

Teekay LNG Partners L.P.  
Form 6-K  
February 25, 2014

**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**  
**Date of Report: February 21, 2014**  
**Commission file number 1- 32479**

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

**4th Floor**  
**Belvedere Building**  
**69 Pitts Bay Road**

**Hamilton, HM08 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

**Item 1 Information Contained in this Form 6-K Report**

Attached as Exhibit I is a copy of an announcement of Teekay LNG Partners L.P. dated February 21, 2014.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEEKAY LNG PARTNERS L.P.

Date: February 21, 2014

By: /s/ Peter Evensen  
Peter Evensen  
Chief Executive Officer and Chief Financial Officer  
  
(Principal Financial and Accounting Officer)

**TEEKAY LNG PARTNERS L.P.**

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

**Hamilton, HM 08, Bermuda**

**EARNINGS RELEASE**

**TEEKAY LNG PARTNERS**

**REPORTS FOURTH QUARTER AND ANNUAL RESULTS**

**Highlights**

Generated distributable cash flow of \$63.4 million in the fourth quarter of 2013, an increase of 18 percent from the fourth quarter of 2012.

Declared fourth quarter 2013 cash distribution of \$0.6918 per unit, an increase of 2.5 percent from the previous quarter.

In November 2013, acquired and bareboat chartered-back a second LNG carrier newbuilding with Awilco LNG.

In November 2013, exercised an option for one additional MEGI LNG carrier newbuilding to be delivered in 2017.

Total liquidity of approximately \$332 million as at December 31, 2013.

Hamilton, Bermuda, February 20, 2014 Teekay GP L.L.C., the general partner of Teekay LNG Partners L.P. (*Teekay LNG or the Partnership*) (NYSE: TGP), today reported the Partnership's results for the quarter ended December 31, 2013. During the fourth quarter of 2013, the Partnership generated distributable cash flow<sup>(1)</sup> of \$63.4 million, compared to \$53.6 million in the same quarter of the previous year. The increase in distributable cash flow was primarily due to the Partnership's acquisition of a 50 percent interest in Exmar LPG BVBA, a liquefied petroleum gas (LPG) carrier joint venture with Exmar N.V. (*Exmar*), in February 2013 and its acquisition and charter-back of two liquefied natural gas (LNG) carriers from Awilco LNG ASA (*Awilco*) in September and November 2013. The increase was partially offset by reduced cash flow following the sale of the *Tenerife Spirit* conventional tanker in December 2013.

On January 15, 2014, the Partnership declared a cash distribution of \$0.6918 per unit for the quarter ended December 31, 2013, an increase of \$0.0168 per unit, or 2.5 percent, from the previous quarter. The cash distribution was paid on February 14, 2014 to all unitholders of record on January 31, 2014.

Teekay LNG continued on its course of steady growth in 2013 with the accretive acquisition-charterback transactions with Awilco LNG, which enabled us to increase the Partnership's fourth quarter distribution by 2.5 percent to \$0.6918 per unit, commented Peter Evensen, Chief Executive Officer of Teekay GP LLC. Looking ahead, in addition to the two MEGI LNG carrier newbuildings chartered to Cheniere starting in 2016, we expect the Partnership's three currently unchartered MEGI LNG carrier newbuildings delivering in 2017 will be well-positioned to take advantage

of the anticipated strong LNG shipping fundamentals relating to the expected start-up of several new LNG liquefaction projects beginning in 2016, Mr. Evensen continued. In addition to securing employment for these three unchartered newbuildings, the Partnership is also engaged in LNG shipping and floating regasification project tender opportunities with expected start-up dates in the same timeframe.

Mr. Evensen added, With 100 percent of Teekay LNG's on-the-water LNG carrier fleet operating under fixed-rate contracts with an average remaining duration of 12 years, the Partnership is largely insulated from the recent declines in spot LNG shipping rates. Over the next three years, only two of Teekay LNG's LNG carriers, both of which are 52-percent owned, are scheduled to roll-off their existing contracts, limiting the Partnership's exposure to any short-term rate volatility through 2016.

- (1) Distributable cash flow is a non-GAAP financial measure used by certain investors to measure the financial performance of the Partnership and other master limited partnerships. Please see *Appendix B* for a reconciliation of this non-GAAP measure to the most directly comparable financial measure under United States generally accepted accounting principles (*GAAP*).

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## **Recent Transactions**

### **Exercised Option for an Additional LNG Carrier Newbuilding**

In November 2013, Teekay LNG exercised an option with Daewoo Shipbuilding & Marine Engineering Co., Ltd. (*DSME*) of South Korea for one additional 173,400 cubic meter (*cbm*) LNG carrier newbuilding. This vessel will be equipped with the M-type, Electronically Controlled, Gas Injection (*MEGI*) twin engines, which are expected to be significantly more fuel-efficient and have lower emission levels than other engines currently being utilized in LNG shipping. The Partnership intends to secure long-term charter contract employment for the vessel prior to its delivery in 2017. In connection with exercising the option in November 2013, the Partnership was also able to delay the delivery dates for the two 173,400 cbm LNG carrier newbuildings ordered in July 2013 from 2016 to 2017 to better coincide with the expected timing of new LNG shipping projects. Currently, the Partnership has options with DSME for up to three additional LNG carrier newbuildings.

### **Acquisition and Bareboat Charter-Back of Second LNG Carrier Newbuilding**

In September 2013, Teekay LNG agreed to acquire a second 155,900 cbm LNG carrier newbuilding from Awilco on similar terms as the first vessel. The second vessel was delivered to the Partnership in late-November 2013 and bareboat-chartered to Awilco on a four-year fixed-rate charter contract (plus a one-year extension option) with a fixed-price purchase obligation at the end of the initial term (and option period). Similar to the first Awilco vessel, the second vessel's purchase price was \$205 million less a \$50 million upfront prepayment of charter hire by Awilco, which is in addition to the daily bareboat charter rate.

### **Exmar LPG Joint Venture Secured Long-term Contracts**

In late January 2014, Exmar LPG BVBA, the Partnership's LPG joint venture with Exmar NV, was awarded two five-year fixed-rate time-charter contracts, up to a maximum of 10 years, with Statoil ASA. The contracts are expected to be serviced by two LPG carrier newbuildings currently under construction at Hanjin Heavy Industries and Construction Co., Ltd., which are scheduled for delivery in 2016.

Also in late January 2014, Exmar LPG BVBA was awarded two 10-year fixed-rate time-charter contracts with Potash Corporation. The contracts will be serviced by two of Exmar LPG BVBA's existing on-the-water LPG carriers.

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## **Financial Summary**

The Partnership reported adjusted net income attributable to the partners<sup>(1)</sup> (as detailed in *Appendix A* to this release) of \$46.2 million for the quarter ended December 31, 2013, compared to \$38.5 million for the same period of the prior year. Adjusted net income attributable to the partners excludes a number of specific items that had the net effect of increasing net income by \$1.3 million and decreasing net income by \$10.3 million for the three months ended December 31, 2013 and 2012, respectively, as detailed in *Appendix A*. Including these items, the Partnership reported net income attributable to the partners, on a GAAP basis, of \$47.5 million and \$28.2 million for the three months ended December 31, 2013 and 2012, respectively. Adjusted net income attributable to the partners for the three months ended December 31, 2013 increased from the same period in the prior year, mainly due to the acquisitions of the two LNG carriers from Awilco and the acquisition of the Partnership's 50 percent interest in Exmar LPG BVBA in February 2013.

For the year ended December 31, 2013, the Partnership reported adjusted net income attributable to the partners<sup>(1)</sup> (as detailed in *Appendix A* to this release) of \$175.0 million, compared to \$156.3 million for the prior year. Adjusted net income attributable to the partners excludes a number of specific items that had the net effect of increasing net income by \$26.2 million and decreasing net income by \$32.6 million for the year ended December 31, 2013 and 2012, respectively, as detailed in *Appendix A*. Including these items, the Partnership reported net income attributable to the partners, on a GAAP basis, of \$201.2 million and \$123.7 million for the year ended December 31, 2013 and 2012, respectively. Adjusted net income attributable to the partners for the year ended December 31, 2013 increased from the same period in the prior year, mainly due to the acquisitions of the two LNG carriers from Awilco, the acquisition of the Partnership's 50 percent interest in Exmar LPG BVBA in February 2013 and the acquisition of the Partnership's 52 percent interest in six LNG carriers from A.P. Moller-Maersk A/S in February 2012.

For accounting purposes, the Partnership is required to recognize the changes in the fair value of its outstanding derivative instruments that are not designated as hedges for accounting purposes in net income. This method of accounting does not affect the Partnership's cash flows or the calculation of distributable cash flow, but results in the recognition of unrealized gains or losses on the consolidated statements of income as detailed in notes 5, 6 and 7 to the Summary Consolidated Statements of Income and Comprehensive Income included in this release.

- (1) Adjust net income attributable to the partners is a non-GAAP financial measure. Please refer to *Appendix A* to this release for a reconciliation of this non-GAAP measure to the most directly comparable financial measure under GAAP and information about specific items affecting net income which are typically excluded by securities analysts in their published estimates of the Partnership's financial results.

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## Operating Results

The following table highlights certain financial information for Teekay LNG's two segments: the Liquefied Gas segment and the Conventional Tanker segment (please refer to the Teekay LNG's Fleet section of this release below and *Appendices C* through *F* for further details).

| (in thousands of U.S. Dollars)                      | Three Months Ended<br>December 31, 2013<br>(unaudited)<br>Conventional |         |         | Three Months Ended<br>December 31, 2012<br>(unaudited)<br>Conventional |         |         |
|---|--|---------|---------|--|---------|---------|
|   | Liquefied Gas  | Tanker  | Total   | Liquefied Gas  | Tanker  | Total   |
|   | Segment  | Segment |         | Segment  | Segment |         |
| Net voyage revenues <sup>(i)</sup>                  | 77,166   | 26,823  | 103,989 | 70,545   | 27,364  | 97,909  |
| Vessel operating expenses                           | 14,106   | 11,058  | 25,164  | 13,846   | 11,924  | 25,770  |
| Depreciation and amortization                       | 17,916   | 6,229   | 24,145  | 17,359   | 8,868   | 26,227  |
| CFVO from consolidated vessels <sup>(ii)</sup>      | 63,246   | 10,964  | 74,210  | 54,285   | 13,069  | 67,354  |
| CFVO from equity accounted vessels <sup>(iii)</sup> | 52,626   |         | 52,626  | 38,498   |         | 38,498  |
| Total CFVO <sup>(ii)</sup>                          | 115,872  | 10,964  | 126,836 | 92,783   | 13,069  | 105,852 |

- (i) Net voyage revenues represents voyage revenues less voyage expenses, which comprise all expenses relating to certain voyages, including bunker fuel expenses, port fees, canal tolls and brokerage commissions. Net voyage revenues is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. Please see *Appendix C* for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable GAAP financial measure.
- (ii) Cash flow from vessel operations (CFVO) from consolidated vessels represents income from vessel operations before (a) depreciation and amortization expense, (b) amortization of in-process revenue contracts, (c) loan loss recovery, (d) write down of vessels, and includes (e) adjustments for direct financing leases and on two Suezmax tankers to a cash basis. CFVO is included because certain investors use this data to measure a company's financial performance. CFVO is not required by GAAP and should not be considered as an alternative to net income, equity income or any other indicator of the Partnership's performance required by GAAP. Please see *Appendix E* for a reconciliation of CFVO from consolidated vessels (a non-GAAP measure) as used in this release to the most directly comparable GAAP financial measure.
- (iii) The Partnership's equity accounted investments for the three months ended December 31, 2013 and 2012 include the Partnership's 40 percent interest in Teekay Nakilat (III) Corporation, which owns four LNG carriers; the Partnership's 50 percent interest in the Excalibur and Excelsior joint ventures with Exmar, which own one LNG carrier and one regasification unit, respectively; the Partnership's 33 percent interest in four LNG carriers servicing the Angola LNG Project; and the Partnership's 52 percent interest in Malt LNG Netherlands Holdings B.V., the joint venture between the Partnership and Marubeni Corporation, which owns six LNG carriers (*Malt LNG Carriers*). The Partnership's equity accounted investments for the three months ended December 31, 2013 also includes the Partnership's 50 percent interest in Exmar LPG BVBA, the joint venture between the Partnership and Exmar, acquired in February 2013, which currently owns and charters-in 28 vessels in the LPG carrier segment, including 12 newbuildings. Please see *Appendix F* for a description and reconciliation of CFVO from equity accounted vessels (a non-GAAP measure) as used in this release to the most directly comparable GAAP financial measure.

### **Liquefied Gas Segment**



Cash flow from vessel operations from the Partnership's Liquefied Gas segment, excluding equity accounted vessels, increased to \$63.2 million in the fourth quarter of 2013 from \$54.3 million in the same quarter of the prior year. The increase is primarily the result of the acquisition of the two LNG carriers from Awilco in September and November 2013.

Cash flow from vessel operations from the Partnership's equity accounted vessels in the Liquefied Gas segment increased to \$52.6 million in the fourth quarter of 2013 from \$38.5 million in the same quarter of the prior year. This increase was primarily due to the acquisition of a 50 percent interest in the Exmar LPG BVBA joint venture in February 2013 and an increase in the revenue relating to one of the Malt LNG Carriers, which commenced a new three-year charter contract at a higher rate during the third quarter of 2013.

### **Conventional Tanker Segment**

Cash flow from vessel operations from the Partnership's Conventional Tanker segment decreased to \$11.0 million in the fourth quarter of 2013 from \$13.1 million in the same quarter of the prior year, primarily due to the sale of the *Tenerife Spirit* in mid-December 2013 and the scheduled dry docking of two Suezmax tankers which resulted in 48 days of off-hire in the fourth quarter of 2013. This decrease was partially offset by an increase in the tanker rates for two of the Partnership's Suezmax tankers in the fourth quarter of 2013.

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**Teekay LNG's Fleet**

The following table summarizes the Partnership's fleet as of February 1, 2014:

|                            | Number of Vessels  |                         |                     | Total     |
|----------------------------|--------------------|-------------------------|---------------------|-----------|
|                            | Owned<br>Vessels   | In-Chartered<br>Vessels | Newbuildings        |           |
| LNG Carrier Fleet          | 29 <sup>(i)</sup>  |                         | 5                   | 34        |
| LPG/Multigas Carrier Fleet | 16 <sup>(ii)</sup> | 5 <sup>(iii)</sup>      | 12 <sup>(iii)</sup> | 33        |
| Conventional Tanker Fleet  | 10                 |                         |                     | 10        |
| <b>Total</b>               | <b>55</b>          | <b>5</b>                | <b>17</b>           | <b>77</b> |

(i) The Partnership's ownership interests in these vessels range from 33 percent to 100 percent.

(ii) The Partnership's ownership interests in these vessels range from 50 percent to 99 percent.

(iii) The Partnership's interest in these vessels is 50 percent.

**Liquidity and Continuous Offering Program Update**

In May 2013, the Partnership implemented a continuous offering program (*COP*) under which the Partnership may issue new common units, representing limited partner interests, at market prices up to a maximum aggregate amount of \$100 million. Through to December 31, 2013, the Partnership had sold an aggregate of 124,071 common units under the *COP*, generating net proceeds of approximately \$4.9 million (including the Teekay LNG general partner's 2 percent proportionate capital contribution and net of offering costs). The Partnership did not sell any units under the *COP* during the fourth quarter of 2013.

As of December 31, 2013, the Partnership had total liquidity of \$332.2 million (comprised of \$139.5 million in cash and cash equivalents and \$192.7 million in undrawn credit facilities).

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**Conference Call**

The Partnership plans to host a conference call on Friday, February 21, 2014 at 11:00 a.m. (ET) to discuss the results for the fourth quarter and fiscal year of 2013. All unitholders and interested parties are invited to listen to the live conference call by choosing from the following options:

By dialing (866) 322-2356 or (416) 640-3405, if outside North America, and quoting conference ID code 2916125.

By accessing the webcast, which will be available on Teekay LNG's website at [www.teekaylng.com](http://www.teekaylng.com) (the archive will remain on the web site for a period of 30 days).

A supporting Fourth Quarter and Fiscal Year 2013 Earnings Presentation will also be available at [www.teekaylng.com](http://www.teekaylng.com) in advance of the conference call start time.

The conference call will be recorded and made available until Friday, February 28, 2014. This recording can be accessed following the live call by dialing (888) 203-1112 or (647) 436-0148, if outside North America, and entering access code 2916125.

**About Teekay LNG Partners L.P.**

Teekay LNG Partners is the world's second largest independent owner and operator of LNG carriers, providing LNG, LPG and crude oil marine transportation services primarily under long-term, fixed-rate charter contracts through its interests in 34 LNG carriers (including one LNG regasification unit and five newbuildings), 33 LPG/Multigas carriers (including five chartered-in LPG carriers and 12 newbuildings) and 10 conventional tankers. The Partnership's interests in these vessels range from 33 to 100 percent. Teekay LNG Partners L.P. is a publicly-traded master limited partnership (MLP) formed by Teekay Corporation (NYSE: TK) as part of its strategy to expand its operations in the LNG and LPG shipping sectors.

Teekay LNG Partners' common units trade on the New York Stock Exchange under the symbol TGP.

**For Investor Relations enquiries contact:**

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## TEEKAY LNG PARTNERS L.P.

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands of U.S. Dollars, except units outstanding)

|   | Three Months Ended                  |                                      |                                     | Year Ended                          |                                     |
|---|-------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   | December 31,<br>2013<br>(unaudited) | September 30,<br>2013<br>(unaudited) | December 31,<br>2012<br>(unaudited) | December 31,<br>2013<br>(unaudited) | December 31,<br>2012<br>(unaudited) |
| <b>VOYAGE REVENUES</b>  | 104,858                             | 100,692                              | 98,236                              | 399,276                             | 392,900                             |
| <b>OPERATING EXPENSES</b>   |                                     |                                      |                                     |                                     |                                     |
| Voyage expenses   | 869                                 | 373                                  | 327                                 | 2,857                               | 1,772                               |
| Vessel operating expenses <sup>(1)</sup>  | 25,164                              | 24,655                               | 25,770                              | 99,949                              | 94,536                              |
| Depreciation and amortization   | 24,145                              | 24,440                               | 26,227                              | 97,884                              | 100,474                             |
| General and administrative <sup>(1)</sup>   | 5,438                               | 4,793                                | 5,223                               | 20,444                              | 18,960                              |
| Loan loss (recovery) provision <sup>(2)</sup>   | (3,804)                             | 3,804                                |                                     |                                     |                                     |
| Restructuring charge <sup>(3)</sup>   | 1,786                               |                                      |                                     | 1,786                               |                                     |
| Write down of vessels <sup>(4)</sup>  |                                     |                                      | 29,367                              |                                     | 29,367                              |
| <b>Total operating expenses</b>   | 53,598                              | 58,065                               | 86,914                              | 222,920                             | 245,109                             |
| <b>Income from vessel operations</b>  | 51,260                              | 42,627                               | 11,322                              | 176,356                             | 147,791                             |
| <b>OTHER ITEMS</b>  |                                     |                                      |                                     |                                     |                                     |
| Equity income <sup>(5)</sup>  | 28,602                              | 28,831                               | 29,634                              | 123,282                             | 78,866                              |
| Interest expense  | (15,775)                            | (13,548)                             | (13,265)                            | (55,703)                            | (54,211)                            |
| Interest income   | 1,019                               | 656                                  | 771                                 | 2,972                               | 3,502                               |
| Realized and unrealized (loss) gain on derivative instruments <sup>(6)</sup>                              | (5,238)                             | (11,143)                             | 14,373                              | (14,000)                            | (29,620)                            |
| Foreign exchange loss <sup>(7)</sup>  | (5,188)                             | (16,068)                             | (6,255)                             | (15,832)                            | (8,244)                             |
| Other income net  | 214                                 | 306                                  | 615                                 | 1,396                               | 1,683                               |
|   | 3,634                               | (10,966)                             | 25,873                              | 42,115                              | (8,024)                             |
| Net income before tax expense   | 54,894                              | 31,661                               | 37,195                              | 218,471                             | 139,767                             |
| Income tax expense  | (2,722)                             | (791)                                | (75)                                | (5,156)                             | (625)                               |
| <b>Net income</b>   | 52,172                              | 30,870                               | 37,120                              | 213,315                             | 139,142                             |
| <b>Other comprehensive income (loss):</b>   |                                     |                                      |                                     |                                     |                                     |
| Unrealized net gain (loss) on qualifying cash flow hedging instruments in equity accounted joint ventures | 1,680                               | (1,549)                              |                                     | 131                                 |                                     |
| <b>Other comprehensive income (loss):</b>   | 1,680                               | (1,549)                              |                                     | 131                                 |                                     |
| <b>Comprehensive income</b>   | 53,852                              | 29,321                               | 37,120                              | 213,446                             | 139,142                             |

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|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| Non-controlling interest in net income               | 4,644      | 1,262      | 8,895      | 12,073     | 15,437     |
| General Partner's interest in net income             | 7,338      | 5,784      | 5,440      | 25,365     | 21,303     |
| Limited partners' interest in net income             | 40,190     | 23,824     | 22,785     | 175,877    | 102,402    |
| Weighted-average number of common units outstanding: |            |            |            |            |            |
| Basic  | 73,971,294 | 70,451,950 | 69,683,763 | 70,965,496 | 66,328,496 |
| Diluted  | 73,995,463 | 70,474,732 | 69,683,763 | 70,996,869 | 66,328,496 |
| Total number of units outstanding at end of period   | 74,196,294 | 70,746,294 | 69,683,763 | 74,196,294 | 69,683,763 |

- (1) To more closely align the Partnership's Statement of Income and Comprehensive Income presentation to many of its peers, the cost of ship management services of \$2.0 million and \$7.8 million for the three months and year ended December 31, 2013, respectively, and \$2.0 million for the three months ended September 30, 2013, have been included as vessel operating expenses. Prior to 2013, the Partnership included these amounts in general and administrative expenses. All such costs incurred in comparative periods have been reclassified from general and administrative expenses to vessel operating expenses to conform to the presentation adopted in the current period. The amounts reclassified were \$2.1 million and \$8.2 million for the three months and year ended December 31, 2012, respectively.

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- (2) In early-2012, Teekay BLT Corporation (*Teekay Tangguh Joint Venture*), in which the Partnership has a 69 percent ownership interest, advanced amounts to P.T. Berlian Laju Tanker, the parent company of the non-controlling shareholder of the Teekay Tangguh Joint Venture, as an advance of dividends. In July 2012, P.T. Berlian Laju Tanker entered into a court-supervised restructuring in Indonesia in order to restructure its debts. In September 2013, the Teekay Tangguh Joint Venture recorded a \$3.8 million loan loss provision relating to the advances to P.T. Berlian Laju Tanker, as it was probable, at that time, that the carrying value of the loan was impaired. However, during the fourth quarter of 2013, as P.T. Berlian Laju Tanker had sufficiently restructured its business, the Teekay Tangguh Joint Venture reassessed the probability of collectability of this advance and reversed the loan loss provision previously recorded in September 2013. On February 1, 2014, the Teekay Tangguh Joint Venture declared dividends of \$69.5 million of which \$14.4 million was used to offset the total advances to its non-controlling shareholder and P.T. Berlian Laju Tanker.
- (3) Restructuring charge primarily relates to seafarer severance payments upon sale of two conventional tankers under capital lease.
- (4) The carrying value of three of the Partnership's conventional Suezmax tankers (*the Tenerife Spirit, Algeciras Spirit and Huelva Spirit*) was written down during the three months and year ended December 31, 2012 due to the expected termination of their time-charter contracts in 2013 and 2014. The estimated fair value was based on a discounted cash flow approach and such estimates of cash flows were based on existing time-charter contracts, lease obligations and budgeted operating costs.
- (5) Equity income includes unrealized gains on derivative instruments and any ineffectiveness for any derivative instruments designated as hedges for accounting purposes as detailed in the table below:

|  | Three Months Ended |                    |                   | Year Ended        |                   |
|--|--------------------|--------------------|-------------------|-------------------|-------------------|
|  | December 31, 2013  | September 30, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| Equity income  | 28,602             | 28,831             | 29,634            | 123,282           | 78,866            |
| Proportionate share of unrealized gains on derivative instruments  | (5,798)            | (1,900)            | (9,599)           | (26,432)          | (5,548)           |
| Proportionate share of ineffective portion of hedge accounted interest rate swap   | 514                |                    |                   | 514               |                   |
| Equity income excluding unrealized gains on derivative instruments and ineffective portion of hedge accounted interest rate swap | 23,318             | 26,931             | 20,035            | 97,364            | 73,318            |

- (6) The realized losses relate to the amounts the Partnership actually paid to settle derivative instruments and the unrealized (losses) gains relate to the change in fair value of such derivative instruments as detailed in the table below:

|  | Three Months Ended |                    |                   | Year Ended        |                   |
|--|--------------------|--------------------|-------------------|-------------------|-------------------|
|  | December 31, 2013  | September 30, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| <b>Realized (losses) gains relating to:</b>    |                    |                    |                   |                   |                   |
| Interest rate swaps                            | (9,535)            | (9,532)            | (9,614)           | (38,089)          | (37,427)          |
| Toledo Spirit time-charter derivative contract | 641                | 903                | 945               | 1,521             | 907               |

|   |                |                 |               |                 |                 |
|---|----------------|-----------------|---------------|-----------------|-----------------|
|   | (8,894)        | (8,629)         | (8,669)       | (36,568)        | (36,520)        |
| <b>Unrealized gains (losses) relating to:</b>                                 |                |                 |               |                 |                 |
| Interest rate swaps   | 2,556          | (2,314)         | 21,442        | 18,868          | 5,200           |
| Toledo Spirit time-charter derivative contract                                | 1,100          | (200)           | 1,600         | 3,700           | 1,700           |
|   | 3,656          | (2,514)         | 23,042        | 22,568          | 6,900           |
| <b>Total realized and unrealized (losses) gains on derivative instruments</b> | <b>(5,238)</b> | <b>(11,143)</b> | <b>14,373</b> | <b>(14,000)</b> | <b>(29,620)</b> |

(7) For accounting purposes, the Partnership is required to revalue all foreign currency-denominated monetary assets and liabilities based on the prevailing exchange rate at the end of each reporting period. This revaluation does not affect the Partnership's cash flows or the calculation of distributable cash flow, but results in the recognition of unrealized foreign currency translation gains or losses in the consolidated statements of income and comprehensive income.

Foreign exchange loss includes realized (losses) gains relating to the amounts the Partnership received (paid) to settle the Partnership's non-designated cross currency swap that was entered into as an economic hedge in relation to the Partnership's Norwegian Kroner (*NOK*)-denominated unsecured bonds. The Partnership issued NOK 700 million and NOK 900 million of unsecured bonds in May 2012 and September 2013 that mature in 2017 and 2018, respectively. Foreign exchange loss also includes unrealized (losses) gains relating to the change in fair value of such derivative instruments, partially offset by unrealized gains (losses) on the revaluation of the NOK bonds as detailed in the table below:

|   | <b>Three Months Ended</b> |                           |                          | <b>Year Ended</b>        |                          |
|---|---------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>December 31, 2013</b>  | <b>September 30, 2013</b> | <b>December 31, 2012</b> | <b>December 31, 2013</b> | <b>December 31, 2012</b> |
| Realized (losses) gains on cross-currency swaps       | (216)                     | (113)                     | 102                      | (338)                    | 257                      |
| Unrealized (losses) gains on cross-currency swaps     | (2,832)                   | (3,650)                   | 4,516                    | (15,404)                 | (2,677)                  |
| Unrealized gains (losses) on revaluation of NOK bonds | 2,512                     | (723)                     | (3,523)                  | 12,257                   | (791)                    |

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**TEEKAY LNG PARTNERS L.P.****CONSOLIDATED BALANCE SHEETS**

(in thousands of U.S. Dollars)

|  | As at December 31,<br>2013<br>(unaudited) | As at September 30,<br>2013<br>(unaudited) | As at December 31,<br>2012<br>(unaudited) |
|--|---|--|---|
| <b>ASSETS</b>  |   |  |   |
| <b>Current</b>   |   |  |   |
| Cash and cash equivalents  | 139,481                                   | 118,131                                    | 113,577                                   |
| Restricted cash – current  |   | 2,996                                      | 34,160                                    |
| Accounts receivable  | 19,844                                    | 19,869                                     | 13,408                                    |
| Prepaid expenses   | 5,756                                     | 7,720                                      | 5,836                                     |
| Current portion of derivative assets                                 | 18,444                                    | 18,449                                     | 17,212                                    |
| Current portion of net investments in direct financing leases        | 16,441                                    | 11,747                                     | 6,656                                     |
| Current portion of advances to joint venture partner                 | 14,364                                    |  |   |
| Advances to affiliates   | 6,634                                     | 3,798                                      | 13,864                                    |
| <b>Total current assets</b>  | <b>220,964</b>                            | <b>182,710</b>                             | <b>204,713</b>                            |
| Restricted cash – long-term  | 497,298                                   | 496,351                                    | 494,429                                   |
| <b>Vessels and equipment</b>   |   |  |   |
| At cost, less accumulated depreciation                               | 1,253,763                                 | 1,260,588                                  | 1,286,957                                 |
| Vessels under capital leases, at cost, less accumulated depreciation | 571,692                                   | 607,026                                    | 624,059                                   |
| Advances on newbuilding contracts                                    | 97,207                                    | 77,854                                     | 38,624                                    |
| <b>Total vessels and equipment</b>                                   | <b>1,922,662</b>                          | <b>1,945,468</b>                           | <b>1,949,640</b>                          |
| Investment in and advances to equity accounted joint ventures        | 671,789                                   | 649,851                                    | 409,735                                   |
| Net investments in direct financing leases                           | 683,254                                   | 538,964                                    | 396,730                                   |
| Advances to joint venture partner                                    |   | 10,200                                     | 14,004                                    |
| Other assets   | 28,284                                    | 29,964                                     | 25,233                                    |
| Derivative assets  | 62,867                                    | 80,439                                     | 145,347                                   |
| Intangible assets – net  | 96,845                                    | 99,769                                     | 109,984                                   |
| Goodwill – liquefied gas segment                                     | 35,631                                    | 35,631                                     | 35,631                                    |
| <b>Total assets</b>  | <b>4,219,594</b>                          | <b>4,069,347</b>                           | <b>3,785,446</b>                          |
| <b>LIABILITIES AND EQUITY</b>  |   |  |   |
| <b>Current</b>   |   |  |   |
| Accounts payable   | 1,741                                     | 2,260                                      | 2,178                                     |
| Accrued liabilities  | 45,796                                    | 37,013                                     | 38,134                                    |



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|   |                  |                  |                  |
|---|------------------|------------------|------------------|
| Unearned revenue                              | 15,455           | 10,146           | 19,417           |
| Current portion of long-term debt             | 97,114           | 88,096           | 86,489           |
| Current obligations under capital lease       | 31,668           | 157,649          | 70,272           |
| Current portion of derivative liabilities     | 76,980           | 72,024           | 48,046           |
| Advances from affiliates                      | 19,270           | 16,870           | 12,083           |
| <b>Total current liabilities</b>              | <b>288,024</b>   | <b>384,058</b>   | <b>276,619</b>   |
| Long-term debt                                | 1,680,393        | 1,645,302        | 1,326,864        |
| Long-term obligations under capital lease     | 566,661          | 472,621          | 567,302          |
| Long-term unearned revenue                    | 36,689           | 36,521           | 38,570           |
| Other long-term liabilities                   | 73,140           | 73,589           | 73,568           |
| Derivative liabilities                        | 130,903          | 154,261          | 248,249          |
| <b>Total liabilities</b>                      | <b>2,775,810</b> | <b>2,766,352</b> | <b>2,531,172</b> |
| <b>Equity</b>                                 |                  |                  |                  |
| Limited partners                              | 1,338,133        | 1,206,043        | 1,165,634        |
| General Partner                               | 52,526           | 48,502           | 47,346           |
| Accumulated other comprehensive income (loss) | 131              | (1,549)          |                  |
| Partners equity                               | 1,390,790        | 1,252,996        | 1,212,980        |
| Non-controlling interest <sup>(1)</sup>       | 52,994           | 49,999           | 41,294           |
| <b>Total equity</b>                           | <b>1,443,784</b> | <b>1,302,995</b> | <b>1,254,274</b> |
| <b>Total liabilities and total equity</b>     | <b>4,219,594</b> | <b>4,069,347</b> | <b>3,785,446</b> |

(1) Non-controlling interest includes a 30 percent equity interest in the RasGas II project (which owns three LNG carriers), a 31 percent equity interest in the Tangguh Project (which owns two LNG carriers), a 1 percent equity interest in two LNG carriers (*Arctic Spirit* and *Polar Spirit*), a 1 percent equity interest in the Excalibur joint venture (which owns one LNG carrier), a 1 percent equity interest in the five LPG/Multigas carriers that are chartered out to I.M. Skaugen ASA, and a 1 percent equity interest in two LNG carriers chartered out to Awilco, which in each case represents the ownership interest not owned by the Partnership.

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

(in thousands of U.S. Dollars)

|  | Year<br>Ended<br>December 31,<br>2013<br>\$ | Year<br>Ended<br>December 31,<br>2012<br>\$ |
|--|---|---|
| Cash and cash equivalents provided by (used for)                       |   |   |
| <b>OPERATING ACTIVITIES</b>  |   |   |
| <b>Net income</b>  | 213,315                                     | 139,142                                     |
| Non-cash items:  |   |   |
| Unrealized (gain) loss on derivative instruments                       | (22,568)                                    | (6,900)                                     |
| Depreciation and amortization  | 97,884                                      | 100,474                                     |
| Write down of vessels  |   | 29,367                                      |
| Unrealized foreign currency exchange gain                              | 16,019                                      | 8,923                                       |
| Equity income, net of dividends received of \$13,738 (2012 - \$14,700) | (109,544)                                   | (64,166)                                    |
| Amortization of deferred debt issuance costs and other                 | 5,551                                       | (27)  |
| Change in operating assets and liabilities                             | 10,078                                      | (7,307)                                     |
| Expenditures for dry docking   | (27,203)                                    | (7,493)                                     |
| <b>Net operating cash flow</b>   | 183,532                                     | 192,013                                     |
| <b>FINANCING ACTIVITIES</b>  |   |   |
| Proceeds from issuance of long-term debt                               | 719,300                                     | 500,335                                     |
| Debt issuance costs  | (3,362)                                     | (2,065)                                     |
| Scheduled repayments of long-term debt                                 | (86,609)                                    | (84,666)                                    |
| Prepayments of long-term debt  | (270,000)                                   | (324,274)                                   |
| Scheduled repayments of capital lease obligations                      | (10,315)                                    | (10,161)                                    |
| Proceeds from equity offerings, net of offering costs                  | 190,520                                     | 182,316                                     |
| Advances to joint venture partners and equity accounted joint ventures | (16,822)                                    | (3,600)                                     |
| Decrease (increase) in restricted cash                                 | 27,761                                      | (31,217)                                    |
| Cash distributions paid  | (215,416)                                   | (195,909)                                   |
| Other  | (373)                                       | (385)                                       |
| <b>Net financing cash flow</b>   | 334,684                                     | 30,374                                      |
| <b>INVESTING ACTIVITIES</b>  |   |   |
| Purchase of equity accounted investments                               | (135,790)                                   | (170,067)                                   |
| Receipts from direct financing leases                                  | 11,641                                      | 6,155                                       |
| Expenditures for vessels and equipment                                 | (368,163)                                   | (39,894)                                    |
| Other  |   | 1,369                                       |
| <b>Net investing cash flow</b>   | (492,312)                                   | (202,437)                                   |

|   |         |         |
|---|---------|---------|
| <b>Increase in cash and cash equivalents</b>      | 25,904  | 19,950  |
| Cash and cash equivalents, beginning of the year  | 113,577 | 93,627  |
| <b>Cash and cash equivalents, end of the year</b> | 139,481 | 113,577 |

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**TEEKAY LNG PARTNERS L.P.****APPENDIX A SPECIFIC ITEMS AFFECTING NET INCOME**

(in thousands of U.S. Dollars)

Set forth below is a reconciliation of the Partnership's unaudited adjusted net income attributable to the partners, a non-GAAP financial measure, to net income attributable to the partners as determined in accordance with GAAP. The Partnership believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Partnership's financial performance. The items below are also typically excluded by securities analysts in their published estimates of the Partnership's financial results. Adjusted net income attributable to the partners is intended to provide additional information and should not be considered a substitute for measures of performance prepared in accordance with GAAP.

|   | Three Months Ended |               | Year Ended     |                |
|---|--------------------|---------------|----------------|----------------|
|   | December 31        |               | December 31    |                |
|   | 2013               | 2012          | 2013           | 2012           |
|   | (unaudited)        | (unaudited)   | (unaudited)    | (unaudited)    |
| Net income GAAP basis   | 52,172             | 37,120        | 213,315        | 139,142        |
| Less:   |                    |               |                |                |
| Net income attributable to non-controlling interest   | (4,644)            | (8,895)       | (12,073)       | (15,437)       |
| Net income attributable to the partners   | 47,528             | 28,225        | 201,242        | 123,705        |
| Add (subtract) specific items affecting net income:   |                    |               |                |                |
| Unrealized foreign currency exchange losses <sup>(1)</sup>  | 4,866              | 6,300         | 15,674         | 8,213          |
| Unrealized gains from derivative instruments <sup>(2)</sup>   | (3,656)            | (23,042)      | (22,568)       | (6,900)        |
| Unrealized gains from derivative instruments and other items from equity accounted investees <sup>(3)</sup> | (5,284)            | (8,849)       | (25,918)       | (3,721)        |
| Loan loss recovery <sup>(4)</sup>   | (3,804)            |               |                |                |
| Restructuring charge <sup>(5)</sup>   | 1,786              |               | 1,786          |                |
| Income tax expense <sup>(6)</sup>   | 3,050              |               | 3,050          |                |
| Write down of vessels <sup>(7)</sup>  |                    | 29,367        |                | 29,367         |
| Non-controlling interests' share of items above <sup>(8)</sup>  | 1,738              | 6,497         | 1,689          | 5,650          |
| Total adjustments   | (1,304)            | 10,273        | (26,287)       | 32,609         |
| <b>Adjusted net income attributable to the partners</b>   | <b>46,224</b>      | <b>38,498</b> | <b>174,955</b> | <b>156,314</b> |

(1) Unrealized foreign exchange losses primarily relate to the Partnership's revaluation of all foreign currency-denominated monetary assets and liabilities based on the prevailing exchange rate at the end of each reporting period and unrealized loss on the cross-currency swap economically hedging the Partnership's NOK bond and exclude the realized gains relating to the cross currency swap for the NOK bonds.

(2)

- Reflects the unrealized losses (gains) due to changes in the mark-to-market value of derivative instruments that are not designated as hedges for accounting purposes.
- (3) Reflects the unrealized (gains) losses due to changes in the mark-to-market value of derivative instruments that are not designated as hedges for accounting purposes and any ineffectiveness for any derivative instruments designated as hedges for accounting purposes within the Partnership's equity-accounted investments. In addition, it also reflects \$1.1 million of acquisition-related costs during the year ended December 31, 2012 relating to the acquisition of the Malt LNG Carriers in February 2012 and a \$0.8 million provision during the three months and year ended December 31, 2012 relating to a prior year customer claim from the Excalibur and Excelsior joint ventures.
  - (4) In early-2012, Teekay BLT Corporation, in which the Partnership has a 69 percent ownership interest, advanced amounts to P.T. Berlian Laju Tanker, the parent company of the non-controlling shareholder of the Teekay Tangguh Joint Venture, as an advance of dividends. In July 2012, P.T. Berlian Laju Tanker entered into a court-supervised restructuring in Indonesia in order to restructure its debts. In September 2013, the Teekay Tangguh Joint Venture recorded a \$3.8 million loan loss provision relating to the advances to P.T. Berlian Laju Tanker, as it was probable, at that time, that the carrying value of the loan was impaired. However, during the fourth quarter of 2013, as P.T. Berlian Laju Tanker had sufficiently restructured its business, the Teekay Tangguh Joint Venture reassessed the probability of collectability of this advance and reversed the loan loss provision previously recorded in September 2013. On February 1, 2014, the Teekay Tangguh Joint Venture declared dividends of \$69.5 million of which \$14.4 million was used to offset the total advances to its non-controlling shareholder and P.T. Berlian Laju Tanker.
  - (5) Restructuring charge primarily relates to seafarer severance payments upon sale of two conventional tankers under capital lease.
  - (6) Reflects an annual adjustment to the Partnership's valuation allowance for its deferred tax assets.
  - (7) The carrying value of three of the Partnership's conventional Suezmax tankers (the *Tenerife Spirit*, *Algeciras Spirit* and *Huelva Spirit*) was written down during the three months and year ended December 31, 2012 due to the expected termination of their time-charter contracts in 2013 and 2014. The estimated fair value was based on a discounted cash flow approach and such estimates of cash flows were based on existing time-charter contracts, lease obligations and budgeted operating costs.
  - (8) Items affecting net income include items from the Partnership's wholly-owned subsidiaries, its consolidated non-wholly-owned subsidiaries and its proportionate share of items from equity accounted for investments. The specific items affecting net income are analyzed to determine whether any of the amounts originated from a consolidated non-wholly-owned subsidiary. Each amount that originates from a consolidated non-wholly-owned subsidiary is multiplied by the non-controlling interests' percentage share in this subsidiary to arrive at the non-controlling interests' share of the amount. The amount identified as non-controlling interests' share of items listed above in the table above is the cumulative amount of the non-controlling interests' proportionate share of items listed in the table.

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## TEEKAY LNG PARTNERS L.P.

## APPENDIX B RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

## DISTRIBUTABLE CASH FLOW (DCF)

(in thousands of U.S. Dollars)

## Description of Non-GAAP Financial Measure Distributable Cash Flow (DCF)

Distributable cash flow represents net income adjusted for depreciation and amortization expense, non-cash items, estimated maintenance capital expenditures, unrealized gains and losses from derivatives, distributions relating to equity financing of newbuilding installments, loan loss recovery, equity income, write down of vessels, adjustments for direct financing leases to a cash basis, deferred income taxes and foreign exchange related items. Maintenance capital expenditures represent those capital expenditures required to maintain over the long-term the operating capacity of, or the revenue generated by, the Partnership's capital assets. Distributable cash flow is a quantitative standard used in the publicly-traded partnership investment community to assist in evaluating a partnership's ability to make quarterly cash distributions. Distributable cash flow is not required by GAAP and should not be considered as an alternative to net income or any other indicator of the Partnership's performance required by GAAP. The table below reconciles distributable cash flow to net income.

|   | <b>Three Months<br/>Ended<br/>December 31,<br/>2013<br/>(unaudited)</b> | <b>Three Months<br/>Ended<br/>December 31,<br/>2012<br/>(unaudited)</b> |
|---|---|---|
| Net income:   | 52,172  | 37,120  |
| Add:  |   |   |
| Depreciation and amortization   | 24,145  | 26,227  |
| Partnership's share of equity accounted joint ventures' DCF before estimated maintenance and capital expenditures | 37,944  | 27,748  |
| Write down of vessels   |   | 29,367  |
| Unrealized foreign exchange loss  | 4,866   | 6,300   |
| Distributions relating to equity financing of newbuildings  | 1,261   |   |
| Direct finance lease payments received in excess of revenue recognized  | 3,950   | 1,475   |
| Deferred income tax   | 3,050   | 504   |
| Less:   |   |   |
| Loan loss recovery  | (3,804)   |   |
| Unrealized loss on derivatives and other non-cash items   | (6,689)   | (27,346)  |
| Estimated maintenance capital expenditures  | (20,282)  | (14,345)  |
| Equity income   | (28,602)  | (29,634)  |
| <b>Distributable Cash Flow before Non-controlling interest</b>  | <b>68,011</b>   | <b>57,416</b>   |

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|   |               |               |
|---|---------------|---------------|
| Non-controlling interests share of DCF before<br>estimated maintenance capital expenditures | (4,625)       | (3,817)       |
| <b>Distributable Cash Flow</b>  | <b>63,386</b> | <b>53,599</b> |

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**TEEKAY LNG PARTNERS L.P.****APPENDIX C RECONCILIATION OF NON-GAAP FINANCIAL MEASURES****NET VOYAGE REVENUES**

(in thousands of U.S. Dollars)

**Description of Non-GAAP Financial Measure    Net Voyage Revenues**

Net voyage revenues represents voyage revenues less voyage expenses, which comprise all expenses relating to certain voyages, including bunker fuel expenses, port fees, canal tolls and brokerage commissions. Net voyage revenues is included because certain investors use this data to measure the financial performance of shipping companies. Net voyage revenues is not required by GAAP and should not be considered as an alternative to voyage revenues or any other indicator of the Partnership's performance required by GAAP.

|                            | <b>Three Months Ended December 31,<br/>2013<br/>(unaudited)</b> |  |                |
|----------------------------|---|--|----------------|
|                            | <b>Liquefied<br/>Gas<br/>Segment</b>                            | <b>Conventional<br/>Tanker<br/>Segment</b> | <b>Total</b>   |
| Voyage revenues            | 77,166  | 27,692                                     | 104,858        |
| Voyage expenses            |   | 869  | 869            |
| <b>Net voyage revenues</b> | <b>77,166</b>   | <b>26,823</b>                              | <b>103,989</b> |

|                              | <b>Three Months Ended December 31,<br/>2012<br/>(unaudited)</b> |  |               |
|------------------------------|---|--|---------------|
|                              | <b>Liquefied<br/>Gas<br/>Segment</b>                            | <b>Conventional<br/>Tanker<br/>Segment</b> | <b>Total</b>  |
| Voyage revenues              | 70,489  | 27,747                                     | 98,236        |
| Voyage (recoveries) expenses | (56)  | 383  | 327           |
| <b>Net voyage revenues</b>   | <b>70,545</b>   | <b>27,364</b>                              | <b>97,909</b> |

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**TEEKAY LNG PARTNERS L.P.****APPENDIX D SUPPLEMENTAL SEGMENT INFORMATION**

(in thousands of U.S. Dollars)

|   | <b>Three Months Ended December 31,<br/>2013<br/>(unaudited)</b> |  |              |
|---|---|--|--------------|
|   | <b>Liquefied<br/>Gas<br/>Segment</b>                            | <b>Conventional<br/>Tanker<br/>Segment</b> | <b>Total</b> |
| Net voyage revenues <i>(See Appendix C)</i> | 77,166  | 26,823                                     | 103,989      |
| Vessel operating expenses                   | 14,106  | 11,058                                     | 25,164       |
| Depreciation and amortization               | 17,916  | 6,229                                      | 24,145       |
| General and administrative                  | 3,764   | 1,674                                      | 5,438        |
| Loan loss recovery                          | (3,804)   |  | (3,804)      |
| Restructuring charge                        |   | 1,786                                      | 1,786        |
| Income from vessel operations               | 45,184  | 6,076                                      | 51,260       |

|   | <b>Three Months Ended December 31,<br/>2012<br/>(unaudited)</b> |  |              |
|---|---|--|--------------|
|   | <b>Liquefied<br/>Gas<br/>Segment</b>                            | <b>Conventional<br/>Tanker<br/>Segment</b> | <b>Total</b> |
| Net voyage revenues <i>(See Appendix C)</i> | 70,545  | 27,364                                     | 97,909       |
| Vessel operating expenses                   | 13,846  | 11,924                                     | 25,770       |
| Depreciation and amortization               | 17,359  | 8,868                                      | 26,227       |
| General and administrative                  | 3,889   | 1,334                                      | 5,223        |
| Write down of vessels                       |   | 29,367                                     | 29,367       |
| Income from vessel operations               | 35,451  | (24,129)                                   | 11,322       |

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## TEEKAY LNG PARTNERS L.P.

## APPENDIX E RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

## CASH FLOW FROM VESSEL OPERATIONS

## FROM CONSOLIDATED VESSELS

(in thousands of U.S. Dollars)

**Description of Non-GAAP Financial Measure**    **Cash Flow from Vessel Operations from Consolidated Vessels**

Cash flow from vessel operations from consolidated vessels represents income from vessel operations before (a) depreciation and amortization expense, (b) amortization of in-process revenue contracts included in voyage revenues, (c) loan loss recovery, (d) write down of vessels and includes (e) adjustments for direct financing leases and two Suezmax tankers to a cash basis. The Partnership's direct financing leases for the periods indicated relates to the Partnership's 69 percent interest in two LNG carriers, the *Tangguh Sago* and *Tangguh Hiri*, and the two LNG carriers acquired from Awilco in September and November 2013. The Partnership's cash flow from vessel operations from consolidated vessels does not include the Partnership's cash flow from vessel operations from its equity accounted joint ventures. Cash flow from vessel operations is included because certain investors use cash flow from vessel operations to measure a company's financial performance, and to highlight this measure for the Partnership's consolidated vessels. Cash flow from vessel operations from consolidated vessels is not required by GAAP and should not be considered as an alternative to net income or any other indicator of the Partnership's performance required by GAAP.

|  | Three Months Ended December 31, 2013<br>(unaudited) |                                |         |
|--|---|--------------------------------|---------|
|  | Liquefied Gas<br>Segment                            | Conventional<br>Tanker Segment | Total   |
| Income from vessel operations ( <i>See Appendix D</i> )                  | 45,184  | 6,076                          | 51,260  |
| Depreciation and amortization  | 17,916  | 6,229                          | 24,145  |
| Amortization of in-process revenue contracts included in voyage revenues |   | (278)                          | (278)   |
| Direct finance lease payments received in excess of revenue recognized   | 3,950   |                                | 3,950   |
| Loan loss recovery <sup>(1)</sup>  | (3,804)   |                                | (3,804) |
| Realized gain on Toledo Spirit derivative contract                       |   | 641                            | 641     |
| Cash flow adjustment for two Suezmax tankers <sup>(2)</sup>              |   | (1,704)                        | (1,704) |
| Cash flow from vessel operations from consolidated vessels               | 63,246  | 10,964                         | 74,210  |

Three Months Ended December 31, 2012  
(unaudited)

|  | <b>Liquefied<br/>Gas<br/>Segment</b> | <b>Conventional<br/>Tanker<br/>Segment</b> | <b>Total</b> |
|--|--------------------------------------|--|--------------|
| Income from vessel operations ( <i>See Appendix D</i> )                  | 35,451                               | (24,129)                                   | 11,322       |
| Depreciation and amortization  | 17,359                               | 8,868                                      | 26,227       |
| Write down of vessels  |                                      | 29,367                                     | 29,367       |
| Amortization of in-process revenue contracts included in voyage revenues |                                      | (278)                                      | (278)        |
| Direct finance lease payments received in excess of revenue recognized   | 1,475                                |  | 1,475        |
| Realized gain on Toledo Spirit derivative contract                       |                                      | 945  | 945          |
| Cash flow adjustment for two Suezmax tankers <sup>(2)</sup>              |                                      | (1,704)                                    | (1,704)      |
| Cash flow from vessel operations from consolidated vessels               | 54,285                               | 13,069                                     | 67,354       |

- (1) In early-2012, Teekay BLT Corporation, in which the Partnership has a 69 percent ownership interest, advanced amounts to P.T. Berlian Laju Tanker, the parent company of the non-controlling shareholder of the Teekay Tangguh Joint Venture, as an advance of dividends. In July 2012, P.T. Berlian Laju Tanker entered into a court-supervised restructuring in Indonesia in order to restructure its debts. In September 2013, the Teekay Tangguh Joint Venture recorded a \$3.8 million loan loss provision relating to the advances to P.T. Berlian Laju Tanker, as it was probable, at that time, that the carrying value of the loan was impaired. However, during the fourth quarter of 2013, as P.T. Berlian Laju Tanker had sufficiently restructured its business, the Teekay Tangguh Joint Venture reassessed the probability of collectability of this advance and reversed the loan loss provision previously recorded in September 2013. On February 1, 2014, the Teekay Tangguh Joint Venture declared dividends of \$69.5 million of which \$14.4 million was used to offset the total advances to its non-controlling shareholder and P.T. Berlian Laju Tanker.

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- (2) The Partnership's charter contracts for two of its Suezmax tankers, the *Bermuda Spirit* and *Hamilton Spirit*, were amended in 2012, which had the effect of reducing the daily charter rates by \$12,000 per day for a duration of 24 months commencing October 1, 2012. However, during this period, if Suezmax spot tanker rates exceed the amended rates, the charterer will pay the Partnership the excess amount up to a maximum of the original daily charter rate. The cash impact of the change in hire rates is not fully reflected in the Partnership's statements of income and comprehensive income as the change in the lease payments is being recognized on a straight-line basis over the term of the lease.

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## TEEKAY LNG PARTNERS L.P.

## APPENDIX F RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

## CASH FLOW FROM VESSEL OPERATIONS FROM EQUITY ACCOUNTED VESSELS

(in thousands of U.S. Dollars)

**Description of Non-GAAP Financial Measure**    **Cash Flow from Vessel Operations from Equity Accounted Vessels**

Cash flow from vessel operations from equity accounted vessels represents income from vessel operations before (a) depreciation and amortization expense, (b) amortization of in-process revenue contracts, and includes (c) adjustments for direct financing leases to a cash basis. Cash flow from vessel operations from equity accounted vessels is included because certain investors use cash flow from vessel operations to measure a company's financial performance, and to highlight this measure for the Partnership's equity accounted joint ventures. Cash flow from vessel operations from equity-accounted vessels is not required by GAAP and should not be considered as an alternative to equity income or any other indicator of the Partnership's performance required by GAAP.

|   | Three Months Ended<br>December 31, 2013<br>(unaudited) |   | Three Months Ended<br>December 31, 2012<br>(unaudited) |   |
|---|--|---|--|---|
|   | At<br>100%   | Partnership's<br>Portion <sup>(1)</sup> | At<br>100%   | Partnership's<br>Portion <sup>(1)</sup> |
| Voyage revenues   | 171,275  | 79,803                                  | 113,881  | 51,265                                  |
| Vessel and other operating expenses                                       | 57,219   | 27,050                                  | 24,607   | 11,159                                  |
| Depreciation and amortization   | 28,004   | 14,140                                  | 16,653   | 8,583                                   |
| Income from vessel operations of equity<br>accounted vessels              | 86,052   | 38,613                                  | 72,621   | 31,523                                  |
| Interest expense - net  | (22,638)   | (10,609)                                | (15,482)   | (6,797)                                 |
| Realized and unrealized gain (loss) on<br>derivative instruments          | 1,969  | 614                                     | 13,435   | 4,431                                   |
| Other (expense) income - net  | (477)  | (16)                                    | 286  | 477                                     |
| Other items   | (21,146)   | (10,011)                                | (1,761)  | (1,889)                                 |
| Net income / equity income of equity<br>accounted vessels                 | 64,906   | 28,602                                  | 70,860   | 29,634                                  |
| Income from vessel operations   | 86,052   | 38,613                                  | 72,621   | 31,523                                  |
| Depreciation and amortization   | 28,004   | 14,140                                  | 16,653   | 8,583                                   |
| Direct finance lease payments received in<br>excess of revenue recognized | 7,472  | 2,711                                   | 7,466  | 2,731                                   |
| Amortization of in-process revenue contracts                              | (5,606)  | (2,838)                                 | (8,350)  | (4,339)                                 |
|   | 115,922  | 52,626                                  | 88,390   | 38,498                                  |

Cash flow from vessel operations from equity  
accounted vessels

- (1) The Partnership's equity accounted investments for the three months ended December 31, 2013 and 2012 include the Partnership's 40 percent interest in Teekay Nakilat (III) Corporation, which owns four LNG carriers; the Partnership's 50 percent interest in the Excalibur and Excelsior joint ventures, which owns one LNG carrier and one regasification unit, respectively; the Partnership's 33 percent interest in four LNG carriers servicing the Angola LNG Project; and the Partnership's 52 percent interest in Malt LNG Netherlands Holdings B.V., the joint venture between the Partnership and Marubeni Corporation, which owns six LNG carriers. The Partnership's equity accounted investments for the three months ended December 31, 2013 also includes the Partnership's 50 percent interest in Exmar LPG BVBA, the joint venture between the Partnership and Exmar, commencing in February 2013, which owns and charters-in 28 vessels in the LPG carrier segment, including 12 newbuildings.

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## FORWARD LOOKING STATEMENTS

This release contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: future growth opportunities, including the Partnership's ability to successfully bid for new LNG shipping and floating regasification projects; the Partnership's ability to secure charter contract employment and long-term financing for the three currently unchartered MEGI LNG carrier newbuilding vessels ordered in July and November 2013; expected fuel-efficiency and emission levels associated with the MEGI engines to be installed in the Partnership's five LNG newbuildings to be built by DSME; the expected delivery dates for the Partnership's newbuilding vessels and, if applicable, commencing their time charter contracts; the average remaining contract length on the Partnership's LNG fleet; the Partnership's exposure to spot and short-term LNG shipping rates; and LNG shipping market fundamentals, including the short-term demand for LNG carrier capacity, future growth in global LNG supply, and the balance of supply and demand of shipping capacity and shipping charter rates in the sector. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: shipyard construction delays or cost overruns; availability of suitable LNG shipping, LPG shipping, floating storage and regasification and other growth project opportunities; changes in production of LNG or LPG, either generally or in particular regions; changes in trading patterns or timing of start-up of new LNG liquefaction and regasification projects significantly affecting overall vessel tonnage requirements; competitive dynamics in bidding for potential LNG, LPG or floating regasification projects; the Partnership's ability to secure new contracts through bidding on project tenders; the Partnership's ability to secure charter contracts for the three currently unchartered MEGI LNG carrier newbuildings; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; the potential for early termination of long-term contracts of existing vessels in the Teekay LNG fleet; the inability of charterers to make future charter payments; the inability of the Partnership to renew or replace long-term contracts on existing vessels or attain fixed-rate long-term contracts for newbuilding vessels; the Partnership's ability to raise financing for its existing newbuildings or to purchase additional vessels or to pursue other projects; actual performance of the MEGI engines; and other factors discussed in Teekay LNG Partners' filings from time to time with the SEC, including its Report on Form 20-F for the fiscal year ended December 31, 2012. The Partnership expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Partnership's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

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