Teekay LNG Partners L.P.
Form 20-F
April 26, 2017

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

FORM 20-F

(Mark One)
¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
ý ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report
For the transition period from to
Commission file number 1- 32479

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

Republic of The Marshall Islands
(Jurisdiction of incorporation or organization)
4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda
Telephone: (441) 298-2530
(Address and telephone number of principal executive offices)
Edith Robinson
4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda
Telephone: (441) 298-2530
Fax: (441) 292-3931
(Contact information for company contact person)

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

| Title of each class | Name of each exchange on which registered |
| --- | --- |
| Common Units | New York Stock Exchange |
| Series A Preferred Units | New York Stock Exchange |

Securities registered, or to be registered, pursuant to Section 12(g) of the Act.
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

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Indicate the number of outstanding shares of each issuer's classes of capital or common stock as of the close of the period covered by the annual report.
79,571,820 Common Units
5,000,000 Series A Preferred Units
Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities
Act. Yes ý No ¨
If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No ý
Indicate by check mark if the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark if the registrant (1) has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer ý Accelerated Filer ¨ Non-Accelerated Filer ¨ Emerging growth company ¨
If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ¨
† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

| | | |
| --- | --- | --- |
| U.S. GAAP ý | International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ | Other ¨ |

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:
Item 17 ¨ Item 18 ¨
If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No ý

TEEKAY LNG PARTNERS L.P.
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PART I

This annual report of Teekay LNG Partners L.P. on Form 20-F for the year ended December 31, 2016 (or Annual Report) should be read in conjunction with the consolidated financial statements and accompanying notes included in this report.

Unless otherwise indicated, references in this prospectus to “Teekay LNG Partners,” “we,” “us” and “our” and similar terms refer to Teekay LNG Partners L.P. and/or one or more of its subsidiaries, except that those terms, when used in this Annual Report in connection with the units described herein, shall mean specifically Teekay LNG Partners L.P. References in this Annual Report to “Teekay Corporation” refer to Teekay Corporation and/or any one or more of its subsidiaries.

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

- our distribution policy and our ability to make cash distributions on our units or any increases in quarterly distributions, and the impact of cash distribution reductions on our financial position;
- 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 estimation that we will have sufficient liquidity for a one-year period;
- our expected sources of funds for liquidity and working capital needs and our ability to enter into new bank financings and to refinance existing indebtedness;
- 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), 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 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 in 2017 and 2018, specifically our 52% owned vessels, the Magellan Spirit and the Methane Spirit, our wholly-owned LNG carriers, the Torben Spirit, Arctic Spirit and Polar Spirit, and our wholly-owned Suezmax tankers, the African Spirit and European Spirit;
- the adequacy of our insurance coverage, less an applicable deductible;
- the future resumption of a LNG plant in Yemen operated by Yemen LNG Company Limited (or 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 in 2017 as a result of the charter payment deferral;
- 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 LPG newbuilding vessels in Exmar LPG BVBA;

- expected financing for our joint venture with China LNG Shipping (Holdings) Limited (or the Yamal LNG Joint Venture);
- expected funding of our proportionate share of the remaining shipyard installment payments for our joint venture with China LNG, CETS Investment Management (HK) Co. Ltd. and BW LNG Investments Pte. Ltd. (or the BG Joint Venture);
- the cost of supervision and crew training in relation to the BG Joint Venture, and our expected recovery of a portion of those costs;
- 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 obtain financing for four of our unfinanced, wholly-owned LNG carrier newbuildings delivering in 2018 through 2019;
- 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 expectation of not earning revenues from voyage charters in the foreseeable future;
- obtaining LNG and LPG projects that we or Teekay Corporation bid on;
- the expected timing, amount and method of financing for our newbuilding vessels and the possible purchase of two of our leased Suezmax tankers, the Teide Spirit and the Toledo Spirit;
- our expectations regarding the schedule and performance of the receiving and regasification terminal in Bahrain, which will be owned and operated by a new 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 and charter of a floating storage unit (or FSU) vessel for the project;
- 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 IMO proposals;
- the expected impact of heightened environmental and quality concerns of insurance underwriters, regulators and charterers;
- the future valuation of goodwill;
- our expectations regarding whether the UK taxing authority can successfully challenge the tax benefits available under certain of our former and current leasing 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;
- anticipated taxation of our partnership and its subsidiaries; and
- our business strategy and other plans and objectives for future operations.

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 in "Item 3 – Key Information: Risk Factors," and other factors detailed from time to time in other reports we file with or furnish to the U.S. Securities and Exchange Commission (or the SEC).

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

## Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

## Item 2.Offer Statistics and Expected Timetable

Not applicable.

## Item 3.Key Information

### Selected Financial Data

Set forth below is selected consolidated financial and other data of Teekay LNG Partners and its subsidiaries for the fiscal years 2012 through 2016, which have been derived from our consolidated financial statements. The following table should be read together with, and is qualified in its entirety by reference to, (a) "Item 5 – Operating and Financial Review and Prospects," included herein, and (b) the historical consolidated financial statements and the accompanying notes and the Report of Independent Registered Public Accounting Firm therein (which are included herein), with respect to the consolidated financial statements for the years ended December 31, 2016, 2015 and 2014.

Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (or GAAP).

| (in thousands of U.S. Dollars, except per unit and fleet data) | Year Ended December 31, 2016 $ | Year Ended December 31, 2015 $ | Year Ended December 31, 2014 $ | Year Ended December 31, 2013 $ | Year Ended December 31, 2012 $ |
|---|---|---|---|---|---|
| Income Statement Data: | | | | | |
| Voyage revenues | 396,444 | 397,991 | 402,928 | 399,276 | 392,900 |
| Income from vessel operations (1) | 153,181 | 181,372 | 183,823 | 176,356 | 147,791 |
| Equity income(2) | 62,307 | 84,171 | 115,478 | 123,282 | 78,866 |
| Interest expense | (58,844) | (43,259) | (60,414) | (55,703) | (54,211) |
| Interest income | 2,583 | 2,501 | 3,052 | 2,972 | 3,502 |
| Realized and unrealized loss on non-designated derivative instruments(3) | (7,161) | (20,022) | (44,682) | (14,000) | (29,620) |
| Foreign currency exchange gain (loss)(4) | 5,335 | 13,943 | 28,401 | (15,832) | (8,244) |
| Other income | 1,537 | 1,526 | 836 | 1,396 | 1,683 |
| Income tax expense | (973) | (2,722) | (7,567) | (5,156) | (625) |
| Net income | 157,965 | 217,510 | 218,927 | 213,315 | 139,142 |
| Non-controlling and other interests in net income | 22,988 | 42,903 | 44,676 | 37,438 | 36,740 |
| Limited partners' interest in net income | 134,977 | 174,607 | 174,251 | 175,877 | 102,402 |
| Limited partners' interest in net income per: | | | | | |
| Common unit - basic | 1.70 | 2.21 | 2.30 | 2.48 | 1.54 |
| Common unit - diluted | 1.69 | 2.21 | 2.30 | 2.48 | 1.54 |
| Cash distributions declared per common unit | 0.5600 | 2.8000 | 2.7672 | 2.7000 | 2.6550 |
| Balance Sheet Data (at end of period): | | | | | |
| Cash and cash equivalents | 126,146 | 102,481 | 159,639 | 139,481 | 113,577 |
| Restricted cash | 117,027 | 111,519 | 45,997 | 497,298 | 528,589 |
| Vessels and equipment(5) | 2,215,983 | 2,108,160 | 1,989,230 | 1,922,662 | 1,949,640 |
| Investment in and advances to equity accounted joint ventures | 1,037,726 | 883,731 | 891,478 | 671,789 | 409,735 |
| Net investments in direct financing leases(6) | 643,008 | 666,658 | 682,495 | 699,695 | 403,386 |
| Total assets | 4,315,474 | 4,052,980 | 3,947,275 | 4,203,143 | 3,769,649 |
| Total debt and capital lease obligations | 2,184,065 | 2,058,336 | 1,970,531 | 2,359,385 | 2,035,130 |
| Partners' equity | 1,738,506 | 1,519,062 | 1,537,752 | 1,390,790 | 1,212,980 |
| Total equity | 1,777,412 | 1,543,679 | 1,547,371 | 1,443,784 | 1,254,274 |
| Common units outstanding | 79,571,820 | 79,551,012 | 78,353,354 | 74,196,294 | 69,683,763 |
| Preferred units outstanding | 5,000,000 | — | — | — | — |
| Other Financial Data: | | | | | |
| Net voyage revenues(7) | 394,788 | 396,845 | 399,607 | 396,419 | 391,128 |
| EBITDA(8) | 310,741 | 353,243 | 377,983 | 369,086 | 290,950 |
| Adjusted EBITDA(8) | 445,341 | 442,463 | 468,954 | 461,018 | 413,033 |
| Capital expenditures: | | | | | |
| Expenditures for vessels and equipment | 344,987 | 191,969 | 194,255 | 470,213 | 39,894 |
| Liquefied Gas Fleet Data: | | | | | |
| Consolidated: | | | | | |
| Calendar-ship-days(9) | 7,440 | 6,935 | 6,619 | 5,981 | 5,856 |
| Average age of our fleet (in years at end of year) | 9.0 | 8.9 | 7.9 | 6.7 | 6.6 |
| Vessels at end of year(11) | 21 | 19 | 19 | 18 | 16 |

| | | | | | |
|---|---|---|---|---|---|
| Equity Accounted:(10) | | | | | |
| Calendar-ship-days(9) | 12,285 | 11,720 | 11,338 | 11,059 | 5,481 |
| Average age of our fleet (in years at end of year) | 8.7 | 8.5 | 8.0 | 9.4 | 3.4 |
| Vessels at end of year(11) | 35 | 32 | 31 | 32 | 16 |
| Conventional Fleet Data: | | | | | |
| Calendar-ship-days(9) | 2,439 | 2,920 | 3,202 | 3,994 | 4,026 |
| Average age of our fleet (in years at end of year) | 11.7 | 9.5 | 8.5 | 8.5 | 7.9 |
| Vessels at end of year | 6 | 8 | 8 | 10 | 11 |

(1) Income from vessel operations includes write-down and loss on sale of vessels of $39.0 million and $29.4 million for the years ended December 31, 2016 and 2012, respectively.

(2) Equity income includes unrealized gains on non-designated derivative instruments, and any ineffectiveness of derivative instruments designated as hedges for accounting purposes of $7.3 million, $10.2 million, $1.6 million, $25.9 million, and $5.5 million for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

(3) We entered into interest rate swap and swaption agreements to mitigate our interest rate risk from our floating-rate debt, leases and restricted cash. We also have entered into an agreement with Teekay Corporation relating to the Toledo Spirit time-charter contract under which Teekay Corporation pays us any amounts payable to the charterer as a result of spot rates being below the fixed rate, and we pay Teekay Corporation any amounts payable to us as a result of spot rates being in excess of the fixed rate. We have not applied hedge accounting treatment to these derivative instruments except for several interest rate swaps in certain of our equity accounted joint ventures, and as a result, changes in the fair value of our derivatives are recognized immediately into income and are presented as realized and unrealized loss on derivative instruments in the consolidated statements of income. Please see "Item 18 – Financial Statements: Note 12 – Derivative Instruments and Hedging Activities."

(4) Substantially all of these foreign currency exchange gains and losses were unrealized. Under GAAP, all foreign currency-denominated monetary assets and liabilities, such as cash and cash equivalents, accounts receivable, restricted cash, accounts payable, accrued liabilities, unearned revenue, advances from affiliates and long-term debt, are revalued and reported based on the prevailing exchange rate at the end of the period. Foreign exchange gains and losses include realized and unrealized gains and losses on our cross-currency swaps. Our primary sources for the foreign currency exchange gains and losses are our Euro-denominated term loans and Norwegian Kroner-denominated (or NOK) bonds. Euro-denominated term loans totaled 208.9 million Euros ($219.7 million) at December 31, 2016, 222.7 million Euros ($241.8 million) at December 31, 2015, 235.6 million Euros ($285.0 million) at December 31, 2014, 247.6 million Euros ($340.2 million) at December 31, 2013, and 258.8 million Euros ($341.4 million) at December 31, 2012. Our NOK-denominated bonds totaled 3.5 billion NOK ($371.3 million) at December 31, 2016, 2.6 billion NOK ($294.0 million) at December 31, 2015, 1.6 billion NOK ($214.7 million) at December 31, 2014, 1.6 billion NOK ($263.5 million) at December 31, 2013, and 700.0 million NOK ($125.8 million) at December 31, 2012.

(5) Vessels and equipment consist of (a) our vessels, at cost less accumulated depreciation, (b) vessels under capital leases, at cost less accumulated depreciation and (c) advances on our newbuildings.

(6) The external charters that commenced in 2009 with The Tangguh Production Sharing Contractors and in 2013 with Awilco LNG ASA (or Awilco) have been accounted for as direct financing leases. As a result, the two LNG vessels chartered to The Tangguh Production Sharing Contractors and the two LNG vessels chartered to Awilco are not included as part of vessels and equipment.

(7) Net voyage revenues is a non-GAAP financial measure. Consistent with general practice in the shipping industry, we use net voyage revenues (defined as voyage revenues less voyage expenses) as a measure of equating revenues generated from voyage charters to revenues generated from time-charters, which assists us in making operating decisions about the deployment of our vessels and their performance. Under time-charters the charterer pays the voyage expenses, whereas under voyage charter contracts the ship owner pays these expenses. Some voyage expenses are fixed, and the remainder can be estimated. If we, as the ship owner, pay the voyage expenses, we typically pass the approximate amount of these expenses on to our customers by charging higher rates under the contract or billing the expenses to them. As a result, although voyage revenues from different types of contracts may vary, the net voyage revenues are comparable across the different types of contracts. We principally use net voyage revenues because it provides more meaningful information to us than voyage revenues, the most directly comparable GAAP financial measure. Net voyage revenues are also widely used by investors and analysts in the shipping industry for comparing financial performance between companies and to industry averages. The following table reconciles net voyage revenues with voyage revenues.

| (in thousands of U.S. Dollars) | Year Ended December 31, 2016 | Year Ended December 31, 2015 | Year Ended December 31, 2014 | Year Ended December 31, 2013 | Year Ended December 31, 2012 |
|---|---|---|---|---|---|
| Voyage revenues | 396,444 | 397,991 | 402,928 | 399,276 | 392,900 |
| Voyage expenses | (1,656) | (1,146) | (3,321) | (2,857) | (1,772) |
| Net voyage revenues | 394,788 | 396,845 | 399,607 | 396,419 | 391,128 |

(8)

EBITDA and Adjusted EBITDA are non-GAAP financial measures. EBITDA represents net income before interest, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA before restructuring charges, net of reimbursement, write-down and loss on sale of vessels, foreign currency exchange (gain) loss, amortization of in-process contracts included in voyage revenues net of offsetting vessel operating expenses, unrealized (gain) loss on non-designated derivative instruments, realized loss on interest rate swaps and Adjustments to Equity Income. EBITDA and Adjusted EBITDA are used as a supplemental financial measure by management and by external users of our financial statements, such as investors, as discussed below:

- Financial and operating performance. EBITDA and Adjusted EBITDA assist our management and investors by increasing the comparability of our fundamental performance from period to period and against the fundamental performance of other companies in our industry that provide EBITDA and Adjusted EBITDA information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest expense, taxes, depreciation or amortization, amortization of in-process revenue contracts and realized and unrealized loss on derivative instruments relating to interest rate swaps, interest rate swaptions, and cross-currency swaps, which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. We believe that including EBITDA and Adjusted EBITDA as financial and operating measures benefits investors in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength and health in assessing whether to continue to hold our common and preferred units.
- Liquidity. EBITDA and Adjusted EBITDA allow us to assess the ability of assets to generate cash sufficient to service debt, pay distributions and undertake capital expenditures. By eliminating the cash flow effect resulting from our existing capitalization and other items such as dry-docking expenditures, working capital changes and foreign currency exchange gains and losses, EBITDA and Adjusted EBITDA provides a consistent measure of our ability to generate cash over the long term. Management uses this information as a significant factor in determining (a) our proper capitalization (including assessing how much debt to incur and whether changes to the capitalization should be made) and (b) whether to undertake material capital expenditures and how to finance them, all in light of our cash distribution policy. Use of EBITDA and Adjusted EBITDA as liquidity measures also permits investors to assess the fundamental ability of our business to generate cash sufficient to meet cash needs, including distributions on our common and preferred units.

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

The following table reconciles our historical consolidated EBITDA and Adjusted EBITDA to net income, the most directly comparable GAAP financial measure, and our historical consolidated Adjusted EBITDA to net operating cash flow, the most directly comparable GAAP financial measure.

| (in thousands of U.S. Dollars) | Year Ended December 31, 2016 | Year Ended December 31, 2015 | Year Ended December 31, 2014 | Year Ended December 31, 2013 | Year Ended December 31, 2012 |
|---|---|---|---|---|---|
| Reconciliation of “EBITDA” and “Adjusted EBITDA” to “Net income”: | | | | | |
| Net income | 157,965 | 217,510 | 218,927 | 213,315 | 139,142 |
| Depreciation and amortization | 95,542 | 92,253 | 94,127 | 97,884 | 100,474 |
| Interest expense, net of interest income | 56,261 | 40,758 | 57,362 | 52,731 | 50,709 |
| Income tax expense | 973 | 2,722 | 7,567 | 5,156 | 625 |
| EBITDA | 310,741 | 353,243 | 377,983 | 369,086 | 290,950 |
| Restructuring charges, net of reimbursement | — | — | 1,989 | 1,786 | — |
| Write-down and loss on sale of vessels | 38,976 | — | — | — | 29,367 |
| Foreign currency exchange (gain) loss | (5,335) | (13,943) | (28,401) | 15,832 | 8,244 |
| Amortization of in-process contracts included in voyage revenues, net of offsetting vessel operating expenses | (1,113) | (1,113) | (1,113) | (1,113) | (649) |
| Unrealized (gain) loss on non-designated derivative instruments | (19,433) | (12,375) | 2,096 | (22,568) | (6,900) |
| Realized loss on interest rate swaps | 25,940 | 28,968 | 41,725 | 38,089 | 37,427 |
| Adjustments to Equity Accounted EBITDA(12)(13) | 95,565 | 87,683 | 74,675 | 59,906 | 54,594 |
| Adjusted EBITDA | 445,341 | 442,463 | 468,954 | 461,018 | 413,033 |
| Reconciliation of “Adjusted EBITDA” to “Net operating cash flow”: | | | | | |
| Net operating cash flow | 166,492 | 239,729 | 191,097 | 183,532 | 192,013 |
| Expenditures for dry docking | 12,686 | 10,357 | 13,471 | 27,203 | 7,493 |
| Interest expense, net of interest income | 56,261 | 40,758 | 57,362 | 52,731 | 50,709 |
| Income tax expense | 973 | 2,722 | 7,567 | 5,156 | 625 |
| Change in operating assets and liabilities | 20,669 | 34,187 | (18,822) | (10,078) | 7,307 |
| Equity income from joint ventures | 62,307 | 84,171 | 115,478 | 123,282 | 78,866 |
| Dividends received from equity accounted joint ventures | (31,113) | (97,146) | (11,005) | (13,738) | (14,700) |
| Restructuring charges, net of reimbursement | — | — | 1,989 | 1,786 | — |
| Realized loss on interest rate swaps | 25,940 | 28,968 | 41,725 | 38,089 | 37,427 |
| Realized loss (gain) on cross-currency swaps recorded in foreign currency exchange (gain) loss | 26,774 | 7,640 | 2,222 | 338 | (257) |
| Adjustments to Equity Accounted EBITDA(12)(13) | 95,565 | 87,683 | 74,675 | 59,906 | 54,594 |
| Other, net | 8,787 | 3,394 | (6,805) | (7,189) | (1,044) |
| Adjusted EBITDA | 445,341 | 442,463 | 468,954 | 461,018 | 413,033 |

(9) Calendar-ship-days are equal to the aggregate number of calendar days in a period that our vessels were in our possession during that period.

(10) Equity accounted vessels include (i) six LNG carriers (or the MALT LNG Carriers) relating to the Teekay LNG-Marubeni Joint Venture from 2012, (ii) four LNG carriers (or the RasGas 3 LNG Carriers) relating to our joint venture with QGTC Nakilat (1643-6) Holdings Corporation from 2008, (iii) four LNG carriers relating to the Angola Project (or the Angola LNG Carriers) in our joint venture with Mitsui & Co. Ltd. and NYK Energy Transport (Atlantic) Ltd. from 2011, (iv) two LNG carriers (or the Exmar LNG Carriers) relating our LNG joint venture with Exmar NV (or Exmar) and (v) 19, 16, and 15 LPG carriers (or the Exmar LPG Carriers) from 2016, 2015, and 2014, respectively, relating to our LPG joint venture with Exmar. The figures in the selected financial data for our equity accounted vessels are at 100% and not based on our ownership percentages.

(11) For 2016, the number of vessels indicated do not include nine LNG carriers newbuildings in our consolidated liquefied gas fleet and 14 LNG and LPG carriers newbuildings in our equity accounted liquefied gas fleet.

(12) Adjusted Equity Accounted EBITDA is a non-GAAP financial measure. Adjusted Equity Accounted EBITDA represents equity income after Adjustments to Equity Income. Adjustments to Equity Income consist of depreciation and amortization, interest expense net of interest income, income tax expense (recovery), amortization of in-process revenue contracts, foreign currency exchange loss (gain), write-down and loss (gain) on sales of vessels, unrealized gain on non-designated derivative instruments and realized loss on interest rate swaps, in each case related to our equity accounted entities, on the basis of our ownership percentages of such entities. Neither Adjusted Equity Accounted EBITDA nor Adjustments to Equity Accounted EBITDA should be considered as an alternative to equity income or any other measure of financial performance or liquidity presented in accordance with GAAP. Adjustments to Equity Accounted EBITDA exclude some, but not all, items that affect equity income and these measures may vary among other companies. Therefore, Adjustments to Equity Accounted EBITDA as presented in this Annual Report may not be comparable to similarly titled measures of the other companies. When using Adjusted EBITDA as a measure of liquidity, it should be noted that this measure includes the Adjusted EBITDA from our equity accounted for investments. We do not have control over the operations, nor do we have any legal claim to the revenue and expenses of our equity accounted for investments. Consequently, the cash flow generated by our equity accounted for investments, as measured by Adjusted Equity Accounted EBITDA, may not be available for use by us in the period generated.

(13) Adjustments relating to equity income from our equity accounted joint ventures are as follows:

| (in thousands of U.S. Dollars) | Year Ended December 31, 2016 | Year Ended December 31, 2015 | Year Ended December 31, 2014 | Year Ended December 31, 2013 | Year Ended December 31, 2012 |
|---|---|---|---|---|---|
| Reconciliation of “Adjusted Equity Accounted EBITDA” to “Equity Income”: | | | | | |
| Equity Income | 62,307 | 84,171 | 115,478 | 123,282 | 78,866 |
| Depreciation and amortization | 52,095 | 48,702 | 45,885 | 45,664 | 25,589 |
| Interest expense, net of interest income | 39,849 | 37,376 | 36,916 | 35,110 | 26,622 |
| Income tax expense (recovery) | 352 | 315 | (155) | 163 | 87 |
| Amortization of in-process revenue contracts | (5,482) | (7,153) | (8,295) | (14,173) | (11,083) |
| Foreign currency exchange loss (gain) | 125 | (527) | (441) | 149 | (18) |
| Write-down and loss (gain) on sales of vessels | 4,861 | 1,228 | (16,923) | — | — |
| Unrealized gain on non-designated derivative instruments | (6,963) | (10,945) | (1,563) | (26,432) | (5,549) |
| Realized loss on interest rate swaps | 10,728 | 18,687 | 19,251 | 19,425 | 18,946 |
| Adjustments to Equity Accounted EBITDA | 95,565 | 87,683 | 74,675 | 59,906 | 54,594 |
| Adjusted Equity Accounted EBITDA | 157,872 | 171,854 | 190,153 | 183,188 | 133,460 |

RISK FACTORS

Some of the following risks relate principally to the industry in which we operate and to our business in general. Other risks relate principally to the securities market and to ownership of our common or preferred units. The occurrence of any of the events described in this section could materially and adversely affect our business, financial condition, operating results and ability to pay distributions on, and the trading price of, our common and preferred units.

We may not have sufficient cash from operations to enable us to pay the current levels of quarterly distributions on our common and preferred units following the establishment of cash reserves and payment of fees and expenses.

The amount of cash we can distribute on our common and preferred units principally depends upon the amount of cash we generate from our operations, which may fluctuate based on, among other things:

- the rates we obtain from our charters;
- the expiration of charter contracts;
- the charterers options to terminate charter contracts or repurchase vessels;
- the level of our operating costs, such as the cost of crews and insurance;
- the continued availability of LNG and LPG production, liquefaction and regasification facilities;
- the number of unscheduled off-hire days for our fleet and the timing of, and number of days required for, scheduled dry docking of our vessels;
- delays in the delivery of newbuildings and the beginning of payments under charters relating to those vessels;
- prevailing global and regional economic and political conditions;
- currency exchange rate fluctuations;
- the effect of governmental regulations and maritime self-regulatory organization standards on the conduct of our business; and
- limitation of obtaining cash distributions from joint venture entities due to similar restrictions within the joint venture entities.

The actual amount of cash we will have available for distribution also will depend on factors such as:

- the level of capital expenditures we make, including for maintaining vessels, building new vessels, acquiring existing vessels and complying with regulations;
- our debt service requirements and restrictions on distributions contained in our debt instruments;

- fluctuations in our working capital needs;
- our ability to make working capital borrowings, including to pay distributions to unitholders; and
- the amount of any cash reserves, including reserves for future capital expenditures, anticipated future credit needs and other matters, established by Teekay GP L.L.C., our general partner (or our General Partner) in its discretion.

The amount of cash we generate from our operations may differ materially from our profit or loss for the period, which will be affected by non-cash items. As a result of this and the other factors mentioned above, we may make cash distributions during periods when we record losses and may not make cash distributions during periods when we record net income.

Our ability to grow may be adversely affected by our cash distribution policy.

Our cash distribution policy, which is consistent with our partnership agreement, requires us to distribute each quarter all of our Available Cash (as defined in our partnership agreement, which takes into account cash reserves for, among other things, future capital expenditures and credit needs). Accordingly, our growth may not be as fast as businesses that reinvest their Available Cash to expand ongoing operations.

In determining the amount of cash available for distribution, the board of directors of our General Partner, in making the determination on our behalf, approves the amount of cash reserves to set aside, including reserves for future maintenance capital expenditures, anticipated future credit needs, working capital and other matters. We also rely upon external financing sources, including commercial borrowings and proceeds from debt and equity offerings, to fund our capital expenditures. Accordingly, to the extent we do not have sufficient cash reserves or are unable to obtain financing, our cash distribution policy may significantly impair our ability to meet our financial needs or to grow.

Global crude oil prices have significantly declined since mid-2014. The significant decline in oil prices has also contributed to depressed natural gas prices. Lower oil prices may negatively affect both the competitiveness of natural gas as a fuel for power generation and the market price of natural gas, to the extent that natural gas prices are benchmarked to the price of crude oil. These declines in energy prices, combined with other factors beyond our control, have adversely affected energy and master limited partnership capital markets and available sources of financing for our capital expenditures and debt repayment obligations. As a result, effective for the quarterly distribution for the fourth quarter of 2015, we reduced our quarterly cash distributions per common unit to $0.14 from $0.70, and our near-term business strategy is primarily to focus on funding and implementing existing growth projects and repaying or refinancing scheduled debt obligations with cash flows from operations rather than pursuing additional growth projects. It is uncertain when the energy and capital markets will normalize and when, if at all, the board of directors of our General Partner may increase quarterly cash distributions on our common units.

Our ability to repay or refinance our debt obligations and to fund our capital expenditures will depend on certain financial, business and other factors, many of which are beyond our control. To the extent we are able to finance these obligations and expenditures with cash from operations or by issuing debt or equity securities, our ability to make cash distributions may be diminished or our financial leverage may increase or our unitholders may be diluted. Our business may be adversely affected if we need to access other sources of funding.

To fund our existing and future debt obligations and capital expenditures, including our LNG carrier newbuildings, we will be required to use cash from operations, incur borrowings, and/or seek to access other financing sources. Our access to potential funding sources and our future financial and operating performance will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control. If we are unable to access additional bank financing and generate sufficient cash flow to meet our debt, capital expenditure and other business requirements, we may be forced to take actions such as:

- restructuring our debt;
- seeking additional debt or equity capital;
- selling assets;
- further reducing distributions;
- reducing, delaying or cancelling our business activities, acquisitions, investments or capital expenditures; or
- seeking bankruptcy protection.

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

Use of cash from operations and possible future sale of certain assets will reduce cash available for distribution to unitholders. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions. Even if we are successful in obtaining necessary funds, the terms of such financings could limit our ability to pay cash distributions to unitholders or operate our business as currently conducted. In addition, incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional equity securities may result in significant unitholder dilution and would increase the aggregate amount of cash required to maintain our quarterly distributions to unitholders.

We have limited current liquidity.

As at December 31, 2016, we had total liquidity of $369.8 million, consisting of $126.1 million of cash and cash equivalents and $243.7 million of undrawn borrowings under our revolving credit facilities, subject to limitations in the credit facilities.  Our primary near-term liquidity needs include payment of our quarterly distributions, including distributions on our common units and Series A