2022 and 2021, 2.3 million, 5.1 million and 5.6 million shares, respectively, of Common Stock from equity-based awards were excluded from the computation of diluted earnings per common share for these periods, as including them would have had an anti-dilutive impact.

**19. Supplemental Cash Flow Information**

a) Total cash, cash equivalents, restricted cash, and cash and restricted cash held for sale are as follows:

	December 31, 2023 \$	December 31, 2022 \$	December 31, 2021 \$
Cash and cash equivalents	480,080	309,857	108,977
Restricted cash – current	691	3,714	2,227
Restricted cash – non-current	—	3,135	3,135
Current assets - discontinued operations - cash	—	—	101,190
Current assets - discontinued operations - restricted cash	—	—	11,888
Non-current assets - discontinued operations - restricted cash	—	—	38,103
	<u>480,771</u>	<u>316,706</u>	<u>265,520</u>

The Company also maintains restricted cash deposits as required by the Company's obligations related to finance leases (see Note 8).

b) The changes in operating assets and liabilities, excluding changes related to the Teekay Gas Business (see Note 21), for the years ended December 31, 2023, 2022 and 2021, are as follows:



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	Year Ended December 31,		
	2023	2022	2021
	\$	\$	\$
Accounts receivable	23,043	(80,886)	83,460
Prepaid expenses and other	19,442	(49,556)	4,016
Accounts payable	(13,417)	6,291	(77,972)
Accrued liabilities and other	(2,647)	(3,441)	(44,525)
Receipts from direct financing and sales-type leases	—	10,489	—
Asset retirement obligation expenditures	(3,852)	(775)	(1,419)
Expenditures for dry docking	(16,230)	(14,423)	(26,974)
	6,339	(132,301)	(63,414)

- c) Cash interest paid, including realized interest rate swap settlements, during the years ended December 31, 2023, 2022 and 2021, totaled \$25.1 million, \$38.7 million and \$64.5 million, respectively.
- d) Cash income tax paid during the years ended December 31, 2023, 2022 and 2021, totaled \$5.7 million, \$0.7 million and \$1.1 million, respectively.
- e) During the years ended December 31, 2023, December 31, 2022 and December 31, 2021, the Company entered into new or extended operating leases, primarily for in-chartered vessels, which resulted in the recognition of additional operating lease right-of-use assets and operating lease liabilities of \$68.5 million, \$42.9 million and \$16.4 million, respectively.
- f) In March 2021, the charter contracts relating to the *Suksan Salamander* FSO unit were novated to Altera Infrastructure L.P. (or *Altera*), and the in-charter contract relating to the unit was terminated at the same time. This contract termination resulted in the Company derecognizing the associated right-of-use asset and liability of \$29.7 million and \$29.5 million, respectively.

**20. Commitments and Contingencies**

**a) Liquidity**

Management is required to assess if the Company will have sufficient liquidity to continue as a going concern for the one-year period following the issuance of its financial statements. The Company had \$517.4 million of consolidated net income from continuing operations and \$633.5 million of consolidated cash flows from operating activities related to continuing operations during the year ended December 31, 2023, and had a consolidated working capital surplus of \$749.1 million as at December 31, 2023. This working capital surplus included \$172.6 million of short-term investments.

Based on the Company's liquidity at the date these consolidated financial statements were issued and the cash flows the Company expects to generate from operations over the following year, the Company expects that it will have sufficient liquidity to continue as a going concern for at least the one-year period following the issuance of these consolidated financial statements.

**b) 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.

**c) 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.

**21. Discontinued Operations**

On October 4, 2021, the Company entered into agreements to sell its general partner interest in Teekay LNG Partners (now known as Seapeak), all of its common units in Teekay LNG Partners and certain subsidiaries which collectively contained the shore-based management operations of the Teekay Gas Business. These transactions closed on January 13, 2022 and resulted in Teekay deconsolidating the Teekay Gas Business for accounting purposes on January 13, 2022. Upon closing of the transactions, the Company received gross proceeds of \$641 million, at which date the Teekay Gas Business had a cash, cash equivalents and restricted cash balance of \$178.0 million.

Upon closing, the Company recognized both the net cash proceeds it received from Stonepeak and derecognized the carrying value of both the Teekay Gas Business' net assets and the non-controlling interest in the Teekay Gas Business, with the difference between the amounts recognized and derecognized being the loss on deconsolidation of \$58.7 million, which is included in loss from discontinued operations in the consolidated statement of income for the year ended December 31, 2022.



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Immediately prior to the sale of the Teekay Gas Business, the Company had unrecognized gains of \$84.8 million on the sales of vessels in prior years from its wholly-owned subsidiaries to its non-wholly-owned subsidiary, Teekay LNG Partners (or *Deferred Dropdown Gains*). On sale of the Teekay Gas Business, the Deferred Dropdown Gains that were previously unrecognized due to their being eliminated upon consolidation of Teekay LNG Partners, were recognized by the Company through a transfer of income from non-controlling interests in Teekay LNG Partners to the Company. This transfer increased the carrying value of the Company's interest in Teekay LNG Partners at the sale date and thus, increased the loss on deconsolidation of the Teekay Gas Business by \$84.8 million (included in net (loss) income attributable to non-controlling interests, discontinued operations on the consolidated statement of income). As a result, net income attributable to shareholders of the Company on sale of the Teekay Gas Business was a net gain of \$26.2 million, consisting of the recognition of the \$84.8 million of Deferred Dropdown Gains (included in net (loss) income attributable to non-controlling interests, discontinued operations on the consolidated statement of income) less the loss on deconsolidation of \$58.7 million.

All revenues and expenses of the Teekay Gas Business prior to the sale and for the periods covered by the consolidated statements of income (loss) in these consolidated financial statements have been aggregated and separately presented as a single component of net income (loss) called "income from discontinued operations". Revenues and expenses of the Teekay Gas Business have been determined as follows:

- Revenues and expenses of the Teekay Gas Business consist of all direct revenue and expenses that are clearly identifiable as solely for the benefit of the Teekay Gas Business and will not be recognized on an ongoing basis by the Company following completion of the sale of the Teekay Gas Business. As such, costs previously incurred by the Company for the benefit of both the Teekay Gas Business and the continuing operations of the Company (or *Shared Costs*) remain in the Company's continuing operations, including the Teekay Gas Business's proportionate share of such costs. The Company's Shared Costs primarily relate to costs incurred to provide certain corporate services and ship management services for the benefit of both the Teekay Gas Business and the continuing operations of the Company. In preparation for the sale of the Teekay Gas Business, the Company completed an internal reorganization of the shore-based management operations for Seapeak and certain of Seapeak's joint ventures. Certain of the Company's subsidiaries were then transferred to Seapeak as part of the sale of the Teekay Gas Business. A substantial majority of the Company's Shared Costs are reflected in general and administrative expenses. As a result of the Company's historical practice of using a shared service operation for its different businesses and the allocation method explained above for such costs, general and administrative expenses presented within continuing operations and general and administrative expenses presented within discontinued operations will not represent what these costs would have been had the Company operated the Teekay Gas Business on a standalone basis and will not represent an existing cost run-rate, as adjusted for the completion of this transaction.
- Interest expense of the Teekay Gas Business consists of interest expense and amortization of discounts, premiums, and debt issuance costs related to long-term debt and obligations related to finance leases of Teekay LNG Partners that were assumed by the acquiror thereof.

The following table contains the major components of (loss) income from discontinued operations of the Teekay Gas Business for the periods presented:

	Year Ended December 31,		
	2023 \$	2022 <sup>(1)</sup> \$	2021 \$
Revenues	—	25,083	680,589
Voyage expenses	—	(853)	(28,190)
Vessel operating expenses	—	(5,937)	(200,917)
Time-charter hire expenses	—	(845)	(23,487)
Depreciation and amortization	—	—	(130,810)
General and administrative expenses	—	(781)	(24,196)
Restructuring charges	—	—	(3,223)
<b>Income from vessel operations</b>	<b>—</b>	<b>16,667</b>	<b>269,766</b>
Interest expense	—	(4,287)	(122,561)
Interest income	—	188	5,945
Realized and unrealized gains on non-designated derivative instruments	—	3,675	8,524
Equity income	—	17,881	115,399
Foreign exchange gain	—	4,286	7,344
Other income (loss)	—	9	(3,566)
Loss on deconsolidation of the Teekay Gas Business <sup>(2)</sup>	—	(58,684)	—
<b>(Loss) income from discontinued operations before income taxes</b>	<b>—</b>	<b>(20,265)</b>	<b>280,851</b>
Income tax expense	—	(11)	(6,756)
<b>(Loss) income from discontinued operations</b>	<b>—</b>	<b>(20,276)</b>	<b>274,095</b>

(1) On January 13, 2022, the Company deconsolidated the Teekay Gas Business. Figures represent the Teekay Gas Business's results for the period from January 1, 2022 to January 13, 2022.

(2) Net income attributable to shareholders of the Company on sale of the Teekay Gas Business was a net gain of \$26.2 million, consisting of the recognition of the \$84.8 million of Deferred Dropdown Gains (included in net income (loss) attributable to non-controlling interests, discontinued operations) less the loss on deconsolidation of \$58.7 million.



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**22. Subsequent Events**

- a. In January 2024, Teekay Tankers gave notice to exercise its options to acquire eight Suezmax vessels for a total cost of \$137.0 million, pursuant to repurchase options under related sale-leaseback arrangements. Teekay Tankers expects to complete the repurchase and delivery of these eight vessels in March 2024. Upon delivery of these eight vessels, the vessels will be unencumbered (see Note 8).
- b. In February 2024, Teekay Tankers completed the sale of one Aframax / LR2 vessel for \$23.5 million. The vessel and its related bunkers and lube oil inventory were classified as held for sale on Teekay Tankers' consolidated balance sheet as at December 31, 2023.



**Ugland Stena Storage AS**  
**Annual Financial Statements**  
**31 December 2023**

**Income Statement**  
**Balance Sheet**  
**Notes to the Financial Statements**

**Org.no.: 882 048 152**



## Ugland Stena Storage AS

### Income Statement

for the year ended 31 December 2023

Amounts in NOK '000

	Note	2023	2022
<b>Operating income and operating expenses</b>			
Operating revenue		-	-
<b>Total operating income</b>		<u>-</u>	<u>-</u>
Other operating expenses	4,5	(494)	(741)
<b>Total operating expenses</b>		<u>(494)</u>	<u>(741)</u>
<b>Operating loss</b>		<u>(494)</u>	<u>(741)</u>
<b>Financial income and financial expenses</b>			
Other interest income		202	66
Other financial income		1,279	-
Foreign exchange gain		11,872	18,525
Other interest expense		-	(1)
<b>Net financial profit</b>		<u>13,353</u>	<u>18,589</u>
<b>Profit before tax</b>		<u>12,859</u>	<u>17,848</u>
Tax credit	6	-	96
<b>Annual net profit</b>	7	<u>12,859</u>	<u>17,945</u>
<b>Transfers</b>			
Transferred to/from other equity		(12,859)	(17,945)
<b>Total transfers</b>		<u>(12,859)</u>	<u>(17,945)</u>



## Ugland Stena Storage AS

### Balance Sheet

as of 31 December 2023

Amounts in NOK'000

	Note	2023	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		209	209
<b>Total non-current assets</b>		<u>209</u>	<u>209</u>
<b>Current assets</b>			
<b>Receivables</b>			
Accounts receivable	5	-	-
Receivables from related parties		55,006	39,006
<b>Total receivables</b>		<u>55,011</u>	<u>39,006</u>
Cash and cash equivalents		434	4,848
<b>Total current assets</b>		<u>55,445</u>	<u>43,854</u>
<b>Total assets</b>		<u>55,654</u>	<u>44,063</u>



## Ugland Stena Storage AS

### Balance Sheet

as of 31 December 2023

Amounts in NOK '000

	Note	2023	2022
<b>Equity</b>			
<b>Contributed equity</b>			
Share capital	8	1,100	1,100
Share premium		12,360	12,360
Other contributed equity		35,174	35,174
<b>Total contributed equity</b>		<b>48,634</b>	<b>48,634</b>
Other equity	7	7,008	(5,851)
<b>Total earned equity</b>		<b>7,008</b>	<b>(5,851)</b>
<b>Total equity</b>		<b>55,642</b>	<b>42,783</b>
<b>Current liabilities</b>			
Other short-term liabilities		12	1,280
<b>Total current liabilities</b>		<b>12</b>	<b>1,280</b>
<b>Total liabilities</b>		<b>12</b>	<b>1,280</b>
<b>Total equity and liabilities</b>		<b>55,654</b>	<b>44,063</b>

Oslo, 21 June 2024  
The board of Ugland Stena Storage AS

  
Nicole Angélique Burgess  
Chairman

  
Anne Elizabeth Liversedge  
Board Member



## Ugland Stena Storage AS

### Notes to the financial statements

#### Note 1 Accounting principles

The financial statements have been prepared in accordance with the Accounting Act and generally accepted accounting principles in Norway.

The Company's functional currency is NOK. All numbers in the financial statements are in NOK 1,000 unless otherwise stated.

#### *Classification and assessment of assets and liabilities*

Assets intended for long-term ownership or use are classified as non-current assets. Other assets are classified as current assets.

Non-current assets are valued at purchase cost. Non-current assets are written down to net realisable value when the decline in value is not expected to be temporary. Non-current assets with a limited economic life are depreciated over the asset's useful life.

Current assets and current liabilities include items that must be repaid within one year from the time of establishment.

Current assets are valued at the lower of purchase cost and net realisable value. Current liabilities are reflected in the balance sheet at nominal value at establishment date.

Long-term liabilities are reflected in the balance sheet at nominal value on establishment date, with deductions for transaction costs.

#### **Conversion principles for accounting items in foreign currency**

Transactions in foreign currency are calculated using the functional currency at the transaction rate. Monetary items in foreign currency are converted to functional currency on the balance sheet date. Non-monetary items are not converted. The exchange rate used on 31 December 2023 was 1 USD = NOK 10.1724.

Monetary items and non-monetary items that are written down in accordance with Section 5-2 or Section 5-3 of the Accounting Act, and where the value is determined in foreign currency, are converted at the exchange rate at the time of measurement.

Currency gains and losses are recognized in the income statement on an ongoing basis in the period in which they arise and included as other financial items in the income statement.

#### **Fixed assets and depreciation**

Fixed assets are valued at historical cost after deductions for accumulated depreciation and write-downs. Depreciation is calculated on the basis of cost price and distributed linearly over the assumed economic life. Furnishings in rented premises are depreciated over the term of the lease. Expenses that significantly increase the capacity or lifespan of the operating assets are entered in the balance sheet.

Equipment is depreciated on a straight-line basis based on an assessment of the individual equipment's expected lifetime.

The operating assets' economic lifetime and residual value are assessed at each balance sheet date and adjusted if necessary.



## Ugland Stena Storage AS

Investments in shares are assessed according to the cost method in the Company accounts. The investment is assessed at the acquisition cost of the shares unless a write-down has been necessary. Write-downs to fair value have been made when the decline in value is due to reasons that cannot be assumed to be temporary, and it must be considered necessary according to good accounting practice.

### Accounts receivable

Accounts receivable are entered at face value in the balance sheet after deductions for provisions for expected losses. Provision for losses is made on the basis of an individual assessment of the receivables.

### Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits, other short-term, easily negotiable investments with a maximum original maturity of three months and overdrafts.

### Accounts payable

Accounts payable are obligations to pay for goods or services delivered from suppliers for ordinary operations. Trade payables are classified as current if they fall due within one year or less. If this is not the case, it is classified as long-term. Accounts payable are measured at fair value.

### Current and deferred income tax

The tax cost in the income statement consists of taxes payable (taxes on current year taxable income) and change in net deferred taxes. Deferred tax is calculated at 22% on the basis of the temporary differences that exist between accounting and tax values, as well as the comparative loss to be carried forward at the end of the accounting year.

Tax-reducing temporary differences and loss carry-forward, are offset against tax-increasing temporary differences that are reversed in the same period. The net deferred tax benefit is recognized in the balance sheet to the extent that it is likely that future taxable income will exist where the tax-reducing temporary differences can be utilized.

### Operating income and costs

Revenue is recognized on the accrual basis, which will normally be the time of delivery for goods and services. Costs are included according to the matching principle, i.e. costs are included in the same period as associated income is recognized as income.

### Income recognition principles

Revenue is recognized from the sale of goods at the time of delivery. Services are recognized as revenue as they are performed. Shipping revenue is recognized in the income statement as it is considered earned. For voyages that have not ended by year-end, travel-related income and costs are accrued linearly over the duration of the voyage before and after the year-end.

### Note 2 Consolidated financial statements

In accordance with §3-7 of the Accounting Act, no consolidated accounts have been prepared. The Company is part of a group that prepares group accounts where Ugland Stena Storage AS is included in the consolidation. The Parent Company is Teekay Corporation, and has its corporate office in Hamilton, Bermuda. Group accounts can be obtained by contacting the Parent Company.



## Ugland Stena Storage AS

### Note 3 Financial and operational market risk

The Company had no operating activities in 2023 or 2022.

#### *Credit risk*

The Company no longer has significant receivables, other than advances to other entities within the Teekay group. The credit risk exposure on these balances with related parties is considered low.

#### *Liquidity risk*

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to meet the obligations of the Company.

#### *Currency risk*

The Company operated internationally and was thus exposed to currency risk until it ceased operations in August 2020. The Company is also exposed to currency risk due to receivables and cash denominated in USD and GBP, respectively.

### Note 4 Salary costs, number of employees, allowances, loans to employees etc.

The Company has no employees. The Company is not obliged to have a compulsory occupational pension.

No remuneration has been paid to the general manager or board members in 2023 or 2022.

<b>Expensed remuneration to the auditor</b>	<b>2023</b>	<b>2022</b>
Statutory audit	<u>216</u>	<u>127</u>
<b>Total</b>	<b><u>216</u></b>	<b><u>127</u></b>

### Note 5 Transactions with related parties

The Company had no transactions with related parties in 2023 and 2022.



## Ugland Stena Storage AS

### Note 6 Tax

Amounts in NOK'000

The tax effect of temporary differences and losses carried forward that have given rise to deferred tax and deferred tax benefits, specified by type of temporary differences:

	2023	2022	Change
Fixed assets	(19,358)	(22,509)	(3,151)
Accumulated loss carry-forward	(5,655)	(14,865)	(9,210)
<b>Total</b>	<b>(25,013)</b>	<b>(37,374)</b>	<b>(12,361)</b>
Deferred tax benefit (22%)	5,503	8,222	
Of this, deferred tax benefits not recognized in the balance sheet	(5,503)	(8,222)	
<b>Deferred income tax assets/liabilities</b>	<b>-</b>	<b>-</b>	

As a result of uncertainty about the future utilization of loss carry-forwards, deferred tax benefits are not recognized in the balance sheet.

	2023	2022
<b>Tax cost for the year</b>		
Taxable income:		
Profit before tax	12,859	17,848
Permanent differences	(499)	1,649
Change in deferred tax/tax benefit	(3,151)	(3,664)
Basis for the year's tax cost	9,209	15,833
Application of loss carry-forwards	(9,209)	(15,833)
<b>Basis for payable tax on balance sheet</b>	<b>-</b>	<b>-</b>
<b>Income tax on profit/(loss):</b>		
Change in deferred tax/tax benefit	-	-
Prior year adjustments	-	(96)
Payable tax	-	-
Tax effect received(-)/paid group contribution	-	-
<b>Tax cost</b>	<b>-</b>	<b>(96)</b>
Tax Rate	22%	22%
Payable tax in the balance sheet:		
Payable tax on the year's profit	-	-
Payable tax on paid group contribution	-	-
<b>Total tax payable in the balance sheet</b>	<b>-</b>	<b>-</b>



## Ugland Stena Storage AS

### Note 7 Equity

Amounts in NOK'000

	Share capital	Premium rate	Other deposit equity	Other equity	Total equity
Equity 01.01.2023	1,100	12,360	35,174	(5,851)	42,783
Result for the year	-	-	-	12,859	12,859
<b>Equity 31.12.2023</b>	<b>1,100</b>	<b>12,360</b>	<b>35,174</b>	<b>7,008</b>	<b>55,642</b>

### Note 8 Share capital and shareholder information

The Company's share capital of NOK 1,100,000 consists of 500 shares of NOK 2,200 each. All shares have the same rights. Ugland Stena Storage AS is 100% owned by TPO AS.

### Note 9 Events after balance sheet date

At the time of publishing this report, there are no events after the balance sheet date.