Teekay LNG Partners L.P.
Form 6-K
May 22, 2015

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: May 14, 2015

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, 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 x 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 x

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 x

Item 1 Information Contained in this Form 6-K Report

Attached as Exhibit 1 is a copy of an announcement of Teekay LNG Partners L.P. dated May 14, 2015.

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: May 14, 2015

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

TEEKAY LNG PARTNERS L.P.

4th Floor, Belvedere Building, 69 Pitts Bay Road

Hamilton, HM 08, Bermuda

EARNINGS RELEASE

TEEKAY LNG PARTNERS

REPORTS FIRST QUARTER 2015 RESULTS

Highlights

- Generated distributable cash flow of $66.2 million in the first quarter of 2015, up 10 percent from the same period of the previous year.

- In February 2015, ordered one LNG carrier newbuilding and received options to order up to four additional LNG carriers.

- In January 2015, the Exmar LPG joint venture took delivery of the fourth of its 12 LPG carrier newbuildings.

- Total liquidity of approximately $370 million as at March 31, 2015, giving pro-forma effect to the USD equivalent $130 million Norwegian Kroner bond offering completed in early-May 2015.

Hamilton, Bermuda, May 14, 2015 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 March 31, 2015. During the first quarter of 2015, the Partnership generated distributable cash flow[(1)] of $66.2 million, compared to $60.1 million in the same period of the prior year. The increase in distributable cash flow was primarily due to lower interest expense resulting from the December 2014 termination of capital leases and the subsequent refinancing of three 70 percent-owned liquefied natural gas (*LNG*) carriers, fewer scheduled dry-dockings and unscheduled off-hire days compared to the first quarter of 2014, the acquisition of the *Norgas Napa* liquefied petroleum gas (*LPG*) carrier in November 2014, and an increase in charter rates for two of the Partnership s Suezmax tankers. These increases were partially offset by a grounding incident and related disputed off-hire for the 52 percent-owned *Magellan Spirit* during the first quarter of 2015, the scheduled expiration of the time-charter contract for the 52 percent-owned *Methane Spirit* in mid-March 2015 and the sale of a 2000 and 2001-built conventional tanker, including related restructuring charges, in February 2014 and August 2014, respectively.

On April 2, 2015, the Partnership declared a cash distribution of $0.70 per unit for the quarter ended March 31, 2015. The cash distribution will be paid on May 15, 2015 to all unitholders of record on April 13, 2015.

The Partnership s diversified portfolio of long-term fixed-rate contracts continued to generate stable cash flow, resulting in a positive coverage ratio for the quarter, commented Peter Evensen, Chief Executive Officer of Teekay GP LLC. Mr. Evensen continued, With approximately $11.2 billion of forward fixed-rate revenues with an average duration of 13 years, the Partnership is largely insulated from short-term LNG shipping rate fluctuations and remains well-positioned for expected future growth. Spot and short-term LNG shipping rates continued to decline since the start of 2015 due to low Asian LNG prices, production outages at various liquefaction plants and the delivery of speculative LNG carriers ahead of corresponding LNG supply growth. With LNG liquefaction export growth expected to occur from the second half of 2015 onwards, mostly located in the U.S. and Australia, and the restart of certain existing liquefaction plants, the Partnership expects the supply/demand balance to tighten.

Our LPG business also continues to produce stable results, underpinned by strong realized rates and utilization in our LPG joint venture with Exmar, Mr. Evensen continued. During the quarter, the Partnership s LPG joint venture took delivery of the fourth of 12 mid-size LPG carrier newbuildings, which will contribute to fleet renewal and future growth within our LPG carrier fleet.

Mr. Evensen added, Looking ahead, in addition to our current growth project pipeline of $3.4 billion, we continue to see strong long-term fundamentals for marine-based liquefied gas transportation, as reflected in our recently announced transaction to provide Shell with five MEGI LNG carrier newbuildings, for delivery onto fixed-rate contracts, commencing in 2017 and 2018.

(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*).

Recent Transactions

LNG Carrier Newbuilding Order with Options

In February 2015, Teekay LNG entered into an agreement with Daewoo Shipbuilding & Marine Engineering Co., Ltd., (*DSME*) of South Korea for the construction of one additional 173,400 cubic meter (*cbm*) LNG carrier newbuilding, for a total fully built-up cost of approximately $225 million, with options to order up to four additional vessels. This vessel, and the optional newbuildings, will be constructed with M-type, Electronically Controlled, Gas Injection (*MEGI*) twin engines, which are designed to be significantly more fuel-efficient and have lower emission levels than engines currently used in LNG shipping. The Partnership intends to secure long-term contract employment for the vessel prior to its scheduled delivery in the fourth quarter of 2018.

Charter Contracts for Two 52 Percent-Owned LNG carriers

In January 2015, the *Magellan Spirit*, in which the Partnership has a 52 percent ownership interest through its joint venture with Marubeni Corporation (*Teekay LNG-Marubeni Joint Venture*), was involved in a grounding incident. The vessel was subsequently refloated and returned to service with a majority of the costs of the grounding expected to be covered by insurance, less an applicable deductible. As a result of this incident, the charterer claimed 59 days of vessel off-hire during the first quarter of 2015, which in the view of the charterer, permitted the charterer to terminate the charter contract, which it claimed to do effective in late-March 2015. The Teekay LNG-Marubeni Joint Venture has disputed both the charterer s aggregate off-hire claims as well as the charterer s ability to terminate the charter contract, which would have otherwise expired in September 2016. The Teekay LNG-Marubeni Joint Venture has obtained legal assistance in resolving this dispute.

In mid-March 2015, the charter contract for the Partnership s 52 percent-owned LNG carrier *Methane Spirit* expired as scheduled.

The Teekay LNG-Marubeni Joint Venture has secured short-term employment, commencing in September 2015, for both the *Magellan Spirit* and the *Methane Spirit* at significantly lower charter rates and continues to seek medium-term to long-term employment for both vessels.

Other Committed Growth Projects

LNG Carriers

Cheniere MEGI LNG Carrier Newbuildings

In December 2012, Teekay LNG entered into an agreement with DSME of South Korea for the construction of two 173,400 cbm MEGI LNG carrier newbuildings for an aggregate fully built-up cost of approximately $420 million. In June 2013, the Partnership was awarded two five-year time-charter contracts with Cheniere Marketing LLC (*Cheniere*) for these vessels. Upon deliveries in the first half of 2016, the vessels will each commence five-year charters with Cheniere exporting LNG primarily from Cheniere s Sabine Pass LNG liquefaction facility in Louisiana.

Shell MEGI LNG Carrier Newbuildings

In December 2014, Teekay LNG secured time-charter contracts with a wholly-owned subsidiary of Royal Dutch Shell plc (*Shell*) for five newbuilding LNG carriers. The new contracts will be serviced by two MEGI LNG carrier newbuildings ordered in 2013 and three MEGI LNG carrier newbuildings ordered in December 2014 which are being constructed for an aggregate fully built-up cost of approximately $1.1 billion. Upon deliveries, which are expected to occur from the second half of 2017 into 2018, the vessels will operate as part of Shell s global LNG fleet under time-charters ranging in duration from six to eight years, plus extension options.

Four LNG Carrier Newbuildings for BG

In June 2014, Teekay LNG acquired from BG Group (*BG*) its ownership interests in four 174,000 cbm Tri-Fuel Diesel Electric LNG carrier newbuildings, which will be constructed by Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. in China for an aggregate estimated fully built-up cost of approximately $1.0 billion. The vessels, which are scheduled to deliver between September 2017 and January 2019, will each operate under time-charter contracts with BG for initial periods of 20 years, plus extension options.

- more -

Through this transaction, the Partnership acquired a 30 percent ownership interest in the first two LNG carrier newbuildings, with the balance of ownership held by CETS Investment Management (HK) Co. Ltd. (*CETS*) (an affiliate of China National Offshore Oil Corporation (*CNOOC*)) and China LNG Shipping (Holdings) Limited (*China LNG*), and a 20 percent ownership interest in the second two LNG carrier newbuildings, with the balance of ownership held by CETS, China LNG and BW Group.

Six Icebreaker LNG Carrier Newbuildings

In July 2014, Teekay LNG, through a 50/50 joint venture with China LNG, finalized agreements to provide six internationally-flagged icebreaker LNG carriers for the Yamal LNG Project in Northern Russia. The project, located on the Yamal Peninsula, is a joint venture between Novatek OAO, Total SA and China National Petroleum Corporation, and will consist of three LNG trains with a total capacity of 16.5 million metric tonnes per annum, currently scheduled to start-up in early-2018. LNG from the project is expected to be transported from Northern Russia to Europe and Asia. The Yamal LNG joint venture has publicly indicated that nearly all of the expected LNG production output of the project has already been agreed to be purchased by affiliates of the Yamal LNG project sponsors and other third parties.

The joint venture between Teekay LNG and China LNG will provide to the Yamal LNG project six 172,000 cbm ARC7 LNG carrier newbuildings to be constructed by DSME for an aggregate fully built-up cost of approximately $2.1 billion. Each vessel will be constructed with maximum 2.1 meter icebreaking capabilities in both the forward and reverse direction. The six vessels, which are scheduled to deliver between the first quarter of 2018 and the first quarter of 2020, will operate under time-charter contracts until December 31, 2045, plus extension options.

LPG Carriers

Exmar LPG Carrier Newbuildings

Exmar LPG BVBA, the Partnership s 50/50 LPG joint venture with Belgium-based Exmar NV, currently has eight mid-size gas carrier newbuildings under construction, which are scheduled to deliver between the third quarter of 2015 and the first quarter of 2018. The eight LPG carrier newbuildings have an aggregate cost of approximately $345 million, of which the Partnership s 50 percent portion is approximately $173 million. Upon deliveries, four of the LPG carrier newbuildings will commence charter contracts ranging from three to ten years.

Financial Summary

The Partnership reported adjusted net income attributable to the partners[1] of $43.9 million for the quarter ended March 31, 2015, compared to $41.8 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 $19.1 million and decreasing net income by $3.6 million for the three months ended March 31, 2015 and 2014, respectively, primarily relating to unrealized gains and losses on derivative instruments and foreign currency exchange gains and losses, as detailed in *Appendix A* to this release. Including these items, the Partnership reported net income attributable to the partners, on a GAAP basis, of $63.1 million and $38.2 million for the three months ended March 31, 2015 and 2014, respectively.

Adjusted net income attributable to the partners for the quarter ended March 31, 2015 increased from the prior year, primarily due to the termination of capital leases and the subsequent refinancing at a lower interest rate of three LNG carriers owned by the Partnership s RasGas II Joint Venture in December 2014, scheduled dry-dockings for two of the Partnership s vessels and unscheduled off-hire days for one of the Partnership s LNG carriers for repairs during same quarter of the prior year, and the acquisition of one LPG carrier from Skaugen, the *Norgas Napa*, in November 2014, partially offset by the *Magellan Spirit* grounding incident and related disputed off-hire during the first quarter of 2015, the scheduled expiration of the time-charter contract for the *Methane Spirit* in mid-March 2015 and the sale of two conventional tankers in February 2014 and August 2014, respectively.

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 2, 3 and 4 to the Consolidated Statements of Income and Comprehensive Income included in this release.

(1) Adjusted 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.

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).

	Three Months Ended March 31, 2015 (unaudited)			Three Months Ended March 31, 2014 (unaudited)		
(in thousands of U.S. Dollars)	**Liquefied Gas Segment**	**Conventional Tanker Segment**	**Total**	**Liquefied Gas Segment**	**Conventional Tanker Segment**	**Total**
Net voyage revenues(i)	75,934	21,074	97,008	74,141	26,016	100,157
Vessel operating expenses	(14,306)	(7,328)	(21,634)	(14,714)	(9,542)	(24,256)
Depreciation and amortization	(18,306)	(5,263)	(23,569)	(18,113)	(5,997)	(24,110)
CFVO from consolidated vessels(ii)	60,704	12,001	72,705	58,565	12,869	71,434
CFVO from equity accounted vessels(iii)	46,304		46,304	48,140		48,140
Total CFVO(ii)(iii)	107,008	12,001	119,009	106,705	12,869	119,574

(i) Net voyage revenues represents voyage revenues less voyage expenses, which comprise all expenses relating to certain voyages, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and 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 included in voyage revenues, (c) adjustments for direct financing leases to a cash basis, realized gains or losses on the Toledo Spirit derivative contract and the revenue for two Suezmax tankers recognized on a cash basis. CFVO is included because certain investors use this measure to assess 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 March 31, 2015 and 2014 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 NV, 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; 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 *Malt LNG Carriers*); the Partnership s 30 percent interest in two LNG carrier newbuildings and 20 percent interest in two LNG carrier newbuildings for BG; the Partnership s 50 percent interest in six LNG newbuildings in the joint venture between the Partnership and China LNG; and the Partnership s 50 percent interest in Exmar LPG BVBA, which currently owns and charters-in 24 vessels in the LPG carrier segment, including eight 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 $60.7 million in the first quarter of 2015 compared to $58.6 million in the same quarter of the prior year. The increase was primarily due to the acquisition of the LPG carrier, *Norgas Napa*, in November 2014 and fewer off-hire days during the first quarter of 2015, compared to the same quarter of the prior year.

Cash flow from vessel operations from the Partnership s equity accounted vessels in the Liquefied Gas segment decreased to $46.3 million in the first quarter of 2015 from $48.1 million in the same quarter of the prior year. The decrease was primarily due to the grounding incident and related off-hire dispute involving the *Magellan Spirit* during the first quarter of 2015 and the scheduled expiration of the time-charter contract for the *Methane Spirit* in mid-March 2015. Both the *Magellan Spirit* and *Methane Spirit* are owned through the Partnership s 52 percent interest in the Teekay LNG-Marubeni Joint Venture. The aforementioned decreases were partially offset by increased cash flows from the Partnership s 50 percent-owned LPG joint venture, Exmar LPG BVBA, as a result of higher charter rates from the addition of four LPG newbuildings delivered during 2014 and early 2015, net of the sale of four older LPG carriers during 2014.

Conventional Tanker Segment

Cash flow from vessel operations from the Partnership s Conventional Tanker segment decreased to $12.0 million in the first quarter of 2015 compared to $12.9 million in the same quarter of the prior year. The decrease was primarily due to the sale of two Suezmax tankers, the 2000-built *Algeciras Spirit* and the 2001-built *Huelva Spirit*, in February 2014 and August 2014, respectively.

Teekay LNG s Fleet

The following table summarizes the Partnership s fleet as of May 1, 2015:

	Number of Vessels			
	Owned Vessels	**In-Chartered Vessels**	**Newbuildings**	**Total**
LNG Carrier Fleet	29(i)		19(i)	48
LPG/Multigas Carrier Fleet	19(ii)	3(iii)	8(iii)	30
Conventional Tanker Fleet	8			8
Total	**56**	**3**	**27**	**86**

(i) The Partnership s ownership interests in these vessels range from 20 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 2013, the Partnership implemented a continuous offering program (*COP*) under which the Partnership may issue new common units at market prices up to a maximum aggregate amount of $100 million. Since initiation of the program, the Partnership has sold an aggregate of 1,334,534 common units under the COP, generating net proceeds of approximately $53.4 million (including the general partner s 2 percent contribution and net of offering costs) of which $6.8 million was settled in the first quarter of 2015.

In May 2015, the Partnership issued NOK 1,000 million in senior unsecured bonds in the Norwegian bond market that mature in May 2020. The aggregate principal amount of the bonds was equivalent to approximately USD 130 million and all interest and principal payments have been swapped into U.S. Dollars at a fixed rate of 5.92 percent. The net proceeds from the bonds are expected to be used for general partnership purposes, including funding of newbuilding installments. The Partnership is applying to list the bonds on the Oslo Stock Exchange.

As of March 31, 2015, the Partnership had total liquidity of $239.6 million (comprised of $106.4 million in cash and cash equivalents and $133.2 million in undrawn credit facilities). Giving pro-forma effect to the $130 million of net proceeds from the Partnership s NOK bond offering completed in early-May 2015, the Partnership s total liquidity at March 31, 2015 would have been approximately $370 million.

2014 Audited Financial Statements

Teekay LNG Partners L.P. filed its 2014 Annual Report on Form 20-F with the U.S. Securities and Exchange Commission (*SEC*) on April 23, 2015. Copies are available on Teekay LNG s website, under Investors Teekay LNG Partners L.P. Financials & Presentations , at www.teekay.com. Unitholders may request a printed copy of this annual report, including the complete audited financial statements free of charge by contacting Teekay LNG s Investor Relations.

Conference Call

The Partnership plans to host a conference call on Friday, May 15, 2015 at 11:00 a.m. (ET) to discuss the results for the first quarter of 2015. All unitholders and interested parties are invited to listen to the live conference call by choosing from the following options:

By dialing (800) 524-8950 or (416) 260-0113, if outside North America, and quoting conference ID code 2036708.

By accessing the webcast, which will be available on Teekay LNG s website at www.teekay.com (the archive will remain on the web site for a period of 30 days).

A supporting First Quarter 2015 Earnings Presentation will also be available at www.teekay.com in advance of the conference call start time.

The conference call will be recorded and made available until Friday, May 29, 2015. 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 2036708.

About Teekay LNG Partners L.P.

Teekay LNG Partners is one of the world s largest independent owners and operators of LNG carriers, providing LNG, LPG and crude oil marine transportation services primarily under long-term, fixed-rate charter contracts through its interests in 48 LNG carriers (including one LNG regasification unit and 19 newbuildings), 30 LPG/Multigas carriers (including three in-chartered LPG carriers and eight newbuildings) and eight conventional tankers. The Partnership s interests in these vessels range from 20 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:

Ryan Hamilton

Tel: +1 (604) 609-6442

Website: www.teekay.com

7

- more -

TEEKAY LNG PARTNERS L.P.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	Three Months Ended		
	March 31, 2015 (unaudited)	**December 31, 2014 (unaudited)**	**March 31, 2014 (unaudited)**
Voyage revenues	97,326	99,339	101,490
Voyage expenses	(318)	(373)	(1,333)
Vessel operating expenses	(21,634)	(23,694)	(24,256)
Depreciation and amortization	(23,569)	(23,178)	(24,110)
General and administrative	(6,708)	(5,619)	(6,408)
Restructuring recovery[(1)]		242	
Income from vessel operations	45,097	46,717	45,383
Equity income[(2)]	18,058	23,471	20,373
Interest expense	(10,104)	(15,768)	(14,831)
Interest income	734	302	648
Realized and unrealized loss on derivative instruments[(3)]	(14,032)	(23,114)	(7,521)
Foreign exchange gain (loss)[(4)]	25,930	5,769	(779)
Other income	443	200	218
Net income before tax recovery (expense)	66,126	37,577	43,491
Income tax recovery (expense)	225	(6,427)	(395)
Net income	66,351	31,150	43,096
Other comprehensive loss:			
Unrealized loss on qualifying cash flow hedging instrument in equity accounted joint ventures net of amounts reclassified to equity income, net of tax	(611)	(801)	(552)
Comprehensive income	65,740	30,349	42,544
Non-controlling interest in net income	3,283	(1,806)	4,850
General Partner s interest in net income	8,642	8,035	7,155
Limited partners interest in net income	54,426	24,921	31,091
Basic	78,514,335	77,470,251	74,199,534
Diluted	78,553,194	77,514,907	74,226,654
Total number of common units outstanding at end of period	78,537,584	78,353,354	74,211,160

8

- more -

(1) Restructuring recovery primarily relates to an adjustment on the restructuring provision on the sale of the *Huelva Spirit* conventional tanker in August 2014.

(2) Equity income includes unrealized gains/losses on non-designated derivative instruments, any ineffectiveness for derivative instruments designated as hedges for accounting purposes and loss on sale of vessel as detailed in the table below:

	Three Months Ended		
	March 31, 2015	**December 31, 2014**	**March 31, 2014**
Equity income	18,058	23,471	20,373
Proportionate share of unrealized losses on non-designated derivative instruments	1,126	1,257	1,053
Proportionate share of ineffective portion of hedge accounted interest rate swap	394		
Proportionate share of loss on sale of vessel			966
Equity income excluding unrealized gains/losses on designated and non-designated derivative instruments and loss on sale of vessel	19,578	24,728	22,392

(3) 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		
	March 31, 2015	**December 31, 2014**	**March 31, 2014**
Realized losses relating to:			
Interest rate swaps	(7,305)	(10,050)	(9,244)
Interest rate swap agreements termination		(2,319)	
Toledo Spirit time-charter derivative contract	(570)	(637)	
	(7,875)	(13,006)	(9,244)
Unrealized (losses) gains relating to:			
Interest rate swaps	(4,357)	(8,308)	4,023
Toledo Spirit time-charter derivative contract	(1,800)	(1,800)	(2,300)
	(6,157)	(10,108)	1,723
Total realized and unrealized losses on derivative instruments	(14,032)	(23,114)	(7,521)

(4) 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 gain (loss) includes realized (losses) gains relating to the amounts the Partnership (paid) received to settle the Partnership s non-designated cross currency swaps that were entered into as economic hedges 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 gain (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:

	Three Months Ended		
	March 31, 2015	**December 31, 2014**	**March 31, 2014**
Realized losses on cross-currency swaps	(1,401)	(1,124)	(365)
Unrealized (losses) gains on cross-currency swaps	(17,045)	(37,946)	3,917
Unrealized gains (losses) on revaluation of NOK bonds	16,216	34,277	(3,653)

TEEKAY LNG PARTNERS L.P.

CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. Dollars)

	As at March 31, 2015 (unaudited)	As at December 31, 2014 (unaudited)
ASSETS		
Current		
Cash and cash equivalents	106,410	159,639
Restricted cash current	8,999	3,000
Accounts receivable	12,536	11,265
Prepaid expenses	5,390	3,975
Current portion of net investments in direct financing leases	19,350	15,837
Advances to affiliates	17,254	11,942
Total current assets	169,939	205,658
Restricted cash long-term	47,633	42,997
Vessels and equipment		
At cost, less accumulated depreciation	1,641,227	1,659,807
Vessels under capital leases, at cost, less accumulated depreciation	90,500	91,776
Advances on newbuilding contracts	298,362	237,647