

Teekay LNG Partners L.P.  
Form 6-K  
August 14, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 6-K**

**Report of Foreign Private Issuer**  
**Pursuant to Rule 13a-16 or 15d-16 of**  
**the Securities Exchange Act of 1934**  
**For the quarterly period ended June 30, 2015**  
**Commission file number 1- 32479**

**TEEKAY LNG PARTNERS L.P.**  
**(Exact name of Registrant as specified in its charter)**

**4<sup>th</sup> Floor, Belvedere Building**  
**69 Pitts Bay Road**

**Hamilton, HM 08 Bermuda**

**(Address of principal executive office)**

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

Form 20-F       Form 40-F

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

Yes       No

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

Yes       No

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**TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES**

**REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015**

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## ITEM 1 FINANCIAL STATEMENTS

## TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Voyage revenues (note 9a)	98,608	101,323	195,934	202,813
Voyage expenses	(373)	(1,167)	(691)	(2,500)
Vessel operating expenses (note 9a)	(24,102)	(24,320)	(45,736)	(48,576)
Depreciation and amortization	(23,209)	(23,530)	(46,778)	(47,640)
General and administrative (note 9a)	(7,068)	(6,254)	(13,776)	(12,662)
<b>Income from vessel operations</b>	43,856	46,052	88,953	91,435
Equity income	29,002	32,924	47,060	53,297
Interest expense (note 7)	(11,153)	(15,068)	(21,257)	(29,899)
Interest income	611	572	1,345	1,220
Realized and unrealized gain (loss) on derivative instruments (note 10)	10,888	(16,335)	(3,144)	(23,856)
Foreign currency exchange (loss) gain (notes 7 and 10)	(9,546)	(66)	16,384	(845)
Other income	335	208	778	426
Net income before income tax expense	63,993	48,287	130,119	91,778
Income tax expense (note 8)	(258)	(375)	(33)	(770)
<b>Net income</b>	63,735	47,912	130,086	91,008
Non-controlling interest in net income	5,642	4,263	8,925	9,113
General Partner's interest in net income	8,568	7,528	17,210	14,683
Limited partners' interest in net income	49,525	36,121	103,951	67,212
<b>Limited partners' interest in net income per common unit:</b>				
Basic	0.63	0.49	1.32	0.91
Diluted	0.63	0.49	1.32	0.91
<b>Weighted-average number of common units outstanding:</b>				
Basic	78,590,812	74,212,834	78,552,784	74,206,221
Diluted	78,659,264	74,255,543	78,609,057	74,252,842
Cash distributions declared per common unit	0.7000	0.6918	1.4000	1.3836

Related party transactions (*note 9*)

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

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## TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of U.S. Dollars)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Net income</b>	63,735	47,912	130,086	91,008
<b>Other comprehensive income (loss):</b>				
Unrealized gain (loss) on qualifying cash flow hedging instruments in equity accounted joint ventures before reclassifications, net of tax (note 5c)	328	(1,121)	(645)	(2,064)
Realized loss on qualifying cash flow hedging instruments in equity accounted joint ventures reclassified to equity income, net of tax (note 5c)	591	391	953	782
<b>Other comprehensive income (loss):</b>	919	(730)	308	(1,282)
<b>Comprehensive income</b>	64,654	47,182	130,394	89,726
Non-controlling interest in comprehensive income	5,642	4,263	8,925	9,113
General and limited partners interest in comprehensive income	59,012	42,919	121,469	80,613

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

**Table of Contents****TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED BALANCE SHEETS**

(in thousands of U.S. Dollars)

	As at June 30, 2015 \$	As at December 31, 2014 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	106,991	159,639
Restricted cash – current ( <i>notes 7 and 10</i> )	8,899	3,000
Accounts receivable, including non-trade of \$7,339 (2014 – \$7,998)	14,519	11,265
Prepaid expenses	4,055	3,975
Current portion of net investments in direct financing leases ( <i>note 4</i> )	19,759	15,837
Advances to affiliates ( <i>note 9b</i> )	10,714	11,942
<b>Total current assets</b>	<b>164,937</b>	<b>205,658</b>
Restricted cash – long-term ( <i>notes 7, 10 and 11c</i> )	46,323	42,997
<b>Vessels and equipment</b>		
At cost, less accumulated depreciation of \$628,367 (2014 – \$588,735)	1,623,301	1,659,807
Vessels under capital leases, at cost, less accumulated depreciation of \$53,612 (2014 \$50,898)	89,040	91,776
Advances on newbuilding contracts ( <i>notes 9d, 11a and 11b</i> )	379,035	237,647
<b>Total vessels and equipment</b>	<b>2,091,376</b>	<b>1,989,230</b>
Investments in and advances to equity accounted joint ventures ( <i>notes 5, 6a, 6b, 11d and 11e</i> )	885,550	891,478
Net investments in direct financing leases ( <i>note 4</i> )	653,673	666,658
Other assets	42,343	44,679
Derivative assets ( <i>note 10</i> )	1,958	441
Intangible assets – net	83,219	87,646
Goodwill – liquefied gas segment	35,631	35,631
<b>Total assets</b>	<b>4,005,010</b>	<b>3,964,418</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable	771	643
Accrued liabilities ( <i>notes 10 and 14</i> )	29,561	39,037
Unearned revenue	16,704	16,565

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Current portion of long-term debt <i>(note 7)</i>	154,631	157,235
Current obligations under capital lease <i>(note 4)</i>	61,354	4,422
Current portion of in-process contracts	9,296	4,736
Current portion of derivative liabilities <i>(note 10)</i>	39,476	57,678
Advances from affiliates <i>(notes 9b and 10)</i>	35,274	43,205
<b>Total current liabilities</b>	<b>347,067</b>	<b>323,521</b>
Long-term debt <i>(note 7)</i>	1,805,778	1,766,889
Long-term obligations under capital lease <i>(note 4)</i>		59,128
Long-term unearned revenue	32,178	33,938
Other long-term liabilities <i>(notes 4, 5c and 5d)</i>	73,833	74,734
In-process contracts	25,773	32,660
Derivative liabilities <i>(note 10)</i>	152,633	126,177
<b>Total liabilities</b>	<b>2,437,262</b>	<b>2,417,047</b>
<b>Commitments and contingencies <i>(notes 4, 7, 10, and 11)</i></b>		
<b>Equity</b>		
Limited Partners	1,493,532	1,482,647
General Partner	56,767	56,508
Accumulated other comprehensive loss	(1,095)	(1,403)
Partners equity	1,549,204	1,537,752
Non-controlling interest	18,544	9,619
<b>Total equity</b>	<b>1,567,748</b>	<b>1,547,371</b>
<b>Total liabilities and total equity</b>	<b>4,005,010</b>	<b>3,964,418</b>

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



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**TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands of U.S. Dollars)

	<b>Six Months Ended June 30, 2015 \$</b>	<b>Six Months Ended June 30, 2014 \$</b>
Cash and cash equivalents provided by (used for)		
<b>OPERATING ACTIVITIES</b>		
<b>Net income</b>	130,086	91,008
Non-cash items:		
Unrealized (gain) loss on derivative instruments ( <i>note 10</i> )	(12,050)	4,368
Depreciation and amortization	46,778	47,640
Unrealized foreign currency exchange gain ( <i>notes 7 and 10</i> )	(20,051)	(66)
Equity income, net of dividends received of \$45,000 (2014 \$2,600)	(2,060)	(50,690)
Amortization of deferred debt issuance costs and other	(1,475)	742
Change in operating assets and liabilities	(20,767)	9,452
Expenditures for dry docking	(1,424)	(7,931)
<b>Net operating cash flow</b>	119,037	94,523
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of long-term debt	233,175	209,215
Debt issuance costs	(1,796)	
Scheduled repayments of long-term debt	(66,600)	(48,320)
Prepayments of long-term debt	(90,000)	(130,000)
Scheduled repayments of capital lease obligations	(2,196)	(3,396)
Proceeds from equity offerings, net of offering costs ( <i>note 12</i> )	16,166	
Increase in restricted cash	(9,930)	(1,197)
Cash distributions paid	(127,239)	(117,803)
Novation of derivative liabilities ( <i>note 9e</i> )		2,985
Dividends paid to non-controlling interest ( <i>note 15b</i> )		(7,295)
<b>Net financing cash flow</b>	(48,420)	(95,811)
<b>INVESTING ACTIVITIES</b>		
Additional capital contributions in equity accounted investments ( <i>notes 5a, 6b and 15c</i> )	(3,235)	(1)
Repayments by equity accounted joint ventures	13,987	
Receipts from direct financing leases	9,063	5,114
Expenditures for vessels and equipment	(143,080)	(21,648)

<b>Net investing cash flow</b>	(123,265)	(16,535)
<b>Decrease in cash and cash equivalents</b>	(52,648)	(17,823)
Cash and cash equivalents, beginning of the period	159,639	139,481
<b>Cash and cash equivalents, end of the period</b>	106,991	121,658

Supplemental cash flow information (*note 15*)

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

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**TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY**

(in thousands of U.S. Dollars and units)

	TOTAL EQUITY					
	Number of Common Units	Partners	Equity	Accumulated Other Comprehensive Loss	Non- controlling Interest	Total
		Limited Partners	General Partner			
		\$	\$	\$	\$	\$
<b>Balance as at December 31, 2014</b>	78,353	1,482,647	56,508	(1,403)	9,619	1,547,371
Net income		103,951	17,210		8,925	130,086
Other comprehensive income				308		308
Cash distributions		(109,936)	(17,303)			(127,239)
Equity based compensation, net of tax of \$408 (note 13)	25	1,035	21			1,056
Proceeds from equity offerings (note 12)	436	15,835	331			16,166
<b>Balance as at June 30, 2015</b>	78,814	1,493,532	56,767	(1,095)	18,544	1,567,748

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

Table of Contents**TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES****NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

**1. Basis of Presentation**

The unaudited interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (or *GAAP*). These financial statements include the accounts of Teekay LNG Partners L.P., which is a limited partnership formed under the laws of the Republic of The Marshall Islands, and its wholly-owned or controlled subsidiaries (collectively, the *Partnership*). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain information and footnote disclosures required by GAAP for complete annual financial statements have been omitted and, therefore, these interim financial statements should be read in conjunction with the Partnership's audited consolidated financial statements for the year ended December 31, 2014, which are included in the Partnership's Annual Report on Form 20-F for the year ended December 31, 2014, filed with the U.S. Securities and Exchange Commission (or *SEC*) on April 23, 2015. In the opinion of management of Teekay GP L.L.C., the general partner of the Partnership (or the *General Partner*), these interim unaudited consolidated financial statements reflect all adjustments consisting solely of a normal recurring nature, necessary to present fairly, in all material respects, the Partnership's consolidated financial position, results of operations, changes in total equity and cash flows for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of those for a full fiscal year. Significant intercompany balances and transactions have been eliminated upon consolidation.

**2. Financial Instruments**

## a) Fair Value Measurements

For a description of how the Partnership estimates fair value and for a description of the fair value hierarchy levels, see Note 2 in the Partnership's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2014. 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 Partnership's financial instruments that are not accounted for at a fair value on a recurring basis.

Fair Value Hierarchy Level	June 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Asset	Asset	Asset	Asset
	(Liability)	(Liability)	(Liability)	(Liability)

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		\$	\$	\$	\$
<b>Recurring:</b>					
Cash and cash equivalents and restricted cash	Level 1	162,213	162,213	205,636	205,636
<b>Derivative instruments (note 10)</b>					
Interest rate swap agreements	Level 2	(106,061)	(106,061)	(119,558)	(119,558)
Interest rate swaption assets	Level 2	1,958	1,958		
Interest rate swaption liabilities	Level 2	(1,365)	(1,365)		
Cross currency swap agreements	Level 2	(89,399)	(89,399)	(70,386)	(70,386)
Other derivative	Level 3	(3,110)	(3,110)	(2,137)	(2,137)
<b>Other:</b>					
Advances to equity accounted joint ventures (notes 6a and 6b)	(i)	170,383	(i)	181,514	(i)
<b>Long-term receivable included in accounts receivable and other assets<sup>(ii)</sup></b>					
Long-term debt public (note 7)	Level 1	(331,076)	(337,952)	(214,707)	(220,762)
Long-term debt non-public (note 7)	Level 2	(1,629,333)	(1,585,149)	(1,709,417)	(1,659,852)

- (i) The advances to equity accounted joint ventures together with the Partnership's equity investments in the joint ventures form the net aggregate carrying value of the Partnership's interests in the joint ventures in these consolidated financial statements. The fair values of the individual components of such aggregate interests are not determinable.
- (ii) As described in Note 2 in the Partnership's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year-ended December 31, 2014, the estimated fair value of the non-interest bearing receivable from BG International Limited (or *BG*) is based on the remaining future fixed payments as well as an estimated discount rate. The estimated fair value of this receivable as of June 30, 2015 is \$17.3 million using a discount rate of 8.0%. As there is no market rate for the equivalent of an unsecured non-interest bearing receivable from BG, the discount rate is based on unsecured debt instruments of similar maturity held, adjusted for a liquidity premium. A higher or lower discount rate would result in a lower or higher fair value asset.

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## TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

Changes in fair value during the six months ended June 30, 2015 and 2014 for the Partnership's other derivative asset, the Toledo Spirit time-charter derivative, which is described below and is measured at fair value on a recurring basis using significant unobservable inputs (Level 3), is as follows:

	Six Months Ended June 30,	
	2015	2014
	\$	\$
Fair value at beginning of period	(2,137)	6,344
Realized and unrealized losses included in earnings	(2,180)	(3,224)
Settlement payments (receipts)	1,207	(1,544)
Fair value at end of period	(3,110)	1,576

The Partnership's Suezmax tanker, the *Toledo Spirit*, operates pursuant to a time-charter contract that increases or decreases the otherwise fixed-hire rate established in the charter depending on the spot charter rates that the Partnership would have earned had it traded the vessel in the spot tanker market. The time-charter contract ends in August 2025, although the charterer has the right to terminate the time-charter in July 2018. In order to reduce the variability of its revenue under the *Toledo Spirit* time-charter, the Partnership entered into an agreement with Teekay Corporation under which Teekay Corporation pays the Partnership any amounts payable to the charterer of the *Toledo Spirit* as a result of spot rates being below the fixed rate, and the Partnership pays Teekay Corporation any amounts payable to the Partnership by the charterer of the *Toledo Spirit* as a result of spot rates being in excess of the fixed rate. The estimated fair value of this other derivative is based in part upon the Partnership's projection of future spot market tanker rates, which has been derived from current spot market tanker rates and long-term historical average rates, as well as an estimated discount rate. The estimated fair value of this other derivative as of June 30, 2015 is based upon an average daily tanker rate of \$32,476 (June 30, 2014 - \$23,788) over the remaining duration of the charter contract and a discount rate of 7.4% (June 30, 2014 - 8.4%). In developing and evaluating this estimate, the Partnership considers the current tanker market fundamentals as well as the short and long-term outlook. A higher or lower average daily tanker rate would result in a higher or lower fair value liability or a lower or higher fair value asset. A higher or lower discount rate would result in a lower or higher fair value asset or liability.

## b) Financing Receivables

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

<b>Class of Financing Receivable</b>	<b>Credit Quality Indicator</b>	<b>Grade</b>	<b>June 30, 2015</b> \$	<b>December 31, 2014</b> \$
Direct financing leases	Payment activity	Performing	673,432	682,495
Other receivables:				
Long-term receivable and accrued revenue included in accounts receivable and other assets	Payment activity	Performing	24,737	27,266
Advances to equity accounted joint ventures (notes 6a and 6b)	Other internal metrics	Performing	170,383	181,514
			868,552	891,275

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## TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

**3. Segment Reporting**

The following table includes results for the Partnership's segments for the periods presented in these financial statements.

	Three Months Ended June 30,					
	2015			2014		
	Conventional		Total	Conventional		Total
	Liquefied Gas Segment	Tanker Segment		Liquefied Gas Segment	Tanker Segment	
	\$	\$	\$	\$	\$	\$
Voyage revenues	77,466	21,142	98,608	77,602	23,721	101,323
Voyage expenses		(373)	(373)	(705)	(462)	(1,167)
Vessel operating expenses	(16,127)	(7,975)	(24,102)	(14,746)	(9,574)	(24,320)
Depreciation and amortization	(18,004)	(5,205)	(23,209)	(17,888)	(5,642)	(23,530)
General and administrative (i)	(5,514)	(1,554)	(7,068)	(4,460)	(1,794)	(6,254)
Income from vessel operations	37,821	6,035	43,856	39,803	6,249	46,052
Equity income	29,002		29,002	32,924		32,924

	Six Months Ended June 30,					
	2015			2014		
	Conventional		Total	Conventional		Total
	Liquefied Gas Segment	Tanker Segment		Liquefied Gas Segment	Tanker Segment	
	\$	\$	\$	\$	\$	\$
Voyage revenues	153,400	42,534	195,934	152,566	50,247	202,813
Voyage expenses		(691)	(691)	(1,528)	(972)	(2,500)
Vessel operating expenses	(30,433)	(15,303)	(45,736)	(29,460)	(19,116)	(48,576)
Depreciation and amortization	(36,310)	(10,468)	(46,778)	(36,001)	(11,639)	(47,640)
	(10,839)	(2,937)	(13,776)	(9,208)	(3,454)	(12,662)



General and administrative <sup>(i)</sup>						
Income from vessel operations	75,818	13,135	88,953	76,369	15,066	91,435
Equity income	47,060		47,060	53,297		53,297

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

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

	June 30, 2015	December 31, 2014
	\$	\$
Total assets of the liquefied gas segment	3,498,003	3,395,759
Total assets of the conventional tanker segment	370,728	381,838
Unallocated:		
Cash and cash equivalents	106,991	159,639
Accounts receivable and prepaid expenses	18,574	15,240
Advances to affiliates	10,714	11,942
Consolidated total assets	4,005,010	3,964,418

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## TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

**4. Vessel Charters**

The minimum estimated charter hire payments for the remainder of the year and the next four fiscal years, as at June 30, 2015, for the Partnership's vessels chartered-in and vessels chartered-out are as follows:

	<b>Remainder of 2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Vessel Charters <sup>(i)</sup>	\$	\$	\$	\$	\$
Charters-in capital leases <sup>(ii)</sup>	3,880	7,673	30,953	27,296	
Charters-out operating leases <sup>(iii)</sup>	158,810	293,468	292,454	248,928	233,575
Charters-out direct financing leases <sup>(iv)</sup>	34,718	75,064	204,109	173,701	39,065
	193,528	368,532	496,563	422,629	272,640

- (i) The Partnership owns 69% of Teekay BLT Corporation (or *Teekay Tangguh Joint Venture*) and the Teekay Tangguh Joint Venture is a party to operating leases whereby it is leasing the *Tangguh Hiri* and the *Tangguh Sago* liquefied natural gas (or *LNG*) carriers (or the *Tangguh LNG Carriers*) to a third party, which is in turn leasing the vessels back to the joint venture. The table does not include the Partnership's minimum charter hire payments to be paid and received under these leases, which are described in more detail in Note 4 in the Partnership's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2014. Under the terms of the leasing arrangement for the Tangguh LNG Carriers, whereby the Teekay Tangguh Joint Venture is the lessee, the lessors claim tax depreciation on its lease of these vessels. As is typical in these types of leasing arrangements, tax and change of law risks are assumed by the lessee. Lease payments under the lease arrangements are based on certain tax and financial assumptions at the commencement of the leases. If an assumption proves to be incorrect, the lessor is entitled to increase the lease payments to maintain its agreed after-tax margin.

The carrying amount of tax indemnification guarantees of the Partnership relating to the leasing arrangement through the Teekay Tangguh Joint Venture as at June 30, 2015 was \$8.2 million (December 31, 2014 \$8.4 million) and is included as part of other long-term liabilities in the Partnership's consolidated balance sheets. The tax indemnification is for the duration of the lease contracts with the third parties plus the years it would take for the lease payments to be statute barred, which will end in 2033 for the vessels. Although there is no maximum potential amount of future payments, the Teekay Tangguh Joint Venture may terminate the lease arrangement on a voluntary basis at any time. If the lease arrangement terminates, the Teekay Tangguh Joint

Venture will be required to pay termination sums to the lessor sufficient to repay the lessor's investment in the vessels and to compensate it for the tax effect of the terminations, including recapture of any tax depreciation.

- (ii) As at June 30, 2015, the Partnership was a party to capital leases on two Suezmax tankers. Under these capital leases, the owner has the option to require the Partnership to purchase the two vessels. The charterer, who is also the owner, also has the option to cancel the charter contracts. The amounts in the table assume the owner will not exercise its options to require the Partnership to purchase either of the vessels from the owner, but rather it assumes the owner will cancel the charter contracts when the cancellation right is first exercisable, which is the thirteenth anniversary of each respective contract in 2017 and 2018.
- (iii) Minimum scheduled future operating lease revenues do not include revenue generated from new contracts entered into after June 30, 2015, revenue from undelivered vessels, revenue from unexercised option periods of contracts that existed on June 30, 2015, or variable or contingent revenues. Therefore, the minimum scheduled future operating lease revenues should not be construed to reflect total charter hire revenues that may be recognized for any of the years as shown in the table above.
- (iv) As described in Note 4 in the Partnership's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2014, the Tangguh LNG Carriers' time-charters and the two bareboat charter contracts to Awilco LNG ASA are accounted for as direct financing leases.

## 5. Equity Method Investments

### a) *BG Joint Venture*

On June 27, 2014, the Partnership acquired from BG its ownership interests in four 174,000-cubic meter LNG carrier newbuildings. Through this transaction, the Partnership has a 30% ownership interest in two LNG carrier newbuildings and a 20% ownership interest in the remaining two LNG carrier newbuildings (collectively the *BG Joint Venture*). The four vessels are scheduled to deliver between September 2017 and January 2019, and, upon delivery, will each operate under 20-year fixed-rate time-charter contracts, plus extension options with Methane Services Limited, a wholly-owned subsidiary of BG.

As at June 30, 2015, to fund its newbuilding installments, the BG Joint Venture has drawn \$73.4 million (December 31, 2014 \$53.7 million) from its \$787.0 million long-term debt facility and received \$5.4 million of capital contributions from the Partnership (December 31, 2014 \$3.8 million), representing the Partnership's proportionate share.

### b) *Teekay LNG-Marubeni Joint Venture*

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The joint venture between the Partnership and Marubeni Corporation (or the *Teekay LNG-Marubeni Joint Venture*) is a party to a loan facility for four of its six LNG carriers, including the *Magellan Spirit*, which had a grounding incident in January 2015. The Partnership has guaranteed its 52% share of the Teekay LNG-Marubeni Joint Venture's obligations under this facility. The loan facility contains mandatory prepayment provisions upon early termination of a charter and requires the borrower to maintain a specific debt service coverage ratio. In June 2015, the lenders waived the mandatory prepayment provision in relation to the *Magellan Spirit* and the debt service coverage ratio covenant for the loan facility. Both waivers are for the remaining term of the facility. In return, the Teekay LNG-Marubeni Joint Venture is required to fund a restricted cash account, which is collateral for the loan facility, with \$7.5 million and prepay \$30.0 million of the loan facility, both on or before September 30, 2015. These amounts will be funded by the Partnership and Marubeni Corporation based on their respective ownership percentages.

c) *Excalibur and Excelsior Joint Ventures*

In February 2015, joint ventures between the Partnership and Exmar NV (or *Exmar*) for two LNG carriers (or the *Excalibur and Excelsior Joint Ventures*) completed refinancing existing debt facilities by entering into a \$172.8 million long-term debt facility bearing interest at a rate of LIBOR plus 2.75%, maturing in 2019. The Partnership has guaranteed its 50% share of the secured loan facilities of the Excalibur and Excelsior Joint Ventures and, as a result, recorded a guarantee liability of \$0.4 million, which is included as part of other long-term liabilities in the Partnership's consolidated balance sheet. In addition, the Excalibur and Excelsior Joint Ventures entered into four-year interest rate swaps with an aggregate notional amount of \$172.8 million, which amortizes quarterly over the term of the interest rate swaps to \$133.4 million at maturity. These interest rate swaps exchange the receipt of LIBOR-based interest for the payment of a fixed rate of interest of 1.46% excluding the margin. These interest rate swaps have been designated as qualifying cash flow hedging instruments for accounting purposes. The Excalibur and Excelsior Joint Ventures use the same accounting policy for qualifying cash flow hedging instruments as the Partnership.

d) *Exmar LPG BVBA*

In June 2015, Exmar LPG BVBA (or *Exmar LPG*), the joint venture between the Partnership and Exmar for 24 LPG carriers, completed refinancing its existing debt facility by entering into a \$460.0 million long-term debt facility bearing interest at a rate of LIBOR plus 1.90%, maturing in 2021. The Partnership has guaranteed its 50% share of the secured loan facility of Exmar LPG and, as a result, recorded a guarantee liability of \$1.7 million, which is included as part of other long-term liabilities in the Partnership's consolidated balance sheet.

**6. Advances to Equity Accounted Joint Ventures**

a) The Partnership has a 50% interest in Exmar LPG, a joint venture with Exmar, and a 50% interest in the Excalibur Joint Venture, which owns an LNG carrier, the *Excalibur*. As of June 30, 2015, the Partnership had advances of \$67.5 million due from Exmar LPG and \$2.5 million due from the Excalibur Joint Venture. These advances bear interest at LIBOR plus margins ranging from 0.50% to 2.00% and have no fixed repayment terms. As at June 30, 2015, the interest accrued on these advances was \$0.5 million (December 31, 2014 \$0.6 million). Both the advances and the accrued interest on these advances are included in investments and advances to equity accounted joint ventures in the Partnership's consolidated balance sheets.

b) The Partnership has a 50% interest in a joint venture with China LNG Shipping (Holdings) Limited (or the *Yamal LNG Joint Venture*) and as of June 30, 2015, the Partnership had advanced \$96.9 million to the Yamal LNG Joint Venture (December 31, 2014 \$95.3 million). The advances bear interest at LIBOR plus 3.00% compounded semi-annually. As of June 30, 2015, the interest accrued on these advances was \$3.0 million (December 31, 2014 \$1.0 million). Both the advances and the accrued interest on these advances are included in investments and advances to equity accounted joint ventures in the Partnership's consolidated balance sheets.

## 7. Long-Term Debt

	June 30, 2015	December 31, 2014
	\$	\$
U.S. Dollar-denominated Revolving Credit Facilities due through 2018	185,434	257,661
U.S. Dollar-denominated Term Loan due through 2016	55,000	
U.S. Dollar-denominated Term Loan due through 2018	88,570	93,595
U.S. Dollar-denominated Term Loan due through 2018	112,500	116,667
U.S. Dollar-denominated Term Loan due through 2018	121,333	125,667
U.S. Dollar-denominated Term Loan due through 2021	278,694	285,274
U.S. Dollar-denominated Term Loan due through 2021	92,002	95,560
U.S. Dollar-denominated Term Loan due through 2026	440,483	450,000
Norwegian Kroner-denominated Bond due in 2017	89,136	93,934
Norwegian Kroner-denominated Bond due in 2018	114,603	120,773
Norwegian Kroner-denominated Bond due in 2020	127,337	
Euro-denominated Term Loans due through 2023	255,317	284,993
<b>Total</b>	<b>1,960,409</b>	<b>1,924,124</b>
Less current portion	154,631	157,235
<b>Total</b>	<b>1,805,778</b>	<b>1,766,889</b>

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As at June 30, 2015, the Partnership had two revolving credit facilities available. The two credit facilities, as at such date, provided for borrowings of up to \$322.5 million, of which \$137.1 million was undrawn. Interest payments are based on LIBOR plus margins. The amount available under the two revolving credit facilities reduces by \$13.3 million (remainder of 2015), \$27.3 million (2016), \$28.2 million (2017) and \$253.7 million (2018). Both revolving credit facilities may be used by the Partnership to fund general partnership purposes and to fund cash distributions. The Partnership is required to repay all borrowings used to fund cash distributions within 12 months of their being drawn, from a source other than further borrowings. The revolving credit facilities are collateralized by first-priority mortgages granted on four of the Partnership's vessels, together with other related security, and include a guarantee from the Partnership or its subsidiaries of all outstanding amounts.

At June 30, 2015, the Partnership had a U.S. Dollar-denominated term loan outstanding in the amount of \$55.0 million. Interest payments on this loan are based on LIBOR plus 1.00% with one principal repayment of \$4.6 million due on November 2, 2015 and a bullet repayment of \$50.4 million due at maturity in 2016. This loan facility is collateralized by a first-priority mortgage on the three vessels to which the loan relates, together with certain other related security, and is guaranteed by the Partnership.

At June 30, 2015, the Partnership had a U.S. Dollar-denominated term loan outstanding in the amount of \$88.6 million. Interest payments on this loan are based on LIBOR plus 2.75% and require quarterly interest and principal payments and a bullet repayment of \$50.7 million due at maturity in 2018. This loan facility is collateralized by a first-priority mortgage on the five vessels to which the loan relates, together with certain other related security, and is guaranteed by the Partnership.

At June 30, 2015, the Partnership had a U.S. Dollar-denominated term loan outstanding in the amount of \$112.5 million. Interest payments on this loan are based on LIBOR plus 2.80% and require quarterly interest and principal payments and a bullet repayment of \$83.3 million due at maturity in 2018. This loan facility is collateralized by a first-priority mortgage on one vessel to which the loan relates, together with certain other related security, and is guaranteed by the Partnership.

At June 30, 2015, the Partnership had a U.S. Dollar-denominated term loan outstanding in the amount of \$121.3 million. Interest payments on this loan are based on LIBOR plus 2.75% and require quarterly interest and principal payments and a bullet repayment of \$95.3 million due at maturity in 2018. This loan facility is collateralized by a first-priority mortgage on one vessel to which the loan relates, together with certain other related security, and is guaranteed by the Partnership.

The Partnership owns a 69% interest in the Teekay Tangguh Joint Venture, a consolidated entity of the Partnership. The Teekay Tangguh Joint Venture has a U.S. Dollar-denominated term loan outstanding, which, as at June 30, 2015, totaled \$278.7 million. Interest payments on the loan are based on LIBOR plus margins. Interest payments on one tranche under the loan facility are based on LIBOR plus 0.30%, while interest payments on the second tranche are based on LIBOR plu