Teekay LNG Partners L.P.
Form 6-K
August 17, 2018

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

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2018
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 ý 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 ý
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 ý

TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018
INDEX

ITEM 1 – FINANCIAL STATEMENTS
TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (notes 1 and 2)
(in thousands of U.S. Dollars, except unit and per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Voyage revenues (notes 5b and 9a)	122,315	100,904	237,621	202,084
Voyage expenses	(7,951)	(996)	(13,752)	(2,433)
Vessel operating expenses (note 9a)	(33,969)	(26,001)	(62,436)	(49,389)
Depreciation and amortization	(29,794)	(26,794)	(59,061)	(52,914)
General and administrative expenses (notes 9a and 13)	(7,096)	(4,642)	(13,667)	(8,799)
Write-down of vessels (notes 14a, b, d and e)	(33,000)	(12,600)	(51,662)	(12,600)
Restructuring charges (note 14c)	—	—	(1,396)	—
Income from vessel operations	10,505	29,871	35,647	75,949
Equity income (loss) (note 6c)	11,194	(507)	37,918	5,380
Interest expense (notes 7 and 10)	(28,171)	(20,525)	(52,877)	(37,513)
Interest income	902	579	1,816	1,433
Realized and unrealized gain (loss) on non-designated derivative instruments (note 10)	4,302	(7,384)	12,303	(6,197)
Foreign currency exchange gain (loss) (notes 7 and 10)	8,443	(15,825)	7,170	(19,393)
Other income (expense) (note 11c)	350	390	(52,232)	781
Net income (loss) before income tax expense	7,525	(13,401)	(10,255)	20,440
Income tax expense (note 8)	(843)	(236)	(1,622)	(393)
Net income (loss)	6,682	(13,637)	(11,877)	20,047
Non-controlling interest in net income (loss)	3,948	2,436	(7,717)	7,063
Preferred unitholders' interest in net income (loss)	6,426	2,813	12,851	5,625
General Partner’s interest in net income (loss)	(68)	(378)	(340)	147
Limited partners’ interest in net income (loss)	(3,624)	(18,508)	(16,671)	7,212
Limited partners’ interest in net income (loss) per common unit: (note 12)				
• Basic	(0.05)	(0.23)	(0.21)	0.09
• Diluted	(0.05)	(0.23)	(0.21)	0.09
Weighted-average number of common units outstanding:				
• Basic	79,687,499	79,626,819	79,667,384	79,608,587
• Diluted	79,687,499	79,626,819	79,667,384	79,741,256
Cash distributions declared per common unit	0.14	0.14	0.28	0.28

Related party transactions (note 9)
The accompanying notes are an integral part of the unaudited consolidated financial statements.

TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (notes 1 and 2)
(in thousands of U.S. Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Net income (loss)	6,682	(13,637)	(11,877)	20,047
Other comprehensive income:				
Other comprehensive income before reclassifications				
Unrealized gain (loss) on qualifying cash flow hedging instruments, net of tax (note 10)	6,890	(218)	9,189	(1,014)
Amounts reclassified from accumulated other comprehensive income (loss)				
To equity income:				
Realized (gain) loss on qualifying cash flow hedging instruments	(526)	595	(617)	1,292
To interest expense:				
Realized (gain) loss on qualifying cash flow hedging instruments (note 10)	(2)	—	248	
Other comprehensive income	6,362	377	8,820	278
Comprehensive income (loss)	13,044	(13,260)	(3,057)	20,325
Non-controlling interest in comprehensive income (loss)	4,408	2,115	(6,190)	6,732
Preferred unitholders' interest in comprehensive income (loss)	6,426	2,813	12,851	5,625
General and limited partners' interest in comprehensive income (loss)	2,210	(18,188)	(9,718)	7,968

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

TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS (notes 1 and 2)
(in thousands of U.S. Dollars)

	As at June 30, 2018 $	As at December 31, 2017 $
ASSETS		
Current		
Cash and cash equivalents	177,071	244,241
Restricted cash – current (notes 7 and 10)	53,599	22,326
Accounts receivable, including non-trade of $14,972 (2017 – $13,203)	29,679	24,054
Prepaid expenses	4,800	6,539
Vessels held for sale (notes 14a and 14b)	29,911	33,671
Current portion of derivative assets (note 10)	3,054	1,078
Current portion of net investments in direct financing leases (note 5b)	10,453	9,884
Advances to affiliates (notes 9b and 10)	8,538	7,300
Other current assets (note 2)	2,035	—
Total current assets	319,140	349,093
Restricted cash – long-term (note 7)	29,823	72,868
Vessels and equipment		
At cost, less accumulated depreciation of $673,065 (2017 – $681,991)	1,349,449	1,416,381
Vessels related to capital leases, at cost, less accumulated depreciation of $43,659 (2017 – $25,883) (note 5a)	1,406,462	1,044,838
Advances on newbuilding contracts (note 9d)	349,169	444,493
Total vessels and equipment	3,105,080	2,905,712
Investments in and advances to equity-accounted joint ventures (note 6)	1,100,674	1,094,596
Net investments in direct financing leases (note 5b)	480,294	486,106
Derivative assets (note 10)	12,878	6,172
Intangible assets – net	56,650	61,078
Goodwill – liquefied gas segment	35,631	35,631
Other assets (note 5b)	8,055	8,043
Total assets	5,148,225	5,019,299
LIABILITIES AND EQUITY		
Current		
Accounts payable	2,973	3,509
Accrued liabilities (notes 10, 11c and 14c)	123,713	45,757
Unearned revenue (note 5b)	25,227	25,873
Current portion of long-term debt (note 7)	372,378	552,404
Current obligations related to capital leases (note 5a)	83,374	106,946
In-process contracts	3,445	7,946
Current portion of derivative liabilities (note 10)	64,329	79,139
Advances from affiliates (note 9b)	18,959	12,140
Total current liabilities	694,398	833,714
Long-term debt (note 7)	1,355,377	1,245,588
Long-term obligations related to capital leases (note 5a)	1,123,419	904,603

Other long-term liabilities (note 5a)	42,369	58,174
Derivative liabilities (note 10)	37,059	45,797
Total liabilities	3,252,622	3,087,876
Commitments and contingencies (notes 5, 7, 10 and 11)		
Equity		
Limited Partners - common units (79.7 million units and 79.6 million units issued and outstanding at June 30, 2018 and December 31, 2017, respectively)	1,502,492	1,539,248
Limited Partners - preferred units (11.8 million units issued and outstanding at June 30, 2018 and December 31, 2017)	285,159	285,159
General Partner	49,403	50,152
Accumulated other comprehensive income	11,772	4,479
Partners' equity	1,848,826	1,879,038
Non-controlling interest	46,777	52,385
Total equity	1,895,603	1,931,423
Total liabilities and total equity	5,148,225	5,019,299

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

5

TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (notes 1 and 2)
(in thousands of U.S. Dollars)

	Six Months Ended June 30, 2018 $	2017 $
Cash and cash equivalents provided by (used for)		
OPERATING ACTIVITIES		
Net (loss) income	(11,877)	20,047
Non-cash items:		
Unrealized gain on non-designated derivative instruments (note 10)	(20,632)	(3,818)
Depreciation and amortization	59,061	52,914
Write-down of vessels	51,662	12,600
Unrealized foreign currency exchange gain and other	(20,167)	(9,091)
Equity (income) loss, net of dividends received of $11,583 (2017 - $21,281)	(26,335)	15,901
Ineffective portion on qualifying cash flow hedging instruments included in interest expense	—	747
Change in non-cash operating assets and liabilities	56,299	3,145
Expenditures for dry docking	(4,423)	(11,042)
Net operating cash flow	83,588	81,403
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	248,392	166,663
Scheduled repayments of long-term debt	(105,099)	(103,343)
Prepayments of long-term debt	(205,765)	(63,704)
Debt issuance costs	(4,971)	(2,077)
Proceeds from financings related to sale-leaseback of vessels	243,812	297,230
Scheduled repayments of obligations related to capital leases	(25,316)	(19,045)
Cash distributions paid	(34,727)	(28,274)
Dividends paid to non-controlling interest	(157)	(658)
Other	—	(605)
Net financing cash flow	116,169	246,187
INVESTING ACTIVITIES		
Capital contributions to equity-accounted joint ventures	(27,071)	(96,960)
Return of capital from equity-accounted joint ventures	—	40,320
Proceeds from sale of equity-accounted joint venture (note 6c)	54,438	—
Receipts from direct financing leases	5,242	9,037
Proceeds from sale of vessel	—	20,580
Expenditures for vessels and equipment	(311,308)	(244,387)
Net investing cash flow	(278,699)	(271,410)
(Decrease) increase in cash, cash equivalents and restricted cash	(78,942)	56,180
Cash, cash equivalents and restricted cash, beginning of the period	339,435	243,173
Cash, cash equivalents and restricted cash, end of the period	260,493	299,353
Supplemental cash flow information (note 15)		

TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY (notes 1 and 2)
(in thousands of U.S. Dollars and units)

	TOTAL EQUITY Partners' Equity Limited Partners							
	Common Units	Common Units	Preferred Units	Preferred Units	General Partner	Accumulated Other Comprehensive Income	Non-controlling Interest	Total
	#	$	#	$	$	$	$	$
Balance as at December 31, 2017	79,627	1,539,248	11,800	285,159	50,152	4,479	52,385	1,931,423
Net loss	—	(16,671)	—	12,851	(340)	—	(7,717)	(11,877)
Other comprehensive income	—	—	—	—	—	7,293	1,527	8,820
Distributions declared	—	(22,305)	—	(12,851)	(455)	—	—	(35,611)
Dividends paid to non-controlling interest	—	—	—	—	—	—	(157)	(157)
Change in accounting policy (note 2)	—	1,959	—	—	41	—	739	2,739
Equity based compensation, net of withholding tax of $0.7 million (note 13)	61	261	—	—	5	—	—	266
Balance as at June 30, 2018	79,688	1,502,492	11,800	285,159	49,403	11,772	46,777	1,895,603

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

Table of Contents

TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

1. Basis of Presentation

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

Certain information and footnote disclosures required by GAAP for complete annual financial statements have been omitted and, therefore, these interim financial statements should be read in conjunction with the Partnership's audited consolidated financial statements for the year ended December 31, 2017, which are included in the Partnership's Annual Report on Form 20-F for the year ended December 31, 2017 filed with the U.S. Securities and Exchange Commission (or SEC) on April 16, 2018. In the opinion of management of Teekay GP L.L.C., the general partner of the Partnership (or the General Partner), these interim unaudited consolidated financial statements reflect all adjustments consisting solely of a normal recurring nature, necessary to present fairly, in all material respects, the Partnership's consolidated financial position, results of operations, changes in total equity and cash flows for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of those for a full fiscal year.

Significant intercompany balances and transactions have been eliminated upon consolidation. In addition, because the Partnership has determined that the entities that have financed certain of the Partnership's liquefied natural gas (or LNG) carriers or LNG carrier newbuildings through sale-leaseback transactions are VIEs that should be consolidated, the presentation of the sale-leaseback transactions in the consolidated statements of cash flows has been adjusted to reflect these transactions as financing activities instead of investing activities in the current and comparative period. This has resulted in a decrease in net investing cash flow of $297 million and an increase in net financing cash flow of $297 million for the six months ended June 30, 2017.

2. Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (or FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers, (or ASU 2014-09). ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue as each performance obligation is satisfied. ASU 2014-09 became effective for the Partnership as of January 1, 2018, and may be applied, at the Partnership's option, retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Partnership adopted ASU 2014-09 as a cumulative-effect adjustment as of such date. The Partnership has elected to apply ASC 2014-09 only to those contracts that are not completed as of January 1, 2018. The Partnership has identified the following differences on adoption of ASU

2014-09:

- In certain cases, the Partnership will incur pre-operational costs that relate directly to a specific customer contract, that generate or enhance resources of the Partnership that will be used in satisfying performance obligations in the future, whereby such costs are expected to be recovered via the customer contract. Such costs will be deferred and amortized over the duration of the customer contract. The Partnership previously expensed such costs as incurred unless the costs were directly reimbursable by the contract. This change had no material impact on the statement of income (loss) for the three and six months ended June 30, 2018, and increased other assets by $2.5 million, investments in and advances to equity-accounted joint ventures by $0.2 million, and total equity by $2.7 million as at June 30, 2018. The cumulative increase to opening equity as at January 1, 2018 was $2.7 million.
- The Partnership previously presented all accrued revenue as a component of accounts receivable. The Partnership has determined that if the right to such consideration is conditioned upon something other than the passage of time, such accrued revenue should be presented apart from accounts receivable. This had the effect of increasing other current assets and decreasing accounts receivable by $2.0 million at June 30, 2018. There was no cumulative impact to opening equity as at January 1, 2018.

In February 2016, FASB issued Accounting Standards Update 2016-02, Leases (or ASU 2016-02). ASU 2016-02 establishes a right-of-use model that requires a lessee to record a right of use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. For lessees, leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 requires lessors to classify leases as a sales-type, direct financing, or operating lease. A lease is a sales-type lease if any one of five criteria are met, each of which indicate that the lease, in effect, transfers control of the underlying asset to the lessee. If none of those five criteria are met, but two additional criteria are both met, indicating that the lessor has transferred substantially all of the risks and benefits of the underlying asset to the lessee and a third party, the lease is a direct financing lease. All leases that are not sales-type leases or direct financing leases are operating leases. ASU 2016-02 is effective January 1, 2019, with early adoption permitted. FASB issued an additional accounting standards update in July 2018 that made further amendments to accounting for leases, including allowing the use of a transition approach whereby a cumulative effect adjustment is made as of the effective date, with no retrospective effect. The Partnership is currently assessing whether it will adopt ASU 2016-02 during 2018 or on January 1, 2019. To determine the cumulative effect adjustment, the Partnership will not reassess lease classification, initial direct costs for any existing leases and whether any expired or existing contracts are or contain leases. The Partnership has identified the following differences based on the work performed to date:

Table of Contents
TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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- The adoption of ASU 2016-02 will result in a change in the accounting method for the lease portion of the daily charter hire for the chartered-in vessels of the Partnership’s equity-accounted joint ventures accounted for as operating leases with firm periods of greater than one year. Under ASU 2016-02, the equity accounted joint ventures will recognize a right-of-use asset and a lease liability on the balance sheet for these charters based on the present value of future minimum lease payments, whereas currently no right-of-use asset or lease liability is recognized. This will have the result of increasing the equity-accounted joint venture’s assets and liabilities. The pattern of expense recognition of chartered-in vessels is expected to remain substantially unchanged, unless the right of use asset becomes impaired.
- The adoption of ASU 2016-02 will result in the Partnership's lease classification assessment being determined when a lease commences instead of when the lease is entered into. The Partnership has entered into charters in prior periods for certain of its vessels currently under construction and which are expected to deliver over the period from 2018 to 2020. Historically, for charters that were negotiated concurrently with the construction of the related vessels, the fair value of the constructed asset was presumed to be its newbuilding cost and no gain or loss was recognized on commencement of the charter if such charters were classified as direct finance leases. On the adoption of ASU 2016-02, the fair value of the vessel is determined based on information available at the lease commencement date and any difference in the fair value of the ship upon commencement of the charter and its carrying value is recognized as a gain or loss upon commencement of the charter.
- The adoption of ASU 2016-02 will result in the recognition of revenue from the reimbursement of scheduled dry-dock expenditures, where such charter contract is accounted for as an operating lease, occurring upon completion of the scheduled dry-dock, instead of ratably over the period between the previous scheduled dry-dock and the next scheduled dry-dock. The cumulative effect adjustment to the Partnership's consolidated financial statements from the adoption of ASU 2016-02 will vary depending on the period in which the Partnership chooses to adopt ASU 2016-02. The Partnership is expecting to disclose in its consolidated financial statements for the third quarter of 2018 the quantitative impact of adopting ASU 2016-02, once the Partnership has determined the date on which it will adopt the new standard.
- In addition, direct financing lease payments received will be presented as an operating cash inflow instead of an investing cash inflow in the statement of cash flows.

In August 2016, the FASB issued Accounting Standards Update 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts
and Cash Payments (or ASU 2016-15), which, among other things, provides guidance on two acceptable approaches of classifying distributions received from equity-method investees in the statements of cash flows. ASU 2016-15 became effective for the Partnership as of January 1, 2018, with a retrospective approach required on adoption. The Partnership has elected to classify distributions received from equity method investees in the statement of cash flows based on the nature of the distribution. The adoption of this update did not have a material impact on the financial statements of the Partnership.

In November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows: Restricted Cash (or ASU 2016-18).
ASU 2016-18 requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities are also required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. ASU 2016-18 became effective for the Partnership as of January 1, 2018. Adoption of ASU 2016-18 resulted in the Partnership including in the consolidated statements of cash flows changes in cash, cash equivalents and restricted cash.

In August 2017, the FASB issued Accounting Standards Update 2017-12, Derivatives and Hedging - Targeted Improvements to Accounting
for Hedging Activities (or ASU 2017-12). ASU 2017-12 eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires, for qualifying hedges, the entire change in the fair value of a hedging instrument to be presented in the same income
statement line as the hedged item. The guidance also modifies the accounting for components excluded from the assessment of hedge effectiveness, eases documentation and assessment requirements and modifies certain disclosure requirements. ASU 2017-12 will be effective for the Partnership as of January 1, 2019. The Partnership is currently evaluating the effect of adopting this new guidance.

In June 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses
on Financial Instruments (or ASU 2016-13). ASU 2016-13 replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This update is effective for the Partnership as of January 1, 2020, with a modified-retrospective approach required on adoption. The Partnership is currently evaluating the effect of adopting this new guidance.

3. Financial Instruments

a) Fair Value Measurements

For a description of how the Partnership estimates fair value and for a description of the fair value hierarchy levels, see Note 3 to the Partnership's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2017. The following table includes the estimated fair value and carrying value of those assets and liabilities that are measured at fair value on a recurring and non-recurring basis, as well as the estimated fair value of the Partnership's financial instruments that are not accounted for at fair value on a recurring basis.

Table of Contents
TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

		June 30, 2018		December 31, 2017	
	Fair Value Hierarchy Level	Carrying Amount Asset (Liability) $	Fair Value Asset (Liability) $	Carrying Amount Asset (Liability) $	Fair Value Asset (Liability) $
Recurring:					
Cash and cash equivalents and restricted cash	Level 1	260,493	260,493	339,435	339,435
Derivative instruments (note 10)					
Interest rate swap agreements – assets	Level 2	6,624	6,624	878	878
Interest rate swap agreements – liabilities	Level 2	(53,679)	(53,679)	(73,984)	(73,984)
Cross-currency swap agreements – assets	Level 2	6,449	6,449	3,758	3,758
Cross-currency swap agreements – liabilities	Level 2	(50,975)	(50,975)	(54,217)	(54,217)
Other derivative	Level 3	2,330	2,330	1,648	1,648
Non-recurring:					
Vessels held for sale (note 14b)	Level 2	—	—	16,671	16,671
Vessels and equipment (note 14e)	Level 2	65,209	65,209	—	—
Other:					
Advances to equity-accounted joint ventures (note 6)	(i)	131,411	(i)	131,685	(i)
Long-term receivable included in accounts receivable and other assets (ii)	Level 3	1,200	1,194	3,476	3,459
Long-term debt – public (note 7)	Level 1	(379,813)	(387,671)	(376,581)	(384,820)
Long-term debt – non-public (note 7)	Level 2	(1,347,942)	(1,335,443)	(1,421,411)	(1,391,524)
Obligations related to capital leases	Level 2	(1,206,793)	(1,165,890)	(1,011,549)	(1,001,588)

(i) The advances to equity-accounted joint ventures together with the Partnership's equity investments in the joint ventures form the net aggregate carrying value of the Partnership's interests in the joint ventures in these consolidated financial statements. The fair values of the individual components of such aggregate interests are not determinable.

(ii) As described in Note 3 to the Partnership's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year-ended December 31, 2017, the estimated fair value of the non-interest bearing receivable from Royal Dutch Shell Plc (or Shell) is based on the remaining future fixed payments as well as an estimated discount rate. The estimated fair value of this receivable as of June 30, 2018 was $1.2 million (December 31, 2017 – $3.5 million) using a discount rate of 8.0%. As there is no market rate for the equivalent of an unsecured non-interest bearing receivable from Shell, the discount rate is based on unsecured debt instruments of similar maturity held by the Partnership, adjusted for a liquidity premium. A higher or lower discount rate would result in a lower or higher fair value asset.

Changes in fair value during the six months ended June 30, 2018 and 2017 for the Partnership's other derivative instrument, the Toledo Spirit time-charter derivative, which is described below and is measured at fair value on a recurring basis using significant unobservable inputs (Level 3), are as follows:

	Six Months Ended June 30,	
	2018	2017
	$	$
Fair value at beginning of period	1,648	2,134
Realized and unrealized gains included in earnings	1,669	1,120
Settlement payments	(987)	(1,019)
Fair value at end of period	2,330	2,235

The Partnership's Suezmax tanker, the Toledo Spirit, operates pursuant to a time-charter contract that increases or decreases the otherwise fixed-hire rate established in the charter depending on the spot charter rates that the Partnership would have earned had it traded the vessel in the spot tanker market. The time-charter contract ends in August 2025, although the charterer has the right to terminate the time-charter contract in August 2018. In May 2018, the charterer gave formal notification to the Partnership of its intention to terminate its charter contract subject to certain conditions being met and third-party approvals being received. In order to reduce the variability of its revenue under the Toledo Spirit time-charter, the Partnership entered into an agreement with Teekay Corporation under which Teekay Corporation pays the Partnership any amounts payable to the charterer of the Toledo Spirit as a result of spot rates being below the fixed rate, and the Partnership pays Teekay Corporation any amounts payable to the Partnership by the charterer of the Toledo Spirit as a result of spot rates being in excess of the fixed rate. The estimated fair value of this other derivative is based in part upon the Partnership's projection of future spot market tanker rates, which has been derived from current spot market tanker rates and long-term historical average rates, as well as an estimated discount

TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

rate. The estimated fair value of this other derivative as of June 30, 2018 is based upon an average daily tanker rate of $15,500 (June 30, 2017 – $18,000) over the remaining duration of the charter contract and a discount rate of 9.3% (June 30, 2017 – 8.4%). In developing and evaluating this estimate, the Partnership considers the current tanker market fundamentals as well as the short and long-term outlook. A higher or lower average daily tanker rate would result in a higher or lower fair value liability or a lower or higher fair value asset. A higher or lower discount rate would result in a lower or higher fair value asset or liability.

b) Financing Receivables

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

Class of Financing Receivable	Credit Indicator	Grade	June 30, 2018 $	December 31, 2017 $
Direct financing leases	Payment activity	Performing	490,747	495,990
Other receivables:				
Long-term receivable and accrued revenue included in accounts receivable and other assets	Payment activity	Performing	4,093	5,476
Advances to equity-accounted joint ventures (note 6)	Other internal metrics	Performing	131,411	131,685
			626,251	633,151

4. Segment Reporting

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

	Three Months Ended June 30, 2018			2017		
	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $
Voyage revenues	112,172	10,143	122,315	89,431	11,473	100,904
Voyage expenses	(4,445)	(3,506)	(7,951)	(602)	(394)	(996)
Vessel operating expenses	(30,422)	(3,547)	(33,969)	(21,374)	(4,627)	(26,001)
Depreciation and amortization	(28,661)	(1,133)	(29,794)	(23,839)	(2,955)	(26,794)
General and administrative expenses (i)	(6,199)	(897)	(7,096)	(3,573)	(1,069)	(4,642)
Write-down of vessels	(33,000)	—	(33,000)	—	(12,600)	(12,600)
Income (loss) from vessel operations	9,445	1,060	10,505	40,043	(10,172)	29,871
Equity income (loss)	11,194	—	11,194	(507)	—	(507)

Table of Contents
TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

	Six Months Ended June 30,					
	2018			2017		
	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $
Voyage revenues	217,221	20,400	237,621	178,378	23,706	202,084
Voyage expenses	(7,253)	(6,499)	(13,752)	(948)	(1,485)	(2,433)
Vessel operating expenses	(55,110)	(7,326)	(62,436)	(40,039)	(9,350)	(49,389)
Depreciation and amortization	(55,882)	(3,179)	(59,061)	(47,059)	(5,855)	(52,914)
General and administrative expenses (i)	(11,986)	(1,681)	(13,667)	(6,953)	(1,846)	(8,799)
Write-down of vessels	(33,000)	(18,662)	(51,662)	—	(12,600)	(12,600)
Restructuring charges	—	(1,396)	(1,396)	—	—	—
Income (loss) from vessel operations	53,990	(18,343)	35,647	83,379	(7,430)	75,949
Equity income	37,918	—	37,918	5,380	—	5,380

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

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

	June 30, 2018 $	December 31, 2017 $
Total assets of the liquefied gas segment	4,857,355	4,624,321
Total assets of the conventional tanker segment	70,782	112,844
Unallocated:		
Cash and cash equivalents	177,071	244,241
Accounts receivable and prepaid expenses	34,479	30,593
Advances to affiliates	8,538	7,300
Consolidated total assets	5,148,225	5,019,299

5. Vessel Charters

a) Obligations Related to Capital Leases

The minimum estimated charter hire and rental payments for the remainder of the year and the next four fiscal years, as at June 30, 2018, for the Partnership's vessels chartered-in are as follows:

	Remainder of 2018	2019	2020	2021	2022
Vessel Charters (i)	$	$	$	$	$
Charters-in – capital leases (ii)	87,756	119,534	118,785	117,830	117,035

(i) The Partnership owns 69% of Teekay BLT Corporation (or the Teekay Tangguh Joint Venture), which is a party to operating leases whereby the Teekay Tangguh Joint Venture is leasing the Tangguh Hiri and Tangguh Sago LNG carriers (or the Tangguh LNG Carriers) to a third party, which is in turn leasing the vessels back to the joint venture. The table above does not include the Partnership's minimum charter hire payments to be paid and received under these leases, which are described in more detail in Note 5 to the Partnership's audited consolidated financial statements filed with its Annual Report on Form 20-F for the year ended December 31, 2017. Under the terms of the leasing arrangement for the Tangguh LNG Carriers, whereby the Teekay Tangguh Joint Venture is the lessee, the lessor claims tax depreciation on its lease of these vessels. As is typical in these types of leasing arrangements, tax and change of law risks are assumed by the lessee. Lease payments under the lease arrangements are based on certain tax and financial assumptions at the commencement of the leases. If an assumption proves to be incorrect, the lessor is entitled to increase the lease payments to maintain its agreed after-tax margin.

Table of Contents
TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

The carrying amount of tax indemnification guarantees of the Partnership relating to the leasing arrangement through the Teekay Tangguh Joint Venture as at June 30, 2018 was $6.8 million (December 31, 2017 – $7.1 million) and is included as part of other long-term liabilities in the Partnership’s consolidated balance sheets. The tax indemnification is for the duration of the lease contracts with the third party plus the years it would take for the lease payments to be statute barred, which will end in 2033 for the vessels. Although there is no maximum potential amount of future payments, the Teekay Tangguh Joint Venture may terminate the lease arrangement on a voluntary basis at any time. If the lease arrangement terminates, the Teekay Tangguh Joint Venture will be required to pay termination sums to the lessor sufficient to repay the lessor’s investment in the vessels and to compensate it for the tax effect of the terminations, including recapture of any tax depreciation.

(ii) As at June 30, 2018, the Partnership was a party, as lessee, to a capital lease on one Suezmax tanker, the Toledo Spirit. Under this capital lease, the owner has the option to require the Partnership to purchase the vessel. The charterer, who is also the owner, also has the option to cancel the charter contract and the cancellation option is first exercisable in August 2018. The amounts in the table above assume the owner will not exercise its option to require the Partnership to purchase the vessel from the owner, but rather assume the owner will cancel the charter contract when the cancellation right is first exercisable in August 2018 and sell the vessel to a third party, upon which, the remaining lease obligation will be extinguished. Therefore, the table above does not include any amounts after the expected cancellation date of the lease. In May 2018, the charterer of the Toledo Spirit gave formal notification to the Partnership of its intention to terminate its charter contract subject to certain conditions being met and third-party approvals being received.

The Partnership is also a party to capital leases on seven LNG carriers, the Creole Spirit, the Oak Spirit, the Torben Spirit, the Macoma, the Murex, the Magdala and the Myrina. Upon delivery of these seven LNG carriers between February 2016 and May 2018, the Partnership sold these respective vessels to third parties (or the Lessors) and leased them back under 10-year bareboat charter contracts ending in 2026 through to 2028. The bareboat charter contracts are accounted for as obligations related to capital leases and have fixed-price purchase obligations at the end of the lease terms.

As at June 30, 2018, the Partnership has a sale-leaseback agreement in place for one of its LNG carrier newbuildings scheduled to deliver during the remainder of 2018, and upon delivery, the Lessor will charter the vessel back to the Partnership (see Note 16c). As at June 30, 2018, the Partnership had received $58 million from the Lessor relating to the one LNG carrier newbuilding that was recorded in current and long-term obligations related to capital leases in the Partnership's consolidated balance sheets. The Partnership has secured a further $127 million in capital lease financing to be received during the remainder of 2018 upon delivery of the vessel (see Note 16c).

The Partnership understands that these vessels and lease operations are the only assets and operations of the Lessors. The Partnership operates the vessels during the lease term and as a result, is considered to be, under GAAP, each Lessor's primary beneficiary; therefore, the Partnership consolidates the Lessors for financial reporting purposes as VIEs.

The liabilities of the Lessors are loans and are non-recourse to the Partnership. The amounts funded to the Lessors in order to purchase the vessels materially match the funding to be paid by the Partnership's subsidiaries under the sale-leaseback transaction. As a result, the amounts due by the Partnership's subsidiaries to the Lessors have been included in obligations related to capital leases as representing the Lessors' loans.

The obligations of the Partnership under the bareboat charter contracts are guaranteed by the Partnership. In addition, the guarantee agreements require the Partnership to maintain minimum levels of tangible net worth and aggregate liquidity, and not to exceed a maximum amount of leverage. As at June 30, 2018, the Partnership was in compliance with all covenants in respect of the obligations related to capital leases.

b)Revenue

The Partnership's primary source of revenue is chartering its vessels to customers. The Partnership utilizes three primary forms of contracts, consisting of time-charter contracts, voyage charter contracts and bareboat charter contracts. The Partnership also generates revenue from construction supervision and crew-training for the vessels under construction in its joint venture with China LNG Shipping (Holdings) Limited (or China LNG), CETS Investment Management (HK) Co. Ltd. and BW Investments Pte. Ltd (or the Pan Union Joint Venture), in which the Partnership's ownership interests range from 20% to 30%, and from the operation of an LNG receiving and regasification terminal related to its 30%-owned joint venture with National Oil and Gas Authority (30%), Gulf Investment Corporation (24%), and Samsung C&T (16%) (or the Bahrain LNG-Joint Venture). Such services may include the procurement of third party goods and services for the asset's owner.

Time Charters

Pursuant to a time charter, the Partnership charters a vessel to a customer for a fixed period of time, generally one year or more. The performance obligations within a time-charter contract, which will include the lease of the vessel to the charterer as well as the operation of the vessel, are satisfied as services are rendered over the duration of such contract, as measured using the time that has elapsed from commencement of performance. In addition, any expenses that are unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, are the responsibility of the customer, as long as the vessel is not off-hire. Hire is based on a fixed daily hire amount and is typically invoiced monthly in advance for time-charter contracts. However, certain sources of variability exist. Those include penalties, such as those that relate to periods the vessels are off-hire and where minimum speed and performance metrics are not met. In addition, certain time charters contain provisions that allow the Partnership to be compensated for increases in the Partnerships costs during the term of the charter. Such provisions may be in the form of annual hire rate adjustments for changes in inflation indices or interest rates or in the form of cost reimbursements for vessel operating expenditures or dry-docking expenditures. Finally, in a small number of charters, the Partnership may earn a profit share consideration, which occurs when actual spot tanker rates earned by the vessel exceed certain thresholds for a period of time. Variable consideration of the Partnership's contracts is typically recognized in the period in which the changes in facts and circumstances on which the variable lease payments are based occur as either such revenue is allocated and accounted for under lease accounting requirements or alternatively such consideration is allocated to distinct periods within a contract that such variable consideration was incurred in. The Partnership does not engage in any specific tactics to minimize residual value risk.

As at June 30, 2018, a substantial majority of the Partnership's vessels operated under time charter contracts with the Partnership's customers. Such contracts are scheduled to expire between 2018 and 2029. The time charters for many of the Partnership's LNG carriers have options whereby the charterer can extend the contract for periods up to a total extension of between three to 15 years. In addition, each of the

Table of Contents
TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

Partnership's time-charters are subject to certain termination and purchase provisions. As at June 30, 2018, the Partnership had $21.5 million of advanced payments recognized as contract liabilities included in unearned revenue (December 31, 2017 – $22.2 million) which are expected to be recognized as voyage revenues in the following period and are included in unearned revenue on the Partnership's consolidated balance sheets.

Voyage Charters

Voyage charters are charters for a specific voyage that are usually priced on a current or “spot” market rate. The performance obligations within a voyage charter contract, which will typically include the lease of the vessel to the charterer as well as the operation of the vessel, are satisfied as services are rendered over the duration of the voyage, as measured using the time that has elapsed from commencement of performance. In addition, any expenses that are unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, are the responsibility of the vessel owner. The Partnership’s voyage charters will normally contain a lease; however, judgment is necessary to determine this based upon the decision-making rights the charterer has within the contract. Consideration for such contracts are generally fixed, although certain sources of variability exist. Delays caused by the charterer result in additional consideration. Payment for the voyage is not due until the voyage is completed. The duration of a single voyage will typically be less than three months. The Partnership does not engage in any specific tactics to minimize residual value risk due to the short-term nature of the contracts.

Bareboat Charters

Pursuant to a bareboat charter, the Partnership charters a vessel to a customer for a fixed period of time, generally one year or more, at rates that are generally fixed. However, the customer is responsible for operation and maintenance of the vessel with its own crew as well as any expenses that are unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. If the vessel goes off-hire due to a mechanical issue or any other reason, the monthly hire received by the vessel owner is normally not impacted by such events. The performance obligations within a bareboat charter, which will include the lease of the vessel to the charterer, are satisfied over the duration of such contract, as measured using the time that has elapsed from commencement of the lease. Hire is typically invoiced monthly in advance for bareboat charters, based on a fixed daily hire amount.

Revenue Table

The following tables contain the Partnership’s revenue for the three and six months ended June 30, 2018 and 2017, by contract type and by segment.

	Three Months Ended June 30,					
	2018			2017		
	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $
Time charters	96,857	4,316	101,173	79,404	10,965	90,369

Voyage charters	6,767	5,719	12,486	—	230	230
Bareboat charters	5,734	—	5,734	7,405	—	7,405
Management fees and other income	2,814	108	2,922	2,622	278	2,900
	112,172	10,143	122,315	89,431	11,473	100,904

	Six Months Ended June 30,					
	2018			2017		
	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $	Liquefied Gas Segment $	Conventional Tanker Segment $	Total $
Time charters	190,316	9,714	200,030	157,918	21,697	179,615
Voyage charters	10,390	10,470	20,860	—	1,453	1,453
Bareboat charters	11,111	—	11,111	15,835	—	15,835
Management fees and other income	5,404	216	5,620	4,625	556	5,181
	217,221	20,400	237,621	178,378	23,706	202,084

Table of Contents
TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

The following table contains the Partnership's revenue from contracts that do not contain a lease element and the non-lease element of time-charters accounted for as direct financing leases for the three months ended June 30, 2018 and 2017.

	Three Months Ended		Six Months Ended	
	June 30 2018 $	June 30 2017 $	June 30 2018 $	June 30 2017 $
Non-lease revenue - related to sales type or direct financing leases	4,124	4,880	8,264	12,211
Management fees and other income	2,922	2,900	5,620	5,181
Total	7,046	7,780	13,884	17,392

Net Investments in Direct Financing Leases

The Tangguh LNG Carriers commenced their time-charters with their charterers in 2009. Both time-charter contracts are accounted for as direct financing leases with 20-year terms. In 2013, the Partnership acquired two 155,900-cubic meter LNG carriers (or Awilco LNG Carriers) from Norway-based Awilco LNG ASA (or Awilco) and chartered them back to Awilco on five- and four-year fixed-rate bareboat charter contracts (plus a one-year extension option), respectively, with Awilco holding fixed-price purchase obligations at the end of the charters. The bareboat charters with Awilco were accounted for as direct financing leases. In June 2017, the Partnership agreed to amend the charter contracts 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. The amendments have the effect of deferring charter hire of between $10,600 per day and $20,600 per day per vessel from July 1, 2017 until December 2019, with such deferred amounts added to the purchase obligation amounts. As a result of the contract amendments, one of the charter contracts with Awilco was reclassified as an operating lease upon the expiry of its original contract terms in November 2017. The second charter contract with Awilco will be reclassified as an operating lease upon the expiry of its original contract terms in August 2018, and at that time, approximately $131 million will be recorded as part of vessels and equipment. The following table lists the components of the net investments in direct financing leases:

	June 30, 2018 $	December 31, 2017 $
Total minimum lease payments to be received	543,569	568,710
Estimated unguaranteed residual value of leased properties	194,965	194,965
Initial direct costs	344	361
Less unearned revenue	(248,131)	(268,046)
Total net investments in direct financing leases	490,747	495,990

Less current portion	(10,453)	(9,884)
Net investments in direct financing leases	480,294	486,106

As at June 30, 2018, estimated minimum lease payments to be received by the Partnership related to the Tangguh LNG Carrier leases in each of the next five succeeding fiscal years are approximately $19.6 million (remainder of 2018), $39.1 million per year from 2019 through 2022 and an aggregate of $235.7 million thereafter. Both leases are scheduled to end in 2029. In addition, the estimated minimum lease payments to be received by the Partnership in 2018 related to the second Awilco LNG Carrier lease, up to its original contract term in August 2018, are approximately $1.0 million.

Operating Leases

As at June 30, 2018, the minimum scheduled future rentals to be received by the Partnership in each of the next five years for the lease and non-lease elements related to time charters that were accounted for as operating leases are approximately $216.3 million (remainder of 2018), $383.4 million (2019), $350.0 million (2020), $310.4 million (2021), $281.1 million (2022), and $676.3 million thereafter. Minimum scheduled future rentals on operating lease contracts do not include rentals generated from new contracts entered into after June 30, 2018, rentals from vessels in the Partnership’s equity-accounted investments, rentals from unexercised option periods of contracts that existed on June 30, 2018, variable or contingent rentals, or rentals from contracts which commenced after June 30, 2018. Therefore, the minimum scheduled future rentals on operating leases should not be construed to reflect total charter hire revenues for any of these periods.

The carrying amount of the Partnership's vessels which are employed on these time charters as at June 30, 2018, was $2.6 billion (December 31, 2017 – $2.2 billion). The cost and accumulated depreciation of the vessels employed on these time charters as at June 30, 2018 were $3.3 billion (December 31, 2017 – $2.9 billion) and $680.5 million (December 31, 2017 – $646.2 million), respectively.

Contract Costs

Table of Contents
TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. Dollars, except unit and per unit data or unless otherwise indicated)

In certain cases, the Partnership incurs pre-operational costs that relate directly to a specific customer contract, that generate or enhance resources of the Partnership that will be used in satisfying performance obligations in the future, whereby such costs are expected to be recovered via the customer contract. Those costs include costs incurred to reposition a vessel to a location where a charterer will take delivery of the vessel. In certain cases, the Partnership must make judgments about whether costs relate directly to a specific customer contract or whether costs were factored into the pricing of a customer contract and thus expected to be recovered. Such deferred costs are amortized on a straight-line basis over the duration of the customer contract. Amortization of such costs for the three and six months ended June 30, 2018 was $0.2 million and $0.4 million respectively. As at June 30, 2018, repositioning costs of $2.5 million were included as part of other assets in the Partnership's consolidated balance sheets.

6. Equity-Accounted Investments

a) As of June 30, 2018, the Partnership had loans outstanding to Exmar LPG BVBA of $52.3 million (December 31, 2017 – $52.3 million), the Partnership's 50/50 joint venture (or the Exmar LPG Joint Venture) with Exmar NV (or Exmar). These advances bear interest at LIBOR plus 0.50% and have no fixed repayment terms. As at June 30, 2018, the interest receivable on the advances was $nil (December 31, 2017 – $0.2 million). Both the advances and the interest receivable on these advances are included in investments and advances to equity-accounted joint ventures in the Partnership’s consolidated balance sheets.

b) As of June 30, 2018, the Partnership had loans outstanding to the Bahrain LNG Joint Venture of $79.1 million (December 31, 2017 – $79.1 million). As of June 30, 2018, the interest accrued on these advances was nominal (December 31, 2017 – $0.1 million). Both the advances and the accrued interest on these advances are included in investments and advances to equity-accounted joint ventures in the Partnership’s consolidated balance sheets.

c) On January 31, 2018, the Partnership sold its 50% ownership interest in its equity-accounted joint venture with Exmar (or the Excelsior Joint Venture) for gross proceeds of approximately $54 million. As a result of the sale, the Partnership recorded a gain of $5.6 million for the six months ended June 30, 2018, which is included in equity income (loss) in the Partnership's consolidated statements of income (loss).

7. Long-Term Debt

	June 30, 2018 $	December 31, 2017 $
U.S. Dollar-denominated Revolving Credit Facilities due from 2018 to 2022	110,000	254,275
U.S. Dollar-denominated Term Loans due from 2019 to 2031	1,036,515	935,286
Norwegian Kroner-denominated Bonds due from 2018 to 2021	380,491	377,856
Euro-denominated Term Loans due from 2018 to 2023	217,621	232,957
Other U.S. Dollar-denominated loan	—	10,000
Total principal	1,744,627	1,810,374
Unamortized discount and debt issuance costs	(16,872)	(12,382)
Total debt	1,727,755	1,797,992
Less current portion	(372,378)	(552,404)
Long-term debt	1,355,377	1,245,588

As at June 30, 2018, the Partnership had two revolving credit facilities available, of which one credit facility is current and one is long-term. The two credit facilities, as at such date, provided for borrowings of up to $376.5 million (December 31, 2017 – $443.7 million), of which $266.5 million (December 31, 2017 – $189.4 million) was undrawn. Interest payments are based on LIBOR plus margins, which margins ranged from 1.25% to 2.25%. The amount available under the two revolving credit facilities will be reduced by $200.9 million during the remainder of 2018, $22.4 million in 2019, $23.4 million in 2020, $24.4 million in 2021 and $105.4 million in 2022. The revolving credit facilities may be used by the Partnership to fund general partnership purposes. One of the revolving credit facilities is unsecured, while the other revolving credit facility is collateralized by first-priority mortgages granted on two of the Partnership’s vessels, together with other related security, and includes a guarantee from its two subsidiaries of all outstanding amounts.

As at June 30, 2018, the Partnership had eight U.S. Dollar-denominated term loans outstanding which totaled $1.0 billion in aggregate principal amount (December 31, 2017 – $935.3 million). Interest payments on the term loans are based on LIBOR plus a margin, which margins ranged from 0.30% to 3.25%. The eight term loans require quarterly interest and principal payments and seven term loans have balloon or bullet repayments due at maturity. The term loans are collateralized by first-priority mortgages on 20 of the Partnership’s vessels to which the loans relate, together with certain other related security. In addition, at June 30, 2018, all of the outstanding term loans were guaranteed by either the Partnership or Teekay Nakilat Corporation, a joint venture of which the Partnership is a 70% owner (or the Teekay Nakilat Joint Venture).

The Partnership has Norwegian Kroner (or NOK) 3.1 billion of senior unsecured bonds in the Norwegian bond market that mature through 2021. As at June 30, 2018, the total amount of the bonds, which are listed on the Oslo Stock Exchange, was $380.5 million (December 31, 2017 – $377.9 million). The interest payments on the bonds are based on NIBOR plus a margin, which margins ranged from 3.70% to 6.00%. The Partnership entered into cross-currency rate swaps, to swap all interest and principal payments of the bonds into U.S. Dollars, with the interest payments fixed at rates ranging from 5.92% to 7.72% and the transfer of principal fixed at $430.5 million upon maturity in exchange for NOK 3.1 billion (see Note 10).

The Partnership has two Euro-denominated term loans outstanding, which as at June 30, 2018, totaled 186.2 million Euros ($217.6 million) (December 31, 2017 – 194.1 million Euros ($233.0 million)). Interest payments are based on EURIBOR plus margins, which margins ranged from 0.60% to 2.25% as at June 30, 2018, and the loans require monthly interest and principal payments. The term loans have varying maturities through 2023. The term loans are collateralized by first-priority mortgages on two of the Partnership's vessels to which the loans relate, together with certain other related security and are guaranteed by the Partnership and one of its subsidiaries.

The weighted-average interest rates for the Partnership’s long-term debt outstanding at June 30, 2018 and December 31, 2017 were 4.11% and 3.34%, respectively. These rates do not reflect the effect of related interest rate swaps that the Partnership has used to economically hedge certain of its floating-rate debt (see Note 10). At June 30, 2018, the margins on the Partnership’s outstanding revolving credit facilities and term loans ranged from 0.30% to 3.25%.

All Euro-denominated term loans and NOK-denominated bonds are revalued at the end of each period using the then-prevailing U.S. Dollar exchange rate. Due primarily to the revaluation of the Partnership’s NOK-denominated bonds, the Partnership’s Euro-denominated term loans and restricted cash, and the change in the valuation of the Partnership’s cross-currency swaps, the Partnership incurred foreign exchange gains (losses) of $8.4 million and $(15.8) million for the three months ended June 30, 2018 and 2017, respectively, and $7.2 million and $(19.4) million for the six months ended June 30, 2018 and 2017, respectively.

The aggregate annual long-term debt principal repayments required subsequent to June 30, 2018, after giving effect to the debt facility refinancing completed in July 2018 (see Note 16a), are $309.1 million (remainder of 2018), $131.5 million (2019), $400.5 million (2020), $405.5 million (2021), $76.7 million (2022) and $421.3 million (thereafter).

Certain loan agreements require that (a) the Partnership maintain minimum levels of tangible net worth and aggregate liquidity, (b) the Partnership maintain certain ratios of vessel values related to the relevant outstanding loan principal balance, (c) the Partnership not exceed a maximum amount of leverage, and (d) certain of the Partnership’s subsidiaries maintain restricted cash deposits. As at June 30, 2018, the Partnership has four facilities with an aggregate outstanding loan balance of $238.8 million that require it to maintain minimum vessel-value-to-outstanding-loan-principal-balance ratios ranging from 110% to 135%, which as at June 30, 2018, ranged from 126% to 183%. The vessel values used in calculating these ratios are the appraised values provided by third parties where available, or prepared by the Partnership based on second-hand sale and purchase market data. Since vessel values can be volatile, the Partnership’s estimates of market value may not be indicative of either the current or future prices that could be obtained if the Partnership sold any of the vessels. The Partnership’s ship-owning subsidiaries may not, among other things, pay dividends or distributions if the Partnership's subsidiaries are in default under their term loans or revolving credit facilities and, in addition, the term loan in the Teekay Nakilat Joint Venture requires it to satisfy a minimum vessel value to outstanding loan principal balance ratio to pay dividends. As at June 30, 2018, the Partnership was in compliance with all covenants relating to the Partnership’s credit facilities and term loans.

8. Income Tax

The components of the provision for income taxes were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	$	$	$	$
Current	(569)	(236)	(1,074)	(474)
Deferred	(274)			