Teekay LNG Partners L.P.
Form 424B5
October 17, 2017
Table of Contents

Filed Pursuant to Rule 424(b)(5)
File No. 333-220967

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(2)
8.50% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units	6,900,000(1)	$25	$172,500,000	$21,476

(1) Includes 900,000 Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units subject to the underwriters option to purchase additional units.
(2) The registration fee has been calculated in accordance with Rule 457(r) and is made in accordance with Rule 456(b) under the Securities Act of 1933 and relates to the Registration Statement on Form F-3ASR filed by Teekay LNG Partners L.P. on October 16, 2017 (File No. 333-220967).

Table of Contents

PROSPECTUS SUPPLEMENT

(To Prospectus dated October 16, 2017)

Teekay LNG Partners L.P.

6,000,000 Units

8.50% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units

(Liquidation Preference $25.00 per unit)

We are offering 6,000,000 of our 8.50% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, liquidation preference $25.00 per unit (or the Series B Preferred Units).

Distributions on the Series B Preferred Units are cumulative from the date of original issue and will be payable quarterly in arrears on the 15th day of January, April, July and October of each year, when, as and if declared by the board of directors of our general partner. The initial distribution on the Series B Preferred Units offered hereby will be payable on January 15, 2018 in an amount equal to $0.40139 per unit. Distributions will be payable out of amounts legally available for distributions (i) from and including the original issue date to, but excluding October 15, 2027 at a fixed rate equal to 8.50% per annum of the stated liquidation preference and (ii) from and including October 15, 2027, at a floating rate equal to three-month LIBOR plus a spread of 624.1 basis points.

At any time on or after October 15, 2027, the Series B Preferred Units may be redeemed, in whole or in part, out of amounts legally available therefor, at a redemption price of $25.00 per unit plus an amount equal to all accumulated and unpaid distributions thereon to the date of redemption, whether or not declared.

We intend to apply to have the Series B Preferred Units listed on the New York Stock Exchange (or NYSE) under the symbol TGPPRB . If the application is approved, we expect trading of the Series B Preferred Units on the NYSE to begin within 30 days after their original issue date. Currently, there is no public market for the Series B Preferred Units.

Investing in our Series B Preferred Units involves a high degree of risk. Our Series B Preferred Units have not been rated and are subject to the risks associated with unrated securities. Please read Risk Factors beginning on page S-27 of this prospectus supplement and on page 4 of the accompanying prospectus.

	Per Series B Preferred Unit	*Total*
Price to the public	*$25.00*	*$150,000,000*
Underwriting discounts and commissions	*$0.7875*	*$4,725,000*
Proceeds to Teekay LNG Partners L.P. (before expenses)	*$24.2125*	*$145,275,000*

We have granted the underwriters a 30-day option to purchase up to an additional 900,000 Series B Preferred Units from us on the same terms and conditions as set forth above.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the Series B Preferred Units on or about October 23, 2017.

Joint Book-Running Managers

Morgan Stanley *UBS Investment Bank*

Co-Managers

ABN AMRO *Credit Agricole CIB* *Danske Markets* *ING*

October 16, 2017

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

ALTERNATIVE SETTLEMENT DATE

It is expected that delivery of the Series B Preferred Units will be made on or about the closing date specified on the cover page of this prospectus, which will be the fifth business day following the date of pricing of the Series B Preferred Units (this settlement cycle being referred to as T+5). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended (or the *Exchange Act*), trades in the secondary market generally are required to settle in two business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Series B Preferred Units on the initial pricing date of the Series B Preferred Units or the next two succeeding business days will be required, by virtue of the fact that the Series B Preferred Units initially will settle in T+5, to specify alternative settlement arrangements at the time of any such trade to prevent a failed settlement and should consult their own advisor.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of Series B Preferred Units. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of Series B Preferred Units. Generally, when we refer to the prospectus, we refer to both parts combined. If information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that is also incorporated by reference into this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus or any free writing prospectus we may authorize to be delivered to you, as well as the information we previously filed with the U.S. Securities and Exchange Commission (or *SEC*) that is incorporated by reference herein, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since such dates.

We are not, and the underwriters are not, offering to sell, or seeking offers to buy, the Series B Preferred Units in any jurisdiction where the offer or sale is not permitted. The distribution of this prospectus and the offering of the Series B Preferred Units in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the Series B Preferred Units and the distribution of this prospectus outside the United States. This prospectus does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements that are also forward-looking statements. Such statements include, in particular, statements about our operations, cash flows, financial position, plans, strategies, business prospects, changes and trends in our business, and the markets in which we operate. In some cases, you can identify the forward-looking statements by the use of words such as may, will, could, should, would, expect, plan, anticipate, intend, forecast, believe propose, potential, continue or the negative of these terms or other comparable terminology.

Forward-looking statements reflect management s current plans, expectations, estimates, assumptions and beliefs concerning future events affecting us. Forward-looking statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially include, but are not limited to, those factors discussed under the heading Risk Factors set forth in this prospectus and in our most recent

Annual Report on Form 20-F (our *2016 Annual Report*) and in other reports we file with or furnish to the SEC and that are incorporated into this prospectus by reference.

Table of Contents

We undertake no obligation to update any forward-looking statement to reflect any change in our expectations or events or circumstances that may arise after the date on which such statement is made. New factors emerge from time to time, and it is not possible for us to predict all of these factors. In addition, we cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

Forward-looking statements in this prospectus or incorporated by reference herein include, among others, statements about the following matters:

- our distribution policy and our ability to make cash distributions on our units or any increases in quarterly distributions on our common units and the impact of any changes in cash distributions on our financial position;
- the stability and growth of our business and future cash flows;
- our future financial condition and results of operations and our future revenues, expenses and capital expenditures, and our expected financial flexibility to pursue capital expenditures, acquisitions and other expansion opportunities;
- our liquidity needs and meeting our going concern requirements, including our anticipated funds and sources of financing for liquidity needs and the sufficiency of cash flows, and our expectation that we will have sufficient liquidity for the remainder of 2017 through 2018;
- our expected sources of funds for liquidity and working capital needs, our ability to enter into vessel financings, new bank financings and to refinance existing indebtedness;
- our ability to comply with the financial covenants of our credit facilities, term loans and capital leases;
- our ability to enter into new or replacement charters for our vessels;
- growth prospects and future trends of the markets in which we operate;
- liquefied natural gas (or *LNG*), liquefied petroleum gas (or *LPG*) and tanker market fundamentals, including the balance of supply and demand in the LNG, LPG and tanker markets and spot LNG, LPG and tanker charter rates;
- the expected lifespan of our vessels, including our expectations as to any impairment of our vessels;

our expectations and estimates regarding future charter business, including with respect to minimum charter hire payments, revenues and our vessels ability to perform to specifications and maintain their hire rates in the future;

our expectations regarding the ability of I.M. Skaugen SE (or *Skaugen*), Yemen Company Limited (or *YLNG*), Awilco LNG ASA (or *Awilco*) and our other customers to make charter payments to us, and the ability of our customers to fulfill purchase obligations at the end of charter contracts, including obligations relating to two of our LNG carriers completing charters with Awilco in the remainder of 2017 and 2018;

our ability to maximize the use of our vessels, including the redeployment or disposition of vessels no longer under long-term charter or whose charter contract is expiring;

our expectations regarding write-downs of our vessels and resulting effects on our results of operations;

the adequacy of our insurance coverage;

the future resumption of a LNG plant in Yemen operated by YLNG, the expected repayment of deferred hire amounts on our two 52% owned vessels, the *Marib Spirit* and *Arwa Spirit*, on charter to YLNG, and the expected reduction to our equity income as a result of the charter payment deferral;

our expectations regarding the expected charter contract commencement for two of our 52% owned LNG carriers in the Teekay LNG-Marubeni Joint Venture;

expected purchases and deliveries of newbuilding vessels, the newbuildings commencement of service under charter contracts, and estimated costs for newbuilding vessels;

expected deliveries of the newbuilding vessels;

the ability of us and our joint venture partners to obtain financing for unfinanced newbuilding vessels under construction;

expected financing for our joint venture with China LNG Shipping (Holdings) Limited (or the *Yamal LNG Joint Venture*);

expected financing for capital expenditures, vessel installments and our joint ventures;

our expectations regarding the schedule and performance of the joint venture, Bahrain LNG W.L.L., owned by us (30%), National Oil & Gas Authority (or *Nogaholding*) (30%), Gulf Investment Corporation (or *GIC*) (24%) and Samsung C&T (or *Samsung*) (16%) (or the *Bahrain LNG Joint Venture*), and our expectations regarding the supply, modification, charter and timing of completion of the conversion of the floating storage unit (or *FSU*) vessel for the project;

expected costs of supervision and crew training for joint venture projects;

the expected technical and operational capabilities of newbuildings, including the benefits of the M-type, Electronically Controlled, Gas Injection (or *MEGI*) twin engines in certain LNG carrier newbuildings;

our ability to maintain long-term relationships with major LNG and LPG importers and exporters and major crude oil companies;

our ability to leverage to our advantage Teekay Corporation s relationships and reputation in the shipping industry;

our continued ability to enter into long-term, fixed-rate time-charters with our LNG and LPG customers;

our possible repurchase obligations and possible contract terminations for two of our leased Suezmax tankers, the *Teide Spirit* and the *Toledo Spirit*;

our ability to continue to obtain all permits, licenses, and certificates material to our operations;

the impact of, and our ability to comply with, new and existing governmental regulations and maritime self-regulatory organization standards applicable to our business, including the expected cost to install ballast water treatment systems on our tankers in compliance with International Maritime Organization proposals;

the expected impact of heightened environmental and quality concerns of insurance underwriters, regulators and charterers;

the future valuation of goodwill;

obtaining LNG and LPG projects that we or Teekay Corporation bid on;

our expectations regarding whether the UK taxing authority can successfully challenge the tax benefits available under certain of our former and current lease arrangements, and the potential financial exposure to us if such a challenge is successful;

our hedging activities relating to foreign exchange, interest rate and spot market risks, and the effects of fluctuations in foreign exchange, interest rate and spot market rates on our business and results of operations;

the potential impact of new accounting guidance;

our and Teekay Corporation s ability to maintain good relationships with the labor unions who work with us;

our expectations regarding the possibility of goodwill impairment;

Table of Contents

our treatment of distributions on our 9.00% Series A Cumulative Redeemable Perpetual Preferred Units (or the *Series A Preferred Units*) and Series B Preferred Units as guaranteed payments for the use of capital;

anticipated taxation of our partnership and its subsidiaries; and

our business strategy and other plans and objectives for future operations.

SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and the documents incorporated by reference in this prospectus and does not contain all the information you will need in making an investment decision. You should carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus.

Unless otherwise indicated, references in this prospectus to Teekay LNG Partners, we, us and our and similar term refer to Teekay LNG Partners L.P. and/or one or more of its subsidiaries, except that those terms, when used in this prospectus in connection with the Series B Preferred Units described herein, shall mean specifically Teekay LNG Partners L.P. References to our general partner refer to Teekay GP L.L.C. References in this prospectus to Teekay Corporation refer to Teekay Corporation and/or any one or more of its subsidiaries. Unless otherwise indicated, references in this prospectus to unitholders refer to common unitholders, Series A Preferred unitholders and Series B Preferred unitholders and references to units refer to common units, Series A Preferred Units and Series B Preferred Units. Unless the context otherwise indicates, the information included in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional Series B Preferred Units.

Our Partnership

We are an international provider of marine transportation services for liquefied natural gas (or *LNG*), liquefied petroleum gas (or *LPG*) and crude oil. We were formed in 2004 by Teekay Corporation (NYSE: TK), a portfolio manager of marine services to the global oil and natural gas industries, to expand its operations in the LNG shipping sector. Our primary growth strategy focuses on expanding our fleet of LNG and LPG carriers under long-term, fixed-rate time-charters. In executing our growth strategy, we may engage in vessel or business acquisitions or enter into joint ventures and partnerships with companies that may provide increased access to emerging opportunities from the global expansion of the LNG and LPG sectors.

We seek to leverage the expertise, relationships and reputation of Teekay Corporation and its affiliates to pursue these opportunities in the LNG and LPG sectors and may consider other opportunities to which our competitive strengths are well suited. We view our conventional tanker fleet primarily as a source of stable cash flow as we seek to continue to expand our LNG and LPG operations. Teekay Corporation, which beneficially owns and controls our general partner, beneficially owns 31.7% of our common units and a 2% general partner interest.

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. We own our interests in our subsidiaries through our 100% ownership interest in our operating company, Teekay LNG Operating L.L.C., a Marshall Islands limited liability company. Our general partner, Teekay GP L.L.C., a Marshall Islands limited liability company, has an economic interest in us and manages our operations and activities.

Our Fleet

As of October 1, 2017, our fleet consisted of:

LNG Carriers. We had 50 LNG carriers (including one regasification unit and 18 newbuildings) which primarily operate under long-term, fixed-rate charters primarily to major energy and utility companies. Of the 50 LNG carriers, 16 are held through 99-100% owned subsidiaries, five are held through 69-70% owned subsidiaries, six are held through 52% owned subsidiaries, eight are held through 49-50% owned subsidiaries, four are held through 40% owned entities, four are held through

S-1

Table of Contents

33% owned entities, two are held through 30% owned entities, two are held through 20% entities and three are chartered in by us. As of October 1, 2017, the weighted average remaining term for our out-charters of these vessels, including newbuildings, was approximately 13 years. As of October 1, 2017, our LNG carrier fleet, including newbuildings on order, had a total capacity of approximately 8.2 million cubic meters representing approximately 8.9% of the total capacity of the global LNG fleet and orderbook. For more information about our LNG carrier fleet, including newbuildings on order, please read Business Overview Liquefied Gas Segment LNG Carriers.

LPG/Multigas Carriers. We have 30 LPG/Multigas carriers (including three LPG carrier newbuildings) which usually are chartered to carry LPG on time-charters, contracts of affreightment or spot voyage charters primarily with international energy and fertilizer companies. Of the 30 LPG/Multigas carriers, seven are held through 99% owned subsidiaries, 23 are held through 50% owned subsidiaries, which included five chartered in vessels. As of October 1, 2017, the weighted average remaining term for our out-charters of these vessels, including newbuildings on order, was approximately five years. Our LPG/Multigas carrier fleet, including newbuildings on order, had a total capacity of approximately 1.0 million cubic meters representing approximately 2.6% of the total capacity of the global LPG/Multigas carrier fleet and orderbook. For more information about our LPG carrier fleet, including newbuildings on order, please read Business Overview Liquefied Gas Segment LPG Carriers.

Conventional Tankers. We have five conventional tankers (consisting of four crude oil tankers and one product tanker) that operate under short- to medium-term charter contracts with international oil companies. Of the five conventional tankers, three are held through 100% owned subsidiaries and two are chartered in by us. As of October 1, 2017, the weighted average remaining term for our out-charters of these vessels was approximately one year. As of October 1, 2017, our conventional tanker fleet had a total capacity of approximately 0.7 million deadweight tonnes (or dwt) representing approximately 0.1% of the total capacity of the global conventional tanker fleet and orderbook. For more information about our conventional tanker fleet, please read Business Overview Conventional Tanker Segment.

Business Strategies

Our primary long-term business objective is to increase our cash available for distribution. However, based on capital requirements for committed growth projects and scheduled debt repayment obligations, coupled with weakness in energy and master limited partnership capital markets, we believe it is in the best interests of our common unitholders to conserve more of our internally-generated cash flows to fund these projects and to reduce debt levels. As a result, in December 2015, we reduced our quarterly distributions on our common units and our near-term business strategy is primarily to focus on funding and implementing existing growth projects and repaying or refinancing scheduled debt obligations. Our operating cash flows remain largely stable and growing, supported by a large and well-diversified portfolio of fee-based contracts with high-quality counterparties.

We intend to achieve our long-term business objective, as stated above, by executing the following strategies:

Provide Superior Customer Service by Maintaining High Reliability, Safety, Environmental and Quality Standards. LNG and LPG project operators seek LNG and LPG transportation partners that have a reputation for high reliability, safety, environmental and quality standards. We seek to leverage our own and Teekay Corporation s operational expertise to create a sustainable competitive advantage with consistent delivery of superior customer service.

Expand Our LNG and LPG Business Globally. We seek to capitalize on opportunities emerging from the global expansion of the LNG and LPG sectors by selectively targeting:

projects that involve medium-to long-term, fixed-rate charters;

Table of Contents

- cost-effective LNG and LPG newbuilding contracts;
- joint ventures and partnerships with companies that may provide increased access to opportunities in attractive LNG and LPG importing and exporting geographic regions;
- strategic vessel and business acquisitions; and
- specialized projects in adjacent areas of the business, including floating storage and regasification units.

Competitive Strengths

We believe that we are well positioned to execute our business strategies successfully because of the following competitive strengths:

- ***Leading Position in the LNG and LPG Markets.*** We are one of the world s largest independent owners and operators of LNG and mid-size LPG carriers, as we have ownership interests in or operate 50 LNG carriers (including 18 newbuildings as of October 1, 2017) and 30 LPG/Multigas carriers (including three newbuildings as of October 1, 2017). Our large fleet size enables us to provide comprehensive coverage of charters requirements and provides opportunities to enhance the efficiency of operations and increase fleet utilization.
- ***Cash Flow Stability from Existing Contracts.*** Despite continued weakness in the global energy and capital markets, our operating cash flows remain largely stable, supported by a large and well-diversified portfolio of fee-based contracts, which primarily consist of long-term contracts. As of September 30, 2017, we estimate we had approximately $11.3 billion of forward fee-based revenues under existing charters (excluding extension options), of which approximately $4.5 billion are expected to originate from existing vessels and approximately $6.8 billion are expected to originate from newbuildings not yet delivered and for which charters have been secured.
- ***Operational Expertise and Enhanced Growth Opportunities through Our Relationship with Teekay Corporation.*** Teekay Corporation has achieved a global brand name in the shipping industry and the LNG and LPG markets, developed an extensive network of long-standing relationships with major energy companies and earned a reputation for reliability, safety and excellence. Some benefits we believe we receive due to our relationship with Teekay Corporation include:
  - access through services agreements to its comprehensive market intelligence and operational and technical sophistication gained from over 40 years of providing shipping services to energy customers, including 13 years in LNG shipping;

access to Teekay Corporation s general commercial and financial core competencies, practices and systems, which we believe enhances the efficiency and quality of operations;

enhanced growth opportunities and added competitiveness in bidding for transportation requirements for LNG and LPG projects and in attracting and retaining long-term contracts throughout the world; and

improved leverage with leading shipyards during periods of vessel production constraints due to Teekay Corporation s established relationships with these shipyards and the high number of newbuilding orders it places.

Significant Developments in 2017

Recent Results

We have not yet closed our books for the quarter ended September 30, 2017. However, as explained under Conventional Tankers , there is a possibility we may recognize non-cash write-downs of three of our conventional tankers for the quarter ended September 30, 2017, which would have the effect of reducing our operating results for the third quarter of 2017 compared to the second quarter of 2017. Our actual consolidated results for the quarter ended September 30, 2017 may differ materially from our current preliminary expectations due to the completion of our financial closing procedures, final adjustments and other developments that may arise between now and the time the financial results as of and for the quarter ended September 30, 2017 are finalized. We can give you no assurance as to consolidated results for the third quarter until such information is released.

LNG Carrier Newbuildings

As at October 1, 2017, we had eight wholly-owned LNG carrier newbuildings on order, which are scheduled for delivery between late-2017 and early-2019, and all of which have fixed-rate time-charter contracts in place, ranging in duration from six to 20 years, excluding extension options. On February 28, 2017, we took delivery of the *Torben Spirit* and concurrently sold this vessel to a third party and leased it back under a 10-year bareboat charter contract. The *Torben Spirit* commenced its 10-month plus one-year option charter contract with a major energy company on March 3, 2017. Prior to the expiration of this charter, we will seek to secure a long-term contract on this vessel.

In April 2017, we entered into a 10-year $174 million sale-leaseback agreement with China Construction Bank Financial Leasing Co. Ltd. (or *CCBL*) for one of our eight wholly-owned LNG carrier newbuildings, which vessel is scheduled to deliver in late-2017. CCBL will take delivery of the vessel and charter it back to us. At the end of the 10-year lease, we have an obligation to repurchase the vessel from CCBL.

In May 2017, we entered into a 10-year $181 million sale-leaseback agreement with Bank of Communications Financial Leasing Co. Ltd. (or *BCL*) for one of our eight wholly-owned LNG carrier newbuildings, which vessel is scheduled to deliver in mid-2018. BCL will take delivery of the vessel and charter it back to us. At the end of the 10-year lease, we have an obligation to repurchase the vessel from BCL.

LPG Carrier Newbuildings

In March 2017 and July 2017, Exmar LPG BVBA (or the *Exmar LPG Joint Venture*), of which we have a 50% ownership interest, took delivery of the *Kallo* LPG carrier and *Kruibeke* LPG carrier, respectively, and upon deliveries sold and leased back the vessels. In April 2017, the Exmar LPG Joint Venture entered into a shipbuilding agreement with Hyundai Heavy Industries Co., Ltd. for one additional LPG carrier newbuilding scheduled for delivery in mid-2018. As at October 1, 2017, the Exmar LPG Joint Venture had three LPG carrier newbuildings scheduled for delivery between late-2017 and mid-2018. The Exmar LPG Joint Venture has secured vessel financing upon delivery for two of its three remaining LPG carrier newbuildings. The installment payments on the third LPG carrier newbuilding are expected to be financed by the joint venture s existing liquidity and the joint venture expects to secure long-term financing prior to vessel delivery.

Conventional Tankers

In late-June 2017, the charterer for the *European Spirit* Suezmax tanker gave formal notice to us that it would not exercise its one-year extension option under the charter contract and redelivered the vessel to us in August 2017. As a result, we recorded a write-down of $12.6 million for the quarter ended June 30, 2017. In August 2017, the same charterer gave formal notice to us that it would not exercise its one-year extension option under the charter contract for the *African Spirit* Suezmax tanker and will redeliver the vessel to us in October 2017.

Under our charter contracts for the *Teide Spirit* and *Toledo Spirit* Suezmax tankers, the charterer, who is also the owner of the vessels, has the option to cancel the charter contracts 13 years following commencement of

the respective charter contracts. The charterer notified us in August 2017 that it will cancel the charter contract for the *Teide Spirit* subject to the charterer s board approval. In October 2017, the charterer notified us that it has marketed the *Teide Spirit* for sale and, upon the sale of the vessel, it will concurrently terminate its existing charter contract with us. The charterer s cancellation option for the *Toledo Spirit* is first exercisable in August 2018. Given our prior experience with this charterer, we expect it will also cancel the charter contract and sell the *Toledo Spirit* to a third party in 2018.

As a result of the charterer notifications described above, we are currently in the process of assessing the *African Spirit*, *Teide Spirit* and *Toledo Spirit* for impairment. Depending on the outcome of this assessment, there is a possibility we may recognize an aggregate accounting write-down of up to approximately $38 million in the third quarter of 2017.

Equity-Accounted Joint Ventures Refinancings

On December 21, 2016, Teekay Nakilat (III) Corporation (or the *RasGas 3 Joint Venture*), of which we have a 40% ownership interest, completed its debt refinancing by entering into a $723 million secured term loan facility maturing in 2026 and which replaced its outstanding term loan of $610 million. As a result, in February 2017 the RasGas 3 Joint Venture distributed $100 million to its shareholders, of which our proportionate share was $40 million.

On March 31, 2017, our 52% joint venture with Marubeni Corporation (or the *Teekay LNG-Marubeni Joint Venture*) completed the refinancing of its existing $396 million debt facility by entering into a new $335 million term loan maturing in September 2019. The term loan is collateralized by first-priority statutory mortgages over the *Marib Spirit*, *Arwa Spirit*, *Methane Spirit* and *Magellan Spirit*, and first priority pledges or charges of all the issued shares of the respective vessel owning subsidiaries, and is guaranteed by us and Marubeni Corporation on a several basis. As part of the completed refinancing, we invested $57 million of additional equity, based on our proportionate ownership interest, into the Teekay LNG-Marubeni Joint Venture.

Charter Contracts with Skaugen

We have six LPG carriers currently on bareboat charter contracts with Skaugen with contract terms ending between 2019 and 2026. As at March 31, 2017, we had not been paid by Skaugen for a portion of the charter hire for the vessels for the period from August 2016 to March 31, 2017 relating to these six vessels and totaling approximately $12.9 million. As an alternative payment for a portion of these amounts, Skaugen offered to us its 35% ownership interest in an LPG carrier, the *Norgas Sonoma*, which is owned by Skaugen Gulf Petchem Carriers B.S.C.(c), a joint venture between Skaugen (35%), Nogaholding (35%) and Suffun Bahrain W.L.L. (or *Suffun*) (30%) (or the *Skaugen LPG Joint Venture*). Both Nogaholding and Suffun exercised their option to participate in the sale of the *Norgas Sonoma* and as a result, on April 20, 2017, we acquired a 100% ownership interest in the Skaugen LPG Joint Venture for an aggregate purchase price of $13.2 million, including the application of $4.6 million of the outstanding hire owing to us by Skaugen to acquire Skaugen s 35% ownership interest in the Skaugen LPG Joint Venture. Following our acquisition of the Skaugen LPG Joint Venture, we continue to trade the *Norgas Sonoma* in the Norgas pool.

There is uncertainty about Skaugen s ability to pay future charter hire for our six LPG carriers on charter to it, which may impact our revenues and cash flows in future periods if we are not able to redeploy the vessels at similar rates. Currently, amounts owing to us from Skaugen under the charter amount to approximately $6 million each quarter, based on the contracted charter rates. As of September 30, 2017, Skaugen owed us an aggregate of approximately $20.7 million under the six charters, based on the contracted rates under the charters.

Table of Contents

Charter Contracts with Awilco and Loan Refinancings

We have two LNG carriers currently on bareboat charter contracts with Awilco with original fixed contract terms ending in November 2017 and August 2018 with one-year extension options. Awilco has a purchase obligation under the charter contracts to repurchase each vessel from us at the end of their respective terms. Awilco is currently facing financial challenges, including going concern issues, and its ability to continue to make charter payments to us and to honor its purchase obligations is in question. In June 2017, we reached an agreement with Awilco to defer a portion of charter hire and extend the bareboat charter contracts and related purchase obligations on both vessels to December 2019. A key condition of the agreement required Awilco to raise a minimum amount of equity of $25 million, which was completed in May 2017. This agreement has the effect of deferring between $10,600 per day and $20,600 per day per vessel from July 2017 until December 2019, with such deferred amounts added to the purchase obligation amounts.

In July 2017, we completed loan extensions on the facilities secured by the two LNG carriers chartered to Awilco. The loans associated with these vessels, which were previously set to mature between the second quarter of 2018 and the fourth quarter of 2018, were both extended to June 2020 on similar terms.

Charter Contracts for MALT LNG Carriers

Two of the six LNG carriers (or *MALT LNG Carriers*) in the Teekay LNG-Marubeni Joint Venture, the *Marib Spirit* and *Arwa Spirit*, are currently under long-term contracts expiring in 2029 with YLNG, a consortium led by Total SA. Due to the political situation in Yemen, YLNG decided to temporarily close operation of its LNG plant in Yemen in 2015. As a result, the Teekay LNG-Marubeni Joint Venture agreed in December 2015 to defer a portion of the charter payments for the two LNG carriers from January 1, 2016 to December 31, 2016 and further deferrals were agreed in August 2016 and in January 2017 to extend the deferral period to December 31, 2017. Once the LNG plant in Yemen resumes operations, it is intended that YLNG will repay the deferred amounts in full, plus interest over a period of time to be agreed upon. However, there is no assurance if or when the LNG plant will resume operations or if YLNG will repay the deferred amounts, and this deferral period may extend beyond 2017. Our proportionate share of the estimated impact of the charter payment deferral for 2017 compared to original charter rates earned prior to December 31, 2015 is estimated to be a reduction to equity income ranging from $6 million to $7 million per quarter depending on any sub-chartering employment opportunities.

In May 2017, the Teekay LNG-Marubeni Joint Venture signed an 18-month charter contract (plus one-year extension option) with a major Japanese utility company, commencing in the fourth quarter of 2018. This charter contract will be serviced by the *Methane Spirit,* which is currently trading in the short-term market.

In July 2017, the Teekay LNG-Marubeni Joint Venture secured short-term charter contracts for two of its vessels trading in the short-term market. The *Magellan Spirit* commenced a six-month contract (plus two three-month option periods) in July 2017 and the *Arwa Spirit* will commence a 15-month charter contract in the fourth quarter of 2017.

Business Overview

Liquefied Gas Segment

LNG Carriers

The LNG carriers in our liquefied gas segment compete in the LNG market. LNG carriers are usually chartered to carry LNG pursuant to time-charter contracts, where a vessel is hired for a fixed period of time and the charter rate is payable to the owner on a monthly basis. LNG shipping historically has been transacted with

Table of Contents

long-term, fixed-rate time-charter contracts. LNG projects require significant capital expenditures and typically involve an integrated chain of dedicated facilities and cooperative activities. Accordingly, the overall success of an LNG project depends heavily on long-range planning and coordination of project activities, including marine transportation. Most shipping requirements for new LNG projects continue to be provided on a long-term basis, although the levels of spot voyages (typically consisting of a single voyage), short-term time-charters and medium-term time-charters have grown in the past few years. The amount of LNG traded on a spot and short- or medium-term basis (defined as contracts with a duration of four years or less) increased from approximately 19% of total LNG trade in 2010 to 28% in 2016.

In the LNG market, we compete principally with other private and state-controlled energy and utilities companies that generally operate captive fleets, and independent ship owners and operators. Many major energy companies compete directly with independent owners by transporting LNG for third parties in addition to their own LNG. Given the complex, long-term nature of LNG projects, major energy companies historically have transported LNG through their captive fleets. However, independent fleet operators have been obtaining an increasing percentage of charters for new or expanded LNG projects as some major energy companies have continued to divest non-core businesses.

LNG carriers transport LNG internationally between liquefaction facilities and import terminals. After natural gas is transported by pipeline from production fields to a liquefaction facility, it is supercooled to a temperature of approximately negative 260 degrees Fahrenheit. This process reduces its volume to approximately 1/600th of its volume in a gaseous state. The reduced volume facilitates economical storage and transportation by ship over long distances, enabling countries with limited natural gas reserves or limited access to long-distance transmission pipelines to import natural gas. LNG carriers include a sophisticated containment system that holds the LNG and provides insulation to reduce the amount of LNG that boils off naturally. The natural boil off is either used as fuel to power the engines on the ship or it can be reliquefied and put back into the tanks. LNG is transported overseas in specially built tanks in double-hulled ships to a receiving terminal, where it is offloaded and stored in insulated tanks. In regasification facilities at the receiving terminal, the LNG is returned to its gaseous state (or *regasified*) and then shipped by pipeline for distribution to natural gas customers.

With the exception of the *Arctic Spirit* and *Polar Spirit,* which are the only two ships in the world that utilize the Ishikawajima Harima Heavy Industries Self Supporting Prismatic Tank IMO Type B (or *IHI SPB*) independent tank technology, our fleet makes use of one of the Gaz Transport and Technigaz (or *GTT*) membrane containment systems. The GTT membrane systems are used in the majority of LNG tankers now being constructed. New LNG carriers generally have an expected lifespan of approximately 35 to 40 years. Unlike the oil tanker industry, there are currently no regulations that require the phase-out from trading of LNG carriers after they reach a certain age. As at October 1, 2017, excluding newbuilding vessels, our LNG carriers had an average age of approximately nine years, compared to the global LNG carrier fleet average age of approximately 11 years. In addition, as at that date, there were approximately 494 vessels in the global LNG fleet and approximately 126 additional LNG carriers under construction or on order for delivery through 2020.

Table of Contents

The following table provides additional information about the LNG carriers in our operating fleet as of October 1, 2017. Charters for these vessels typically commence upon delivery of the vessels.

Vessel	Capacity (cubic meters)	Delivery	Our Ownership	Charterer	Expiration of Charter[1]
Operating LNG carriers:					
Consolidated					
Hispania Spirit	137,814	2002	100%	Shell Spain LNG S.A.U.	Sep. 2022[2]
Catalunya Spirit	135,423	2003	100%	Gas Natural SDG	Aug. 2023[2]
Galicia Spirit	137,814	2004	100%	Uniòn Fenosa Gas	Jun. 2029[3]
Madrid Spirit	135,423	2004	100%	Shell Spain LNG S.A.U.	Dec. 2024[2]
Al Marrouna	149,539	2006	70%	Ras Laffan Liquefied Natural Gas Company Ltd.	Oct. 2026[4]
Al Areesh	148,786	2007	70%	Ras Laffan Liquefied	