



# Second Quarter 2014 Earnings Presentation

August 8, 2014



TEEKAY LNG PARTNERS L.P.

# Forward Looking Statements

This presentation contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: future growth opportunities and expectations and the effect of any growth on the Partnership's results of operations; the expected delivery dates for the Partnership's newbuilding vessels and commencement of related time charter contracts; the Partnership's agreement to provide, through a new 50/50 joint venture with China LNG, six icebreaker LNG carriers for the Yamal LNG project including the timing of delivery and total cost to construct the vessels; the timing of the start-up of the Yamal LNG project and the expected total LNG production capacity of the project, if completed; the impact of the transactions with Yamal LNG and BG on the Partnership's future cash flows; anticipated financing for the four LNG carrier newbuildings for BG; the cost to construct the four LNG carrier newbuildings for BG; the total amount of the Partnership's forward fixed-rate revenues and the average remaining contract length on the Partnership's LNG fleet; and LNG/LPG shipping market fundamentals and projects. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: potential shipyard construction delays, newbuilding specification changes or cost overruns; availability of suitable LNG shipping, LPG shipping, floating storage and regasification and other growth project opportunities; changes in production of LNG or LPG, either generally or in particular regions; changes in trading patterns or timing of start-up of new LNG liquefaction and regasification projects significantly affecting overall vessel tonnage requirements; competitive dynamics in bidding for potential LNG, LPG or floating regasification projects; potential failure of the Yamal LNG Project to be completed for any reason, including due to lack of funding as a result of existing or future sanctions against Russia and Russian entities and individuals, which may affect partners in the project; potential delays or cancellation of the Yamal LNG project; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; the potential for early termination of long-term contracts of existing vessels in the Teekay LNG fleet; the inability of charterers to make future charter payments; the inability of the Partnership to renew or replace long-term contracts on existing vessels; the Partnership's ability to raise financing for its existing newbuildings or to purchase additional vessels or to pursue other projects; and other factors discussed in Teekay LNG Partners' filings from time to time with the SEC, including its Report on Form 20-F for the fiscal year ended December 31, 2013. The Partnership expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Partnership's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

# Recent Highlights

- Generated Q2-14 distributable cash flow of \$61.5 million, an increase of 11% from Q2-13
- Declared a Q2-14 cash distribution of \$0.6918 per unit
- TGP, through a new 50/50 joint venture, finalized agreements to provide six icebreaker LNG carrier newbuildings for the Yamal LNG project for a **total TGP investment of ~\$1 billion**
- Acquired ownership interests in four LNG carrier newbuildings from BG Group for a **total TGP investment of \$250 million**
- Exmar LPG joint venture took delivery of two of its 12 mid-size LPG carrier newbuildings in Q2-2014; sold two LPG vessels for a \$9.8 million gain

# Finalized Contracts for the Yamal LNG Project

- TGP, through a new 50/50 joint venture with China LNG Shipping, finalized agreements to provide six icebreaker LNG carriers for the Yamal LNG project in Northern Russia
- Project Summary:
  - Three LNG trains will have a total capacity of 16.5 million metric tons per annum
  - Majority of the LNG production output has been sold on long-term contracts
  - Project is expected to have a low break-even gas price
- The six 172,000 cbm ARC7 LNG carrier newbuildings will be constructed by Daewoo Shipbuilding and Marine Engineering Co., Ltd. of South Korea for a total fully built-up cost of \$2.1 billion
  - The vessels are scheduled to deliver between Q1-2018 and Q1-2020
  - Tail-heavy payment profile
- Upon delivery, the vessels will each operate under fixed-rate time-charter contracts until December 31, 2045, plus extension options



# Acquired Ownership Interests in Four LNG Carrier Newbuildings



- Our Sponsor previously secured contracts to provide construction supervision and technical management services to BG Group for four 174,000 cbm LNG carrier newbuildings
- Subsequently, TGP acquired ownership interests in these vessels from BG
  - 30% ownership interest in the first two vessels and 20% ownership interest in the second two vessels
- The vessels will be constructed by Hudong shipyard in China for a total fully built-up cost of \$1.0 billion
  - The vessels are scheduled to deliver between Sep-2017 and Jan-2019
- Upon delivery, the vessels will each operate under 20-year fixed-rate time charter contracts, plus extension options, with BG
- Leverages Teekay Group's existing relationship with BG to develop new business for TGP
- Together with Yamal, establishes new relationships with China-based partners

# Growing Forward Fixed-Rate Coverage

- With new Yamal LNG and BG charters, Teekay LNG's total forward fixed-rate revenues increased to approximately **\$11 billion** and the weighted-average remaining duration for our LNG carrier segment increased to approximately **14 years**

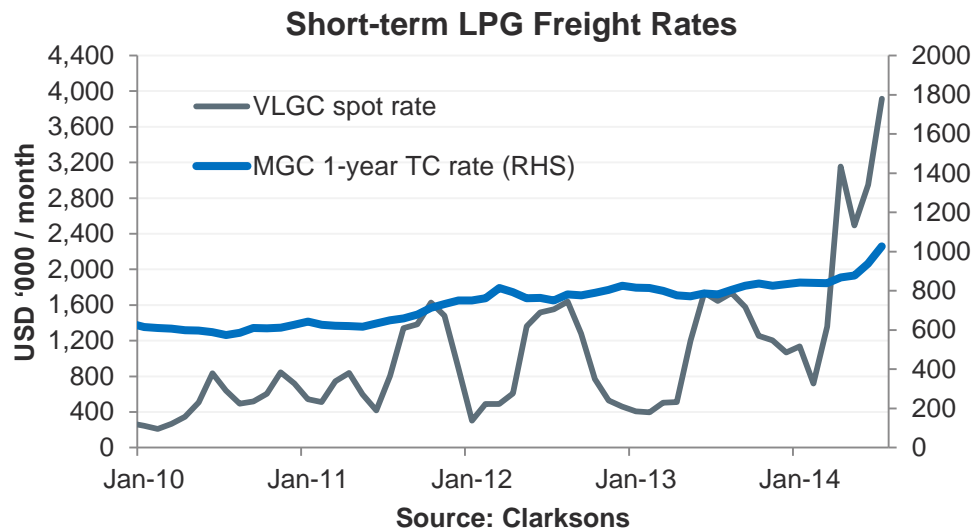
	LNG Carriers	LPG Carriers	Conventional Tankers
# of Vessels	44	30*	9
Avg. Remaining Contract Life	14 years	7 years**	4 years
Forward Revenues	\$10.1 billion	\$0.6 billion**	\$0.3 billion
High Quality Customers			

\* Includes 10 newbuilding LPG carriers currently under construction and four in-charter LPG carriers.

\*\* The average remaining contract life and forward fixed-rate revenues relate to 13 LPG carriers currently on fixed-rate charters.

# Exmar LPG JV Renewing Fleet as Exports Increase

## LPG Rates Rising During High Demand Summer Season



- Medium Gas Carrier (MGC) rates are the highest since early 2008
- Rates have increased across all segments due to seasonal demand and increasing U.S. exports

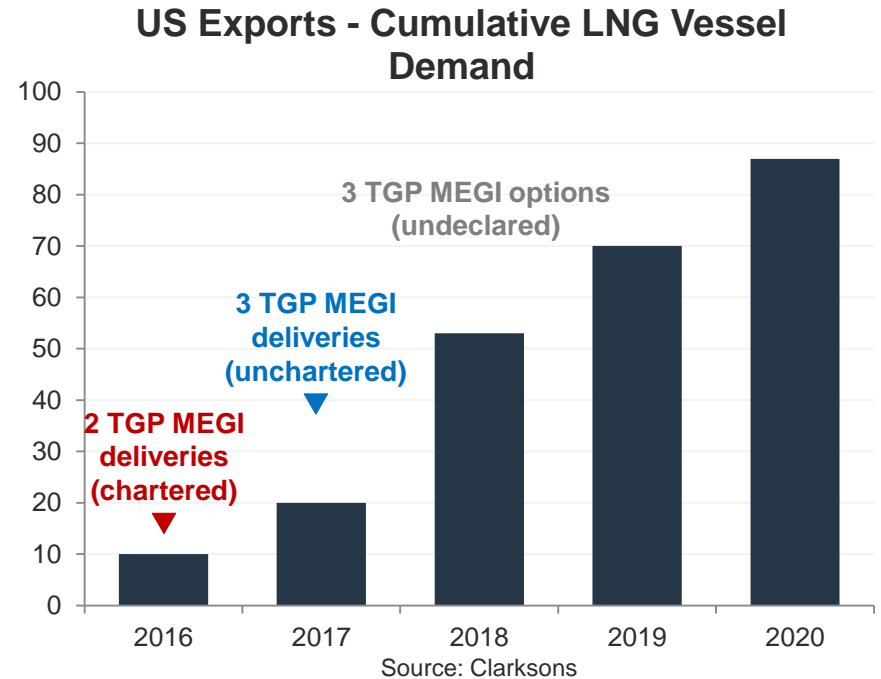
## Exmar LPG Joint Venture Delivering on Fleet Renewal and Growth Strategy

- Exmar LPG JV took delivery of two MGC newbuildings in Q2-2014
- Ten more MGCs are scheduled for delivery between 2014 and 2018
- In Q2-2014, Exmar LPG JV sold two older LPG carriers for a total capital gain of ~\$20 million (TGP's portion: ~\$10 million)

# U.S. Projects Create Demand for MEGI Vessels

Project	Startup	FID	Vessel Requirements*
Sabine Pass Trains 1 - 4	2016 / 2017	2012 /13	20
Sabine Pass Train 5	2018	2015	5
Cameron	2018	2014	14
Freeport	2018	2014	14
Lake Charles	2019	2015	17
Golden Pass	2020	2015	17

Source: Company websites and \*Clarksons



- Over 80 LNG vessels will be needed for U.S. projects starting up from 2016 onwards
- Extended options to declare up to three additional MEGI vessels
- Further demand for vessels outside of the U.S. to serve proposed export projects in Canada, Russia and East Africa.



# Adjusted Operating Results for Q2-14 vs. Q1-14

## Teekay LNG Partners L.P. Adjusted Net Income (unaudited)

(in thousands of U.S. Dollars)

	Three Months Ended June 30, 2014			Three Months Ended March 31 2014	
	As Reported	Appendix A Items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	TGP Adjusted Income Statement	TGP Adjusted Income Statement
<b>NET VOYAGE REVENUES</b>					
Voyage revenues	101,323	-	(224)	101,099	101,490
Voyage expenses	1,167	-	-	1,167	1,333
Net voyage revenues	100,156	-	(224)	99,932	100,157
<b>OPERATING EXPENSES</b>					
Vessel operating expense	24,320	-	-	24,320	24,256
Depreciation and amortization	23,530	-	-	23,530	24,110
General and administrative	6,254	-	-	6,254	6,408
Total operating expenses	54,104	-	-	54,104	54,774
Income from vessel operations	46,052	-	(224)	45,828	45,383
<b>OTHER ITEMS</b>					
Equity income	32,924	(8,793)	-	24,131	22,392
Interest expense	(15,068)	-	(15,815)	(30,883)	(29,938)
Interest income	572	-	5,464	6,036	6,038
Realized and unrealized (loss) gain on derivative instruments	(16,335)	6,091	10,244	-	-
Foreign exchange (loss) gain	(66)	(265)	331	-	-
Other income – net	208	-	-	208	218
Income tax expense	(375)	-	-	(375)	(395)
Total other items	1,860	(2,967)	224	(883)	(1,685)
Net income	47,912	(2,967)	-	44,945	43,698
Less: Net (income) attributable to Non-controlling interest	(4,263)	1,906	-	(2,357)	(1,896)
<b>NET INCOME ATTRIBUTABLE TO THE PARTNERS</b>	<b>43,649</b>	<b>(1,061)</b>	<b>-</b>	<b>42,588</b>	<b>41,802</b>

1) See Appendix A to the Partnership's Q2-14 earnings release for description of Appendix A items.

2) Reallocating the realized gains/losses to their respective line as if hedge accounting had applied. Please refer to footnote (2) to the Summary Consolidated Statements of Income and Comprehensive Income in the Q2-14 earnings release.

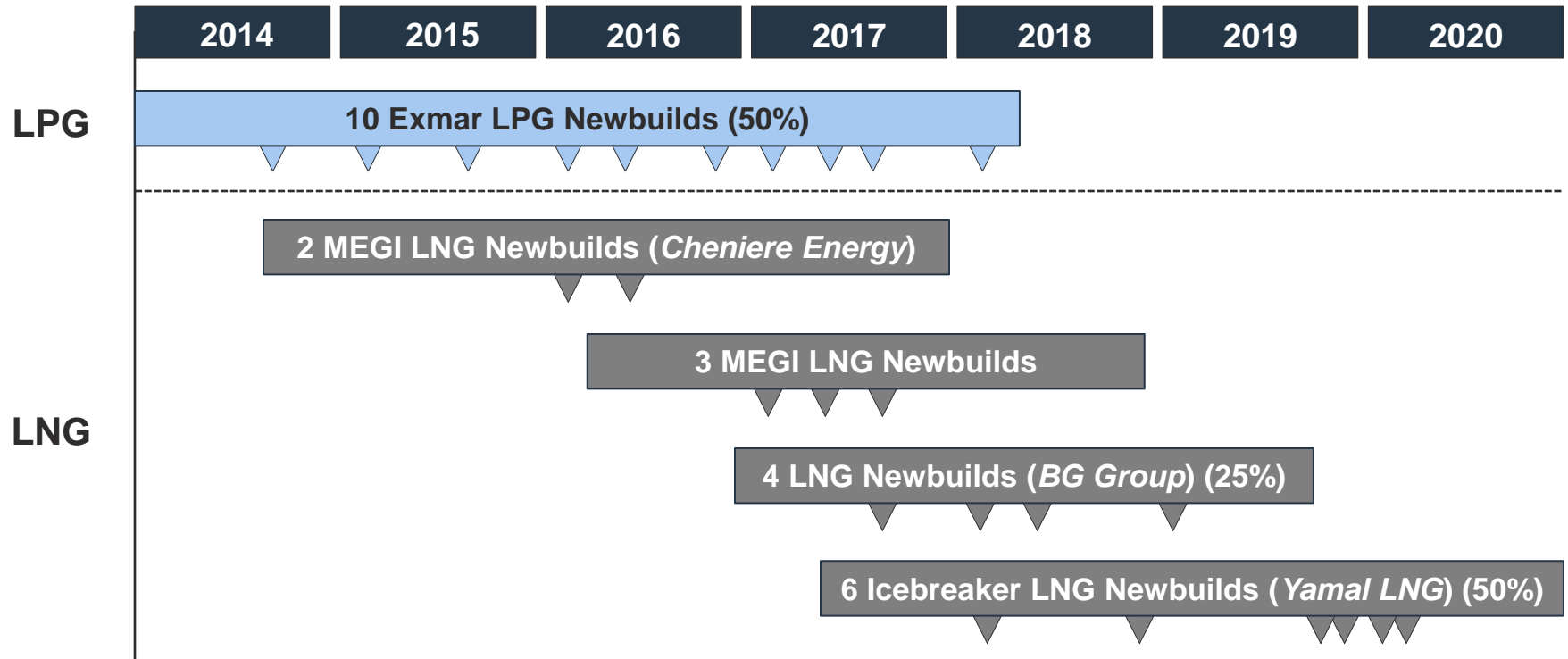
# Distributable Cash Flow and Cash Distribution

	Three Months Ended June 30, 2014 (unaudited)	Three Months Ended March 31, 2014 (unaudited)	
Net income:	47,912	43,096	
Add:			
Depreciation and amortization	23,530	24,110	
Partnership's share of equity accounted joint ventures' DCF net of estimated maintenance and capital expenditures	29,411	26,300	
Unrealized loss (gain) on derivatives and other non-cash items	3,644	(3,916)	
Direct finance lease payments received in excess of revenue recognized	4,256	3,886	
Distributions relating to equity financing of new buildings	1,822	1,828	
Less:			
Unrealized foreign exchange (gain) loss	(265)	306	
Estimated maintenance capital expenditures <sup>(1)</sup>	(11,632)	(11,504)	
Equity income	(32,924)	(20,373)	
<b>Distributable Cash Flow before Non-controlling interest</b>	<b>65,754</b>	<b>63,734</b>	
Non-controlling interests' share of DCF before estimated maintenance capital expenditures	(4,258)	(3,604)	
<b>Distributable Cash Flow</b>	<b>61,496</b>	<b>60,129</b>	<b>A</b>
<b>Total Distributions</b>	<b>61,361</b>	<b>58,908</b>	<b>B</b>
<b>Coverage Ratio</b>	<b>1.00x</b>	<b>1.02x</b>	<b>=A/B</b>

(1) Excludes the estimated maintenance capital expenditures of equity accounted joint ventures, which are deducted from equity accounted joint venture's distributable cash flow above.

Note: Distributable cash flow (DCF) represents net income adjusted for depreciation and amortization expense, non-cash items, estimated maintenance capital expenditures, unrealized gains and losses from derivatives, distributions relating to equity financing of newbuilding installments, loan loss recovery, equity income, adjustments for direct financing leases to a cash basis, deferred income taxes and foreign exchange related items. Maintenance capital expenditures represent those capital expenditures required to maintain over the long-term the operating capacity of, or the revenue generated by, the Partnership's capital assets. Distributable cash flow is a quantitative standard used in the publicly-traded partnership investment community to assist in evaluating a partnership's ability to make quarterly cash distributions. Distributable cash flow is not required by GAAP and should not be considered as an alternative to net income or any other indicator of the Partnership's performance required by GAAP.

# Teekay LNG's Growth Pipeline



## Potential Future Growth

Options for 3 MEGI LNG carrier newbuildings

Continue to bid on several LNG and FSRU projects for start-up in 2016 onwards when new liquefaction is scheduled to come on-line

# 2014 Investor Day



## SAVE THE DATE Teekay Group 2014 Investor Day New York



**WHEN** September 30, 2014

**WHERE** The St. Regis New York

### SCHEDULE OF EVENTS

**7:30 - 8:00 am** Breakfast

**8:00 - 11:30 am** Presentations  
(1x1s to follow)

*Live webcasting will be available on the respective websites.*

### CONTACT

For more information, or to schedule a one-on-one meeting, contact Emily Yee at + 1 604 609 6437  
emily.yee@teekay.com

No RSVP required.

NYSE: TK | NYSE: TOO | NYSE: TGP | NYSE: TNK

[www.teekaylng.com](http://www.teekaylng.com)

# Appendix



# 2014 Drydock Schedule

Entity	Segment	March 31, 2014 (A)		June 30, 2014 (A)		September 30, 2014 (E)		December 31, 2014 (E)		Total 2014	
		Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days
Teekay LNG	Fixed-Rate Tanker	1	27	1	24	1	21	-	-	3	72
	Liquefied Gas	1	28	-	-	1	22	1	11	3	61
	LPG Carrier - equity accounted	-	-	2	41	2	66	1	21	5	128
	LNG Carrier - equity accounted	-	-	2	47	-	-	-	-	2	47
		2	55	5	112	4	109	2	32	13	308

Note: In the case that a vessel drydock straddles between quarters, the drydock has been allocated to the quarter in which the majority of drydock days occur.



TEEKAY LNG