Company: Teekay LNG Partners L.P.

Conference Title: Teekay LNG Partners' Fourth Quarter and Fiscal 2016 Earnings Results Conference Call

Moderator: Mark Kremin

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Operator: Welcome to the Teekay LNG Partners' Fourth Quarter and Fiscal 2016 Earnings Results Call. During the call, all participants will be in a listen-only mode. Afterwards, we will be inviting to participate in a question-and-answer session. At that time, if you have a question, participants will be asked to press star one to register for a question. As a reminder, this call is being recorded. Now, for opening remarks and introductions, I'd like to turn the call over to Mr Mark Kremin, Teekay LNG Partners' President and Chief Executive Officer. Please go ahead.

Scott: Before Mr Kremin begins, I would like to direct all participants to our website at www.teekaylng.com, where you will find a copy of the fourth quarter and annual 2016 earnings presentation. Mr Kremin will review this presentation during today's conference call. Please allow me to remind you that our discussion today contains forward-looking statements. Actual results may differ materially from results projected by those forward-looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the fourth quarter and annual 2016 earnings release and earnings presentation available on our website. I will now turn the call over to Mr Kremin to begin.

Mark Kremin: Thank you, Scott. Good morning, everyone, and thank you for joining us on the fourth quarter investor conference call for Teekay LNG Partners. I'm joined today, and what will be my first Teekay LNG quarterly conference call, by Brody Speers, the newly appointed CFO of Teekay Gas Group. Brody has worked for Teekay for nine years in progressive financial positions and, as of 1st February, was appointed CFO Teekay Gas Group. Brody has focused most of his time on Teekay LNG over the past several years and has been leading our recent financing initiatives, including securing long-term financings for growth projects. In addition, for the Q&A session, we are joined by Vince Lok, the Teekay

Corporations CFO. Throughout our call, I will lead – I will be taking you through the earnings presentation which can be found on our website.

Turning to slide three of the presentation, I'll review some of Teekay LNG's recent highlights. For the fourth quarter of 2016, the partnership generated distributable cash flow or DCF of $50 million, and cash flow from vessel operations or CFVO of $115 million. The Partnership continued to generate stable cash flows during the quarter, including a full quarter contribution from the delivery of our second MEGI LNG carrier newbuilding, the Oak Spirit, which commenced its 5-year charter contract with Cheniere Energy in early August. We generated DCF per limited partner common unit of $0.63 per unit, resulting in a strong distribution coverage ratio of 4.4 times.

During the fourth quarter, we completed approximately $1.7 billion in debt and equity financings, including approximately $1 billion in long-term financings relating to our committed growth projects. We are currently on track to complete the remaining long-term financings within the second half of 2017. Brody will provide more detail on these financings later in the presentation.

I'm pleased to advice that, last week, we held the naming ceremony for our third MEGI LNG carrier the Torben Spirit, named after Teekay's late founder, Torben Karlshoej. The vessel is expected to deliver from DSME in South Korea at the end of February and immediately begin its 10 months charter plus an extension option to a major energy company. Lastly, we continue to bolster our liquidity and currently maintain a strong liquidity position of $446 million as of December 31, 2016, which includes the $36 million 5-year NOK bond add-on issuance in January 2017 and a February 2017 cash distribution from the RasGas 3 joint venture related to its refinancing completed in December 2016.

Turning to slide four. As we mentioned during our last quarterly update, the partnership has now secured charter contracts with strong counterparties for all of its new building LNG carriers. In total, the partnership has 19 new building LNG carriers and 30% interest in the Bahrain regasification facility, which are scheduled to commence operations between now and early 2020. All will commence fixed rate charters upon delivery.

Combined with Teekay LNG's existing portfolio of fixed rate charters, the partnerships committed growth projects contribute to a market leading forward fixed fee revenue backlog of approximately $12 billion with a weighted average remaining contract duration of 13 years, before taking into account extension options.

Turning to slide five. We have provided an update on the Yamal LNG project which is sponsored by Novatek, Total, CNPC, CNOC, and Silk Road Fund. The partnership will provide a strategically important project with both icebreaker and conventional LNG transportation through its 50% interest in six Arc7 LNG carriers with the joint venture partner China LNG shipping, chartered for 26 to 28 years and a 100% interest in a MEGI LNG carrier chartered for 15 years.

Overall, we continue to see this project de-risk and achieve milestones according to the initial timeline. Train 1 is now 88% complete and on track for start-up in Q3 2017. Meanwhile, the overall project including all three trains is 75% complete. In addition to remaining on schedule, the Yamal LNG project has sold 96% of its LNG capacity through long-term SPAs. It is now fully financed through over $13 billion in equity, contributed by the Yamal sponsors and 19 billion in external debt from Chinese, Russian and more recently Japanese and Italian financiers.

The first Arc7 LNG carrier new build for Sovcomflot sailed the way from DSME in South Korea in November 2016 and has now commenced ice trials. In January 2017, our joint venture's first Arc7 vessel, the Eduard Toll was launched at the shipyard in Korea and remains on track for delivery in January 2018. We continue to make good progress on delivering these vessels on schedule and on budget and preparing for operations. Throughout the construction process, all Arc7 ship owners have been collaborating on pre-delivery construction and operation plans. Finally, the financing of our joint ventures Arc7 vessels has made significant progress, which we'll discuss in more detail later on in the presentation.

Turning to slide six, we look at developments in the LNG shipping market. Global LNG exports grew by approximately 20 million tons or 8% in 2016 as new liquefaction projects came on line. Global LNG exports are expected to increase by a further 35 million tons or 13% during 2007 as new projects in Australia, the United States and Malaysia come on line and start ramping up production. This trade growth of 13% should exceed fleet supply growth of approximately 10% and lead to an increase in vessels utilization as we move through 2017.

In addition, an increase in Asian LNG spot prices has, at times, reopened the arbitrage for long haul LNG movements from the Atlantic basin to Asia, further supporting LNG vessel demand. The combination of more cargos and longer voyage distances has supported short-term LNG shipping rates, which have averaged over $40,000 per day so far this year, compared to an average of $33,000 per day in 2016. We would like to note however that actual time charter equivalents or TCEs for vessels trading on the spot market are significantly lower than the stated spot charterer rates due to the low vessel utilization. Teekay LNG currently has limited exposure to the short-term market through four vessels and our 52% owned joint venture with Marubeni Corporation.

Turning to slide seven, we look at the long-term fundamentals for LNG shipping. 12 new LNG projects are currently under construction with more than 120 million tonnes per annum of new export capacity coming online by 2020. As a result, we estimate that global LNG trade will grow by approximately 36% by the end of the decade compared to expected fleet growth from the current order book of approximately 27%. We therefore believe that the current order book is sufficient – is insufficient, excuse me, to meet LNG shipping demand in the coming years and we estimate that a further 20 to 30 additional new build orders will need to be placed for delivery by 2020 in order to meet this demand.

Looking further ahead, the long-term outlook for LNG remains strong. The latest long-term forecast from BP and ExxonMobil show global LNG trade growing by around two and a half times from current levels over the next 20 to 25 years. Meeting this growth will require a great deal of new LNG liquefaction capacity and we believe that recovering oil and LNG prices may lead to an uptick in project FITs in the coming years as energy company's look ahead to meeting the world's growing energy needs. This would create further upside to LNG shipping demand as new projects get sanctioned.

In summary, we believe that the market will tighten as LNG trade growth outstrips vessel supply in the coming months. In the longer term, we believe that a recovery in global energy prices and the need for more gas supply will lead to the sanction into more projects, creating new demand for LNG shipping. I will now turn the call over to Brody to provide an update on the partnerships financing activities.

Brody Speers: Thank you, Mark, and hello everyone. Turning to slide eight, during the fourth quarter, the partnership made significant progress in completing long-term financings for our growth projects, corporate financings and refinancing. In total, since October 2016, we have raised approximately 1.7 billion in capital as we remain focused on building liquidity and executing on the partnerships financial plan.

In October 2016 we accessed the capital markets by raising 125 million in perpetual preferred equity and 110 million in a five-year NOK bond that was subsequently upsized during add-ons bond offering in January 2017, increasing the total proceeds to 146 million.

In addition, the partnership successfully refinanced and upsize its unsecured corporate revolving credit facility in November 2016 from 150 million to 170 million, bringing in two additional banks into our corporate unsecured lending group.

Over the past few quarters, we've been focused on completing financings for our committed growth projects. We are pleased to have now completed several important financings for this growth, including through our 50/50 Exmar LPG joint venture, we've completed the final two sale leaseback facilities for a mid-sized LPG carrier new building vessel, which will deliver through Q1 2018. And the Bahrain regasification terminal, which was financed through a 740 million, 20-year non-recourse facility of which Teekay LNG's 30% portion was approximately 220 million. And 685 million 10-year sale leaseback financing with ICBC leasing for four of our MEGI LNG carriers delivering in 2017 and 2018 including the Torben Spirit, which is scheduled to deliver at the end of this month.

Finally, in December 2016 our RasGas 3 joint venture where Teekay LNG has a 40% ownership interest, took advantage of an opportunity to refinance and upsize the long-term debt facility through bilateral loan with the Qatari bank. This transaction released 40 million in equity to TGP in February 2017.

Turning to slide nine, I will provide an update on our progress in securing long-term financings for our growth projects. I am pleased to report that we have completed nearly all of the long-term financings for our 2017 vessel deliveries, with the last 2017 delivery expected to be financed within the next few months.

We also continue to make significant progress on the financings for our remaining projects with deliveries from 2018 onwards. As highlighted in previous quarters, we continue to see strong interest from financing institutions for our projects, particularly out of Asia, and are progressing our remaining financings on a parallel track.

Starting at the top of the slide, the financings for our remaining four MEGI LNG carrier new buildings, which are all employed on long-term chartered contracts to Shell, BP and the Yamal LNG projects and deliver starting late 2017 through early 2019, are progressing well. Three of these vessels are expected to be financed through sale leaseback facilities which are now credit approved and in the documentation stage.

The fourth vessel which delivers in early 2019 is in the term sheet negotiation stage. Moving down the list, as mentioned in the previous slide, we've completed 740 million nonrecourse long-term financing for commercial bank and an export credit agency for the Bahrain regasification terminal, of which Teekay LNG's 30% portion was approximately 220 million.

This was a major milestone for the project and provides momentum for us to now progress the financing of our 100% owned FSU new build, which will go on charter to the Bahrain LNG project for 20 years. We are currently negotiating a term sheet for the new building FSU. The four LNG carrier new buildings delivering in 2017 through 2019 on long-term charter with Shell, formerly the BG group are already fully financed through a long-term nonrecourse debt facility.

Together with our 50/50 joint venture partner, China LNG shipping or CLNG, we continue to make significant progress and are in the final documentation stage of completing the financing on our first Arc7 LNG carrier new building vessels delivering in 2018. Financing of our joint ventures remaining four Arc7 vessels delivering in 2019 and 2020 also reached an important milestone in January, when our joint venture signed a term sheet with a major Chinese bank to finance all four vessels.

Finally, with our 50/50 joint venture partner Exmar, we've now completed financing for all of our mid-size LPG carrier new building vessels, which will deliver through Q1 2018. As you can see at the bottom of the slide, we've now completed approximately 1.2 billion in financing for our growth projects and anticipate completing a further 1.7 billion within the second half of 2017.

Turning to Slide 10, we've provided an update on Teekay LNG's projected run rate CFVO, including the proportionate share from its equity accounted investments. We start with the annualized Q4 2016 run rate CFVO of approximately 475 million, which includes an adjustment to the temporary deferral of higher relating to our vessels chartered to Skaugen of 4.5 million in Q4. From here, we expect CFVO to grow moderately in 2017 with a delivery of four LNG carrier new buildings in which the partnership of between 30% and 100% and three mid-size NPG carrier new buildings in our 50/50 Exmar LPG joint venture. Partially offset this year by the assumed sale of two conventional tankers.

As a result of this deferral agreement with Yemen LNG, the end of 2017 run rate CFVO also excludes approximately 25 million in CFVO, which is the partnership share of deferred higher from these two vessels on an annualized basis. Given the backend loaded nature of Teekay LNG new building deliveries, we expect run rate CFVO will begin to ramp up post 2017 when we expect to add an incremental 250 million of annual run rate CFVO by 2020.

Thank you all for joining us on the call today. Operator, we are now available to take questions.

Operator: Thank you. If you'd like to signal for a question, please press star one, once again, that's star one to be placed on the queue. And we'll pause for a moment to allow everyone an opportunity to signal. And again, as a reminder, that's star one to signal. And we will first go to Michael Webber with Wells Fargo.

Michael Webber: Hey, good morning, guys. How are you?

Mark Kremin: Hey, Mike.

Michael Webber: Nice. Mark and Brody, welcome to what I'm sure is the first of many TGP calls but wanted to start off on probably the biggest question for TGP around the dividend over the distribution and how you guys think about liquidity mix. Looking at the kind of landscape of Amort and Bullets and CapEx requirement, it seems like in order to get comfortable with increasing distribution, the bullet space from 17 to 19 need to be looked at and refinanced. I'm curious, wanted the right interpretation in terms of looking for the major milestones for 2018 dividend where you said something like that. And if that is the case, how much of those bullets do you think you need to refinance before you could get comfortable with starting to increase your payouts again.

Mark Kremin: Thanks for the question, Mike. Mike, let's start with the cash flow for months. Our cash flows are going to continue to grow as project deliver and as mentioned we expect approximately 250 million of EBITDA growth in the period you mentioned, 2018 and onwards. So the dividend capacity is obviously going to be increased on our part as these projects deliver. As previously highlighted in my comments of last quarter, increasing distributions at the appropriate time is important priority for TGP, but we need to look at a number of things, and we are going to be doing that with our board this year, so at this time we are not able to provide much more specific items on it.

Michael Webber: Okay. That's helpful. Just around, I guess in conjunction with that you got a number of projects delivering and you made a lot of progress and financing that to CapEx but how does the process of revaluating that distribution and kind of securing the reminder of your CapEx financing and in fact your ability to go out aggressively looking at your projects? It seems like the sweat equity needed to get involved and set your gas projects seems like it is going up with consortiums kind of coming together earlier and you need to take an equity stake in the project, are you guys on the sidelines of that stuff right now, or is there a point in time you could meaningfully go out and look at sourcing kind of new high respect projects?

Mark Kremin: I wouldn't say that we are on the side-lines. Obviously, when it comes to the financing, we are definitely focused on completing what Brody mentioned in the second half of 2017 and also looking at refinance since we have in coming up in 2018. But no, we are not on the side-lines, Mike, and I am not sure, we are missing too much. We do have an increased focus on long-term charters. There haven't been a lot of those coming now. The requirements that we have seen are coming out are not necessarily for new CapEx. So we have some ships, whether it is a joint venture with Marubeni or the Torben Spirit, which will come off charter perhaps as early as next year, that we are still able to fit into these projects to compete against others. So I don't think we are necessarily missing too much here, Mike.

Michael Webber: That's interesting. So you say there is an uptick in activity and I just request for say older tonnage with kind of lot like lower transportation plug for kind of export arbitrage. Are you seeing increase in demand for the older assets specifically?

Mark Kremin: Well what we have seen for instance if you look – there are couple of projects that we expect to come out shortly. Those projects – those tenders or requests were supposed to come out much earlier last year they did and they are out fold and the new builds. And now that those new building tenders have been cancelled, they are coming out in a different form of shorter-term charters which are probably more suitable just in existing [inaudible]. I am not saying [inaudible] ships, necessarily, but TFDE's or even MEGI's, existing ships will compete for those bridging contracts and we are seeing fair amount of those.

Michael Webber: Okay, that's helpful. One more from me and I will turn it over. You ran through some of the [inaudible] made the progress with the first one. Just around that Arctic route, there was some scuttle I guess over the winter around that Arctic channel needing some additional dredging, it is hard to find a lot of information on it. The implication there could be that they put forward and maybe heavier load into the kind of conventional side of that business. Has there been any sort of shift in that in those plans you can see and or maybe that conventional tender getting pulled forward a bit or anything to add at all?

Mark Kremin: We haven't seen that yet, Mike. I mean in terms of dredging we are actually just in terms of ice we have some decent news. We, as you know, the first of complex ship is searching for ice and it seems to found some. So it has been, well, that ship has been in approximately one meter of ice with half meter snow on top and cutting through quite nicely and we expect to see the 1.5 meters or so that we are looking for hopefully soon. In terms of dredging and the more of a conventional shift, I haven't seen that and I haven't heard about that. We of course have one conventional carrier onto the project and we haven't heard anything like that.

Michael Webber: Okay, that's helpful. I'll stop and turn it over.

Operator: And we'll go next to Ben Nolan from Stifel.

Ben Nolan: Yeah, thanks. So I've a couple of follow on questions. Number one, and Mike mentioned this, could you just maybe remainder having done the refinancing lately what bullets are remaining or what refinancing is need to be done for 2018 and 2019?

Brody Speers: Yeah, I will start with 2017 where we have bullet in March with our Marubeni joint venture on our multi-vessels and that visibility is the refinancing is credit approved now and we expect to close that in March. And then we have about 73 million of our NOK bond due in May, which we have already potentially pre-finance with October issuance in January follow on. In 2018, there is a number of bullets, they are more kind of back-ended towards the end of the year. Those refinancing is supported by long-term charters to strong counterparties. Low loan to values on vessels or two of them relates to vessels which have purchase obligations from the charter and the amount that exceed the loan refinance. And in 2019, we just have one small loan for conventional tankers, the bullets of about $30 million, and then refinancing in one of our joint ventures with EXMAR for about $130 million.

Ben Nolan: Okay. So my sense from that is – it is you feel that's all pretty easily manageable and just sort of matter of course and time rather than really challenging negotiations or heading out?

Mark Kremin: Yeah, like I said, the bullet of Marubeni and 2018 and they are supported by long-term charters, just counterparty. Yeah, we think it is manageable.

Ben Nolan: Okay, that's helpful. And I had another question on again following on what Mike was saying with respect of sort of your participation in incremental projects. To the extent there are, and I appreciated number of the new requirements or updated requirements might be for existing tonnage, but to the extent that they are tendered out there for new buildings, is that something that you are currently participating and are contemplating being involved or are you focused little bit more on finding employment for the existing equipment first?

Mark Kremin: We have again to sort of reiterate the point, we have seen a limited amount of new building projects for which we are interested at this point, and those projects are the ones that come long term short of priorities to strong counter parties. So we have participated to some extent in those but they haven't really come off. We have not seen a lot of opportunities right now that would require new CapEx that we're too interested at this point. As the liquefaction comes online, which we certainly expected to, and we start to see more and more of the longer term steadier projects come out, I think we will be in a position to participate.

Ben Nolan: And then lastly, actually I've two more questions but on Yamal project around the term sheets that you have for the financing are there any limitations with respect to the project itself actually starting up, or frankly with respect to your contracts, if they were too be a delay and appreciate right now on time on budget, but if they were to be a delay somewhere what happened and in Angola or something else, is there any contingency build into those contracts and also the financing that sort of push back of those? The payments of those until the project is self is actually up and operational?

Brody Speers: Yeah, sure on the financing side, there is essentially a delay period build in, there is update and it is also pre delivery financing. So the visibility in the project won't prevent us from drawing on those facilities and there is fairly generous long stop period in there for the project to come back, to come on stream, in the event there were delays. On the contract side, we get paid on delivery from Yamal, and so if there are delays, we would expect payment during that delay period.

Ben Nolan: Okay, that's great. And lastly for me, you have said this, two smaller older river vessels and I think there has been a talk about finding some new sort of regional employment on those, is that continuing to progress or how you envision the future of that equipment playing out?

Mark Kremin: I'll perhaps step outside of my boundaries a bit. Those ships are actually on charter to Teekay through April or so 2018. However, I think I can say that the Arctic one of the ships is currently in lay up. The other is idle after a short-term charter for PETRONAS last quarter. We are tendering both ships into multi-year contracts starting this year, primarily for Niche terminals or smaller. I wouldn't call them river as you say, but certainly shallow draft terminals in China. So that's the current status of those vessels for Teekay and perhaps ultimately for TGP.

Ben Nolan: Okay, great. That's very helpful and I appreciate you taking the questions. Thanks guys.

Operator: We'll go next to Spiro Dounis with UBS Securities.

Spiro Dounis: Good morning, gentlemen. Thanks for taking the question. I just wanted to start off on the leverage and just you sort of look forward thinking about maybe what pro forma leveraged looks like for you guys. You obviously got the maturities coming up and some amortisation. Should we assume you sort of just basically pay that down? How do you see yourselves ending up from the leverage standpoint by the end of the decade and you obviously made the decision that you preferred equity last quarter? Do you view that as a way to sort of supplement the debt or is that really more of a growth vehicle when you think about capital?

Brody Speers: Yeah, I mean obviously, we're focused on maintaining a strong balance sheet especially as we take delivery of all of our new building projects. And so as you mentioned we issued the 125 million of preferred equity in October as a way to de-lever the balance sheet. And so we're going to remain focused on keeping the balance sheet strong and keeping leverage at reasonable levels going forward as we take delivery of all this ships.

Spiro Dounis: And is there a target level you're looking to achieve? I mean is it below five times obviously, you got a lot charter coverage so you can run that a little bit higher than a typical one MLP. But is there a number you've got in mind that you could share?

Brody Speers: There's not a number that I think we want to share at the moment. But as you mentioned, we have strong contracts, long-term contracts in place so strong counterparties and so. We think where we're sitting now is reasonable when you consider the contract coverage that we have in place. But as I said, we're going to continue to monitor it and ensure we carry a strong balance going forward.

Spiro Dounis: Got it. Second one just wanted to walk through some of the assumptions on slide seven were you referred to the 20 to 30 vessel shortage. I think that's more or less along the same line as some of your peers. Just wondering what you assume in terms of trade route, because I think obviously a lot of the concern is that a lot of the US Gulf LNG maybe goes to Europe or to LatAm and then a lot of the Australia cargos go to Asia, which is obviously bad from a timeline perspective. So I guess now with SEBI in pass kind of well underway are you seeing that trade route and is maybe what's baked into your assumptions there?

Mark Kremin: So actually our assumptions are probably more conservative than most just to for starters. So on the – when we look to some of the peers that I think you're referring to, whether it's TTT or with Mackenzie Port and Morgan Stanley, Fearnley’s, all those guys are looking at 50 or more new builds needed by 2020. So I think we're a bit conservative in that regard. But to more to your point, yes, we are looking at primarily the US and Australia. Malaysia will come online and then the trades will hopefully see a little bit more arbitrage to Asia going forward.

Spiro Dounis: Asia, okay, got it. And then just last one and maybe it's a question for Kenneth if he’s on, but obviously a lot has changed at since Teekay's last Capital Markets Day and then it was the management team of course. I'm just wondering if there's any thoughts on going back to investors this year to revisit the strategy and communicate that vision.

Mark Kremin: Well, that's certainly a good question for Kenneth. I would suggest you bring it up on the Teekay Corp Call, which is going to happen tomorrow.

Spiro Dounis: Sounds good. Appreciate it. Thanks, guys.

Operator: We'll go next to next to Fotis Giannakoulis with Morgan Stanley.

Fotis Giannakoulis: Hi, gentlemen, and thank you for the opportunity. I would like to follow-up on the previous questions about debt financing and if you can give us especially for the re-financings of 2018. Your view of what is going to be the repayment profile of the refinancing. And if you have an estimate of long term cost delivery over the Yamal vessels of all the new buildings. What would be the annual debt repayments that you're expecting versus your depreciation?

Brody Speers: Sure. So for the 2018 balloons it's obviously going to vary by facility in large part linked to the contract in place. So these are all existing vessels with remaining contracts of anywhere from five to ten years and we would expect repayment profiles to kind of mirror the remaining term period that we have. For the Yamal vessel repayments, we're looking at profiles of approximately 16 to 20 years, depending on the facility.

Fotis Giannakoulis: Can you give us an estimate of the annual debt repayments excluding balloons and re-financings when all the eight new building LNG carriers will be on the water?

Brody Speers: Well, we can't really estimate that now until we've actually completed these re-financing, so I think it's a bit early for that to provide that on this call.

Fotis Giannakoulis: Thank you. Would it be reasonable to assume something very similar to depreciation or you're expecting that is going to have a lower – you're going to have a repayments lower than the depreciation?

Brody Speers: Well we depreciate the vessels over 35-year use for life, and the financing repayment profile will be shorter than that.

Fotis Giannakoulis: Okay, thank you very much. One last question, I think during your presentation you talked about your confidence that more FIDs are going to be coming, ordinary specific projects that you think that they have priority. Do you see in the market more off-take discussions for a long-term off-take agreement that will support this new FIDs or you are expecting some of these FIDs to be even without off-takes?

Mark Kremin: So one of the ones that comes up – I'm always a bit unclear on as whether any stake in actual FID in Mozambique, but that might be one that to your point which is next. In terms of the supply side, we did see that Shell announced just I guess this week that things are fairly balanced in actual the fair, most of the off-takes in the existing projects, is actually bought up or committed to already. So it's fairly balanced. Going forward, certainly with energy prices like they are, I think that will be continue to be the case. Most FIDs will only be taken if the majority of the LNG is committed to prior to the FID.

Fotis Giannakoulis: Thank you and one last question regarding what do you – where do you've used the long-term normalised rate for LNG carriers and how this has been impacted by the fact that according to some of the brokers in new billing prices they have declined versus what we used to know over $200 million. Now they talk about $190 million dollars. Is there a similar adjustment in your expectation for you normalised rate or a rate that these additional new buildings, that they will be purchased at a lower price will also drive the long-term rate down? And how does this impact the existing vessels either the steam carriers or the TFDE vessels?

Mark Kremin: We are not yet sure how much rates will change over time here. You're correct. The new building prices seem to be have dropped quite sharply regardless we haven't seen many orders. So this goes to the point we mentioned earlier, that even though prices are probably well below even $190 million dollars, there haven't been a lot of opportunities for ordering, as evidenced by the fact that now only five orders have taken place since October 2015. In terms of how those rates are going to look when those opportunities arise, that folks do want to go out back out and order the cheaper ship again.

I think they could be offset by the higher equity costs that some folks have volatility and interest rates going forward, et cetera, so in terms of the actual overall time charter rate it's probably, it may not change much. What will change, obviously, is the unit freight cost. When we see ships like our MEGI's coming out, they're going to deliver a much lower unit freight cost than the steam ships that you mentioned in going forward.

Fotis Giannakoulis: Thank you very much.

Operator: And we'll go next to Kyle Chong with PineBridge Investments.

Kyle Chong: Good morning. Can you hear me?

Mark Kremin: Yes.

Kyle Chong: Great. So when TGP cut its dividends or distributions, you know, Peter mentioned that they will be restored once the debt financing for growth projects are complete. But he also said at the time that they may be restored earlier if capital market conditions improve. You know both you and your competitors have done a number of transactions, so the capital markets seem like they're open. Do you share Peter's view that distributions could be restored before TGP closes on all of its debt financings for growth projects?

Mark Kremin: To kind of go back to the point we discussed with Mike, there are numerous factors we're going to be considering with our board next this year in terms of to what extent and when we start to reintroduce or increase the distribution. So you've mentioned financing, but the other thing that we've mentioned is our increased dividend capacity that will only come when our projects start to deliver in 2018. There are other things we'd have to consider at the time, other metrics we'd have to consider at the time even when we consider this. So it's not necessarily tied to the fact that Brody's doing a great job on the progress of the financing. Again, we do hope to complete most if not all of that in the end of the year, but that's not the single determinant and we need to have a discussion with our board before we can go into any more guidance on it.

Kyle Chong: Okay. If I could ask about distribution maybe a different angle, a lot of your peers have a coverage ratio target of 1.125 although they've been running at sort of 1.25 times. When you restore your distributions would your recommendations to the board be – would you be competitive relative to your peers, or would you want to have more cash to deleverage or to restart your growth pipeline?

Mark Kremin: Well, you mentioned a different angle. We're going at it with a lot of different angles, but I'm basically going to come back with the same answer. I will be drawn just slightly. Obviously our coverage ratio right now, 4.4, is very high, and it was perhaps a little low when week before we cut our distribution. So we will be looking at that as one of the metrics and we'll probably be discussing with the board to increase our coverage ratio. But we're not going to get into the specifics of how much. And so that's really all I can say at this point on the distribution.

Kyle Chong: Thank you.

Operator: And we'll go next to Thomas Lindsey, investor.

Thomas Lindsey: Yes, thank you very much. My question was regarding Yamal LNG project. I've had a close look at it. It's a rather amazing project risk profile given the country risk elements, the Putin situation, the sanctions, the physical challenges and the Arctic construction. But I want to focus in on the technology and operational risks of the ARC1 LNG carriers. I've heard your comments that the sea trials are on-going in the ice at the moment. But I am looking at the ships, as they have revolutionary technology basically untested or being tested for the first time now, the reinforced steel hulls, the new propulsion systems, and the configuration of the prowl literally requiring the ship to go in reverse to break the ice. It seems that these ships are going to be taking a beating over a 25-year charter period, and crunching through the ice up to the seven feet of Arctic ice, it seems that it's going to take a lot of wear and tear that can't be modelled by the ship builders. What is your long-term view of this technological risk, which no one really seems to be addressing?

Mark Kremin: Well, it's absolutely been addressed and it's been addressed for many years. The Russians and even Canada and other countries, but particularly Russia, have a tremendous amount of experience in this Arctic ice. And so the vessels that they have been running up in the Arctic for many years, they've certainly put that into a lot of these ships. So actually there is nothing that's untested on these particular ships, whether it's the Azipods or the general configuration of the haul itself is not too dissimilar from an LNG carrier or other ships that are in the ice. The ice risk, and just to kind of go a bit further, we – my understanding is during the ice trials, I'll call them. We did already do sea trials, but during ice trials we have already struck a hard ridge of ice, which was good, and we got to see the results of that, and the results were good. The ice risk itself, however, is for the charter for the most part. So they understand the issue and specific ice issues are contracted. The liability is contracted to the charter around us, but again it's certainly not something that – folks have put a lot of effort to this and we are very confident in the technology on it.

Thomas Lindsey: Yeah, but you would never want to have your charter in a distressed financial condition then you've got a – then you have a similar situation the Yemen LNG, when people say 'Wow, we are not just getting paid and you are not getting paid. I don't care what the contract says.' But the larger point here regarding the ship is this is a brand new configuration. The Soviets have done a lot of work, but they are basically going head-first into the ice. This is a new technology going in reverse into the ice with the propulsion system exposed to the ice and all of that is modelled very well I'm sure in the lab, but this is where the rubber meets the road, to use a bad analogy.

Mark Kremin: Okay. Well to your point, model is one thing and actual trials are another, so we'll get a good look at this [inaudible] ship in the ice right now. And then there will be some other vessels also delivering prior to ours in 2018. And if there are any issues, which we certainly don't expect and haven't seen thus far, we'll be able to take a better view of it at that time.

Thomas Lindsey: Yeah, well, you're still looking at a different configuration than the Russians have used in the Arctic with their ship so, to compare it to the Russian experience is only partially correct. It seems to me that there's a great, unanswered question. And to follow-up, this is the first ARC7 being delivered to the project. Is it anticipated that every single ship has to go through Arctic ice trials prior to delivery or are you going to basically say that's all – they're all the same design? So if it's good for one, it's good for all?

Mark Kremin: There the – it's to be determined. So they're all basically all of the same design. We'll probably see as all, I wouldn't call this entirely new design. A lot of the things are the same as we see in other ships, the membrane system and those things. But to the extent there's any teeding or issues that we do see on the first ship, and hopefully the improvements would be applied to the second and third and so forth. If we're uncomfortable with the ice trials, the are results to those, we do have the opportunity to, of course, do our own ice trials on each occasion. I'm not sure yet what the value will be. We'll have to take a look at these ice trials and determine whether that would be useful. And also perhaps, if there's a second ice trial by the other owners or a third ice trial before we deliver, we've taken a close look at all those results as we said the partners collaborate closely and we'll determine whether we want our own ice trials at that time.

Thomas Lindsey: Isn't this a matter of contract though? I mean isn't this built into the contract beforehand? It seems to me that this thing would be settled well in advance, either ice trials or no ice trials, or some sort of contingency plan in between.

Mark Kremin: Yes, it is in the contract. Yes, we have that ability.

Thomas Lindsey: The charter has the ability to demand it, or you have the option to do the trials or not?

Mark Kremin: We have the ability to do ice trials if we wish.

Operator: And we'll go next to Espien Landmark with Fearnley.

Espien Landmark: Hi guys, just wondering if you can walk us through the assumptions for the Yamal and the [inaudible] vessels, kind of how much starting with the Yamal, how much is deferred and how much, I mean what is the upside on the 25 million, and then on the Scowgan there was a 4.5 million deferral in 4Q. What's the assumptions for 2017?

Brody Speers: Sure. So for 2017, we've agreed to differ a significant portion of the Yemen LNG charter hire and so that's for TGP share that's about 25 million per year. But as we mentioned, we can trade these ships for our own account in the short-term market so we expect to be able to mitigate a portion of that. For the Skaugen vessels in Q4, we deferred 4.5 million and we're expecting a deferral in Q1 as well in the range of 3 to 4 million.

Espien Landmark: All right, that's helpful. And then on the debt side, there seems to be some chronology movement from both the repayments and drawing. Is there any kind of specific items you would highlight in the quarter?

Brody Speers: Not really. I think the main reason that it looked high maybe is we drew down on our unsecured revolver and then refinanced it, and subsequently repaid it. But it was just a temporary draw, so I think that's why it looks high in the quarter.

Espien Landmark: All right, and just to kind of sum up some of the other questions regarding the bullets coming. I think you previously highlighted there will be some capital cost on the RasGas vessel, but is it fair to assume that beyond that, there's not going to be any capital outlays on the re-fi side?

Brody Speers: On the RasGas vessels, there's not going to be any capital calls. We actually took 40 million of equity out of that structure on refinancing in December. So for the – in the 2018 refinancing, yeah, we don't expect any significant pay downs on any of those balloons. The one where we do have a capital injection required is the Malt refinancing with our Marubeni joint venture, which is occurring next month, and we expect about 35 million for TGP's share to be injected to pay down the balloon there.

Espien Landmark: Yeah, I was referring to Malt. That's very helpful. Thank you.

Operator: And that concludes today's question and answer session. I'd like to turn the conference or to Mr Mark Kremin for any additional or closing remarks.

Mark Kremin: Thank you very much. We look forward to seeing you until next quarter, or hearing from you, I guess. Thank you.

Operator: And that does conclude today's conference. Thank you for your participation.