Company: Teekay LNG Partners L.P.

Conference Title: Teekay LNG Partners' Third Quarter 2016

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Operator: Please stand by. Welcome to Teekay LNG Partners' Third Quarter 2016 Earning Results Conference Call. During the call, all participants will be in a listen-only mode. Afterwards you will be invited to participate in a question-and-answer session. At that time, if you have a question, participants will be asked to press *1 to register for a question. For assistance during the call, please press *0 on your touchtone phone. As a reminder, this call is being recorded. Now, for opening remarks and introductions, I would like to turn the call over to Mr. Peter Evensen, Teekay LNG Partners Chief Executive Officer. Please go ahead, sir.

Ryan Hamilton: Before Mr. Evensen begins, I'd like to direct all participants to our website at www.teekay.com where you'll find a copy of the Third Quarter 2016 Earnings Presentation. Mr. Evensen 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 differ materially from those in the forward-looking statements, is contained in Third Quarter 2016 Earnings Release and Earnings Presentation available on our website. I'll now turn over this call to Mr. Evensen to begin.

Peter Evensen: Thank you, Ryan. Good morning, everyone, and thank you for joining us on our Third Quarter Investor Conference Call for Teekey LNG Partners. I'm joined today, on what will be my final Teekay LNG Quarterly Conference Call, by Mark Kremin, the current President of Teekay Gas and CEO-elect of Teekay Gas Group Ltd.; Vince Lok, Teekay Corporation CFO; and Brian Fortier, Teekay Corporation's Controller. During our call today, I'll be taking you through the earnings presentation, which can be found on our website.

Turning to Slide 3 of the presentation, I'll review some of Teekay LNG's recent highlights. For the third quarter of 2016, the Partnership generated distributable cash flow, or DCF, of $54 million and cash flow from vessel operations, or CFVO, of $116 million. The Partnership continued to generate strong cash flows during the quarter with the delivery of our second MEGI LNG carrier new building, the Oak Spirit, which commenced its 5-year charter contract with Cheniere Energy in early August. We generated DCF per limited common unit of 68 cents per unit, resulting in a strong distribution-coverage ratio of 4.8 times. Since reporting earnings in August, the Partnership has secured charter contracts for all of its previously uncommitted LNG carrier new buildings. We now have secured a short-term charter contract with a major energy company and a new 15-year charter contract with the Yamal LNG project for the Partnership's two previously unchartered MEGI LNG carrier new buildings. Which are delivering in early 2017 and early 2019 respectively, and I'll talk more about that on the next slide. I'm pleased to report that we continue to make significant progress on securing long-term financing for the Partnership's growth projects that deliver through early 2020. We're currently on track to complete $1.3 billion in new long-term financings on various growth projects in the next few months.

Lastly, in October, the Partnership again demonstrated its access to the capital markets and bolstered its liquidity position through the recent issuance of $125 million in a preferred equity offering and a $110-million 5-year Norwegian Krone bond issuance, the preferred unit issuance with the Partnership's first such offering, and contributes to further increasing our financial flexibility while delevering the balance sheet. As part of the oversubscribed Norwegian Krone bond offering, the Partnership agreed to repurchase 292 million Krone of bonds, which were due in May of 2017. Overall, the Partnership's liquidity at the end of September 2016, after giving pro forma effect for these capital markets transaction, was approximately $490 million.

Turning to Slide 4, as I mentioned in my opening remarks, the Partnership has now charter contracts for all of its new building LNG carriers. The Torben Spirit, which is expected to deliver in late February, will commence a tenth[?] in month plus one-year option charter contract to a major oil – energy company.

Prior to the conclusion of this charter, the Partnership will seek to secure a long-term contract for this vessel. In addition, the Partnership's other remaining uncommitted LNG newbuilding vessel, which delivers in early 2019, will operate under a 15-year charter contract with the fully financed Yamal LNG Project, providing conventional LNG transportation services. The Partnership will now provide this strategically important project with both icebreaking and conventional LNG transportation services. The Yamal Project remains on track for start-up in late 2017. With the addition of these two charter contracts, the Partnership's forward fee-based revenue now stands at $12.2 billion with a weighted average remaining contract duration of 13 years.

Turning to Slide 5, now that we've secured charters for all of our new buildings, we've seen strong interest from financing institutions, particularly in Asia, to fund all of our new buildings, and so we're now in active dialogue on the secured financing of all of our new buildings. If we look at each project, I'm pleased to report that we're now in the final stages of completing a $710 million sale-leaseback transaction to finance four of our MEGI LNG new buildings, which deliver in 2017 and 2018. We anticipate this sale-leaseback transaction will be completed by the end of 2016. The financing of our four remaining MEGI LNG carrier new buildings, which are all employed on long-term charter contracts to Shell, BP, or Yamal, and delivered in late 2017 through early 2019, is currently in negotiation is also expected to be completed in 2017.

Moving down the list, we expect to conclude within the fourth quarter the financing with the commercial banks and export credit agencies for the Bahrain Regassification, in which Teekay LNG owns a 30% interest. In addition, we're currently evaluating financing offers for Teekay LNG's 100%-owned newbuilding FSU, which will commence a 20-year time charter to this project upon start-up in the fourth quarter of 2018. And we anticipate completing this FSU financing in the first half of 2017. The four LNG carrier new buildings, which deliver in 2017-2019 on long-term charter with Shell, formerly BG Group, are already fully financed through a long-term non-recourse debt facility. Together with our 50/50 joint-venture partner, China LNG Shipping, or CLNG, we continue to make good progress toward completing the financing of our first two ARK7 LNG carrier new buildings, which deliver in 2018. These two vessels, which are already credit-approved by our lenders, will be financed through a long-term lease facility at leverage of approximately 80% of the delivered cost of the vessels. Financing of our joint venture's remaining four ARK7 vessels, delivering in 2019 and 2020, is currently being negotiated.

Finally, I'm pleased to report that our 50/50 joint-venture partner EXMAR – we have now completed financing of all of our LPG carrier new building vessels, which will deliver through the first quarter of 2018. As you can see at the bottom of the slide, since we've funded a large portion of initial yard instalments of these projects with equity in previous quarters, we now expect all of the remaining CAPEX payments will be funded through a combination of new committed or anticipated debt facility, as well as the proceeds from the Partnership's recent $125 million preferred equity issuance in October. In addition to the new financings detailed on this slide, the Partnership has several refinancing requirements, which are also currently in progress. In regards for our near-term refinancing needs, I'm pleased to report that they are progressing very well, and we anticipate concluding our corporate revolver renewal this month, and we have an agreed term sheet in place for the refinancing requirements within our 52%-owned joint venture with Marubeni, which we expect to conclude in the first quarter of 2017.

Looking further out into 2018, in addition to our Norwegian bond maturity in that year, the Partnership has several refinancings, which are supported by vessels with firm contracts in place or relatively low loan to value. In addition to two maturities relating to our vessels chartered to AWILCO LNG, where AWILCO has the repurchase obligations, which exceed the value of our loan repayment. Overall, we remain on track to execute on our new financings and refinancing requirements and expect our new growth projects to make a significant new growth projects to make a significant cash flow contribution cash-flow contribution to the Partnership going forward. Before wrapping up today's call, as announced last week, I've decided to retire from Teekay, which means I'll also retire from my positions as CEO, CFO, and a director of Teekay LNG Partners, effective 31st January 2017. Mark Kremin, President of Teekay Corporation's Gas Division, will take over as President and CEO of Teekay Gas Group Ltd., and I'm absolutely confident that Mark is the right person to lead Teekay LNG going forward. Mark has over 20 years of experience in the shipping industry and is a highly experience leader in the gas industry and since December 2015, he's headed up the teams which are responsible for our LNG commercial and technical operations as well. The partnership is now well-positioned with the market-leading position, strong operations. A pipeline of built-in growth projects which are expected to provide significant cash flow growth over the next coming years and most importantly a great team that will now be led by Mark, while the existing corporate finance team continues to have responsibility for all of Teekay LNG's financing. I'll now pass the call over to Mark.

Mark Kremin: Peter and hello everyone. First off I am excited and honoured to take upon this new opportunity to build upon Teekay LNG's success. With our world class operations and market leading LNG in LPG businesses, the partnership is well positioned going forward. My priorities as Teekay LNG's new leader will be to continue where Peter left including a focus on safety and providing strong operational performance, further building on our customer relationships, executing on our new financings for committed growth projects, delivering on our new building programme on time and on budget which is expected to contribute significant cash flow growth going forward and to increase the LP distributions at the appropriate time. Thank you all for joining us on the call today. Operator we are now available to take questions.

Operator: Thank you. Ladies and gentlemen, we will begin the question and answer session. As a reminder if you have a question please press the * followed by the 1 on your touch tone phone. If you would like to withdraw your question press the * followed by the 2. If you're using speaker equipment you will need to lift the handset before making your selection. Once again that is *1 at this time to ask a question and we'll first go to Michael Webber from Wells Fargo.

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

Peter Evensen: Good thanks.

Michael Webber: Before I start Peter, congrats on the retirement depending on how firm that January 31st date is you've got anywhere between three or seven more Teekay earnings calls to go through. But I wanted to say congrats. The – so to start on the financing you get some short term employment for the Torben Spirit. I'm curious can you go out with one – you've roughly a year and get long term financing on that and if so what kind of gearing ratio could you realistically expect? And then as I guess a follow-up to that I guess what level of leverage is available in their [inaudible].

Peter Evensen: Why don't I start and then Vince can take over. Actually we have secured the Torben Spirit. We put it together with three of our LNGs that are on to Shell. So it's a four vessel package and that's the $710 million loan facility that I talked about in my prepared remarks. So we're able to get a high advanced ratio on that.

Vince Lok: Yeah that's right. The Torben Spirit is part of that four ship financing that we're expecting to close during this quarter, Mike. I think you're asking about the Malt's refinancing is that correct?

Michael Webber: Yeah. Well the loan, the remaining on employed spot LNG carrier the financing on that which you just touched on was the Torben and Peter referenced the Marubeni JV, you've got a term sheet there that signed for refinancing that. I'm just curious what the rough terms are on that in a level of leverage [inaudible] assets?

Vince Lok: Yeah that one is not due until sometime in the first quarter of 2017. We do have an agreed term sheet on that one as Peter mentioned given that those four vessels are trading in the short-term market, we are having to reduce the leverage on those four ships a bit. So we'd expect to pay down a portion of that balloon. Our share is probably in the neighbourhood of about $35 million or so.

Michael Webber: Okay all right that's helpful. Maybe just conceptually when we think about the remaining boxes that TGP needs to check in terms of financing, you've got the Bahrain FSU project. You've got a handful of other assets that generally everything's got employment, or some degree of employment at this point. What's the right order or sequencing we should think in, think of in terms of the way you guys go about kind of checking these remaining boxes, getting to a point where you could patiently re-establish the distribution. How do you think that order goes?

Peter Evensen: Well would say that right now our focus area is on both securing the long-term financing for the growth projects as I talked about. And we're well on our way to completing all of those financing. But as Vince just talked about we are also looking at making sure that we have the prospects for refinancing the partnerships debt maturities in 2017 and 2018, and we think, as been said that's achievable given the progress that we're making right now. And those vessels are whether they have short term charters or long term charters were able to refinance and that is a positive. So that remains our goal. We won't say exactly when the distribution will be raised. But as Mark said in his prepared remarks, we will raise the distribution at the appropriate time and when we do Teekay LNG will have likely a higher coverage ratio which we believe is the prudent strategy if we're going to have a sustainable dividend going forward.

Michael Webber: Sure and that makes sense. I guess what I'm asking is when you look at the kind of the dashboard of different things that need to happen there and you're making progress I'm assuming on all of them. Are there any that fall naturally towards the front of that line or towards the back for whatever reason? I guess what should we – the vague sense how should we think about that order and things you can realistically tackle and when?

Peter Evensen: Well we're tackling all of them is what I was trying to say in my messaging. And we expect to complete them. And now that we've chartered all of – now we've chartered all of the LNGs were aiming to completely fully financed all of our growth projects so there isn't a set order we're out doing all of them. We see them as individual financing projects.

Michael Webber: Okay just kind of a grab bag I guess. Okay I guess finally –

Vince Lok: Sorry it isn't a grab bag. It is a comprehensive financing plan we put in place targeting financing institutions for each project and we've been very methodical about it and we're executing on it as I showed on slide five.

Michael Webber: Right I'm talking about what's disseminated into the market there's really no way to tell what will be disseminated and when or what order we could expect things to be taken care of. That's all I'm trying to nail down, right? So any, any framework whatsoever or how we should expect this to get relayed to the market.

Vince Lok: Well we –

Michael Webber: Just it's fine. I can –

Vince Lok: – as we complete.

Michael Webber: Okay. That's helpful. Just one more for Mark and this came up on an earlier call. Friday, I believe it was Friday we saw an older steam asset catch a long-term contract and kind of a mid to high 40k range. And we're just curious that how you think about the implications of that deal for the broader fleet? You know the idea that a steam asset can catch longer term employment is generally encouraging. But I'm curious as to whether or not you think that that's indicative of maybe where that bit is going to come from kind of being around kind of stranded fields or West African projects are really focused on a kind of a much narrower cost structure, and lower transportation costs or what the overarching takeaway is for the market seeing an asset like that catch an eight year contract?

Mark Kremin: Well we don't have any steam ship. So we don't follow the differential exactly. But obviously it looked like it was a bit of a package deal Mike in the sense that there were some other ships involved. I think the one you're referring to. Nonetheless we do see the market seems to be tightening that for that you mentioned it's certainly not on the realm of the possibilities for starting even next year, and so hopefully it's indicative of a strengthening market, although, it was a package deal.

Michael Webber: Okay all right. That's helpful. Thanks guys.

Peter Evensen: Thank you.

Operator: And we'll now go to Spiro Dounis from UBS Securities.

Spiro Dounis: Hey good morning everyone. Peter congratulations and Mark good luck in your new role. I just wanted to start off just on the recent capital raises that got done. I guess maybe two part question. Just maybe some rationale around the timing of the preferred deal and maybe we – how we should be thinking about the use of this proceed and why that deal was done and/or I guess was the optimal way to do it. And then obviously the knock bond that got done subsequent to that obviously was for refinancing purposes, but just as we're thinking about future debt that's coming due. It's not like that markets opened again. Could we expect you to go back there again at some point in the next year or two?

Peter Evensen: Yeah I'll cover both of those. The preferred unit offering as you know is our first preferred offering for TGP, and it was an opportunistic offering to increase our liquidity as well as delever our balance sheet. And we think that's – it's a very cost effective long term cost of equity. And as you saw on slide five, if you allocate the 125 million from the preferred equity we will have a fully finance new building programme when you factor in the committed and anticipated debt financings. So that puts us in good standing in terms of completing that programme. the knock bond offering was also a very positive event. It was well over-subscribed. We ended up doing 900 billion knock on that and it helped us to early refinance our May 2017 maturity. So it got us a lot of duration on a five year deal there. And I think it is both transactions are very positive. I think it demonstrates that the capital markets remain open to TGP. And it looks like the Norwegian bond market is reopening for higher quality companies like TGP and I think that is something we will access in the future as well as we have other knock bond maturities. We do have long term intentions to get a US credit rating for TGP. So we won't be just limiting ourselves to the Norwegian bond market, but certainly it's positive to see that market opened right now.

Spiro Dounis: Got it. Yeah and I agree. And just around Yemen, I believe the deferral on those two vessels, I guess ends in December and it should go back to the old rate. I think they are then supposed to repay for the deferred revenue, but I guess obviously we saw on the news that the one of your vessels was I guess attacked in and around that region. So I guess I'm just wondering just in light of that I guess one, what is your appetite to go back there right now and what does that mean for restarting that LNG plan Yemen right now?

Peter Evensen: I guess just to sort of differentiate the attack that we had was on the separate side of Yemen on Bab al-Mandab. But the – to your point on the Balhaf charter that we have, as you say we do have a deferral agreement in place till the end of the year. There hasn't been any progress towards the restarting of this the Balhaf plant in Yemen. And we do see that conflict is throughout the country. So as we've disclosed in our previous earnings presentations our JV with Marubeni will probably reassess with the Yemen LNG at the end of this year and it could have a continuing negative impact on our cash flow from vessel operations into next year.

Spiro Dounis: Great. I appreciate the colour. Thanks everyone.

Peter Evensen: Thank you.

Operator: Noah Parquette from JPMorgan has our next question.

Noah Parquette: Thanks. Yeah, just to follow-up Sprio's question about the attack in Yemen. It's kind of out there in the field but there's no secret out Al-Qaeda wants to attack commercial shipping and do you see a situation in where voyages are… go around that area or there's been sort of the span of trade flows or was this just a one-off thing you don't think it will affect this ship flows?

Peter Evensen: It's pretty speculative for us to say at this point who did it whether it's Al-Qaeda or any other organisation or whether it's going to happen again. But what we do know is that from the evidence suggests it's not a piracy attack. We did have explosives and which obviously detonated which is different from some of the small arms issues that others have had. So I'm not sure whether it's going to continue in the future, but it's certainly something we've heightened our scrutiny on and I think we gave an announcement to the industry so they can do the same.

Noah Parquette: Okay thanks. And I just wanted to, you know, can you remind us what is the debt associated with the [inaudible] vessels? So how much capital will be freed up when those vessels are purchased?

Peter Evensen: Yeah the debt on each of those, the balloon on those ships are roughly about 85 to 95 million when they come due in 2017 and 2018. The purchase obligation amounts related to those are well in excess of those balloon amounts.

Noah Parquette: Okay thanks.

Operator: Once again that is *1 on your touch tone telephone. We'll go to Nick Raza from Citi.

Nick Raza: Thank you. Congratulations Peter on the announcement. Just a quick few follow-up questions. In terms of the vessel that's contracted to Yamal the other MEGI, could you sort of provide a little bit more colour in terms of how that will be used because understanding that the Yamal actually needed icebreaking vessels. How hard they're going to utilise these? Are these just going to be for trade just outside of that?

Peter Evensen: Yeah this is – the Yamal project is actually set up on the basis of our icebreaking ships of which we have a fleet with our partner CLNG, but also conventional. So, when the ice is thicker in the winters the ships will, the icebreaking ships will come down and they will tranship at various places to conventional carriers. So the award that we've announced for the conventional carrier will be intended to tranship from one of the icebreaking ARC7 class vessels. So we've charted it to Yamal. And I think they'll have other off-takers of the LNG that will also tranship it to other conventional vessels. So it will go around the southern route instead of the northern route, but this is the same project.

Nick Raza: Okay and is there more appetite for that or is your models current conventional requirement already fulfilled?

Peter Evensen: No, we think there will be more appetite for conventional carriers on this project whether for Yamal or other off-takers. Perhaps Gunvor[?] for instance will have also requirements for conventional carriers in the same way.

Nick Raza: Fair enough and I guess the only other question I had was about the Malt JV. In terms of extending the deferment how is the financing companies or the banks point of view changed or has it at all or do they continue to sort of support you guys and say, hey, you know, we'll continue to defer any payments, principal interest until this thing comes back online?

Peter Evensen: No, I think as we mentioned earlier in the call that the Malt refinancing progressing well. We already have an agreed term sheet. The only thing is that we're going to use a more conservative gearing in that joint venture. So that refinancing is expected to close in the first quarter so that's underway.

Nick Raza: Okay fair enough, thanks guys.

Peter Evensen: Thank you.

Operator: As a final reminder that is *1 at this time. We will now go to Espen Landmark from Fearnley.

Espen Landmark: Yeah hi good morning guys. I just want to a couple questions on the LPG business. I mean I know it's a small part of TGP and it's getting smaller. But you have quite a lot of COAs within the mid-size fleet. I'm just wondering what kind of renewal rates you're seeing for those vessels?

Peter Evensen: Well we have the renewal rates have gone down. We are seeing as we have in 2017, we have 59% cover on our LPG fleet and we have further cover already into 2018 so about 41%. So although, we're seeing a softening of LPG rates which we expect to – LPG shipping rate which we expect to continue we do have a fair amount of cover yeah.

Espen Landmark: All right and there's also I think five smaller vessels within the Norwegian company which has some liquidity problems at the moment. I mean have you had any discussions with the company regarding the rates on those vessels?

Peter Evensen: We have and there is been a softening on those as well. So we're still working through with that company. They have some good irons in the fire I believe, and that could come to fruition within this quarter. And so, so far, we haven't had any, haven't had any deep and meaningful discussions. But of course we monitor it very closely. The vesselling[?] market in particular there have been some cancellations and there have been some other factors that could drive vesselling going forward. So there is a positive outlook, but I guess the other thing to mention is that as a part of our portfolio it is a relatively small aspect. So the even on the LPG side of our business which is a relatively small part of our business this particular customer you're referring to is I wouldn't call it insignificant, but it is certainly relatively small.

Espen Landmark: Yeah I agree. All right that's it from me. Thanks.

Operator: There are no further questions. I'll turn the conference back over to our presenters for any additional or closing remarks.

Peter Evensen: Okay thank you all very much. We didn't talk much about the LNG market, but we have been pleased to see that there's been good growth in LNG trade as more LNG plants have come on particularly in Australia and the United States. So that's why there's a positive bias toward increased LNG trade. Thank you very much.

Operator: This concludes today's presentation. Thank you for your participation.