



TEEKAY

# TEEKAY LNG PARTNERS Q3-2016 EARNINGS PRESENTATION

November 3, 2016



# Forward Looking Statement

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: the timing of newbuilding vessel deliveries and the commencement of related contracts; the timing of the Yamal LNG project start-up; the Partnership's intent to secure a long-term charter for newbuildings; and the Partnership's access to capital markets and the timing, amount and certainty of securing financing for the Partnership's committed growth projects and refinancings. 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 and project construction delays, newbuilding specification changes or cost overruns; 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; 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 and the Partnership's joint ventures' ability to secure financing for its existing newbuildings and 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 Russian entities and individuals, which may affect partners in the project; potential delays or cancellation of the Yamal LNG project; 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, 2015. 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 distributable cash flow<sup>1</sup> of \$54.3 million and cash flow from vessel operations<sup>1</sup> of \$116.0 million in Q3-16
  - DCF per LP unit of \$0.68 per unit
  - Distribution coverage ratio of 4.8 times
- All LNG carrier newbuildings now committed to charter contracts
- On track to complete \$1.3 billion in new long-term financings within the next few months
- In October, completed \$125 million preferred unit and \$110 million NOK bond issuances
  - Total liquidity as at September 30, 2016 after giving pro forma effect for above was approximately \$490 million.



*Photo: Al Areesh crew at recent scheduled drydocking*



<sup>1</sup> These are non-GAAP financial measures. Please refer to "Definitions and Non-GAAP Financial Measures" and the Appendices in the Partnership's Q3-2016 earnings release for definitions of these terms and reconciliations of these non-GAAP financial measures as used in this presentation to the most directly comparable financial measures under United States generally accepted accounting principles (GAAP).

# Secured Charters for All LNG Carrier Newbuildings

Recently secured two new charter contracts for LNG carrier newbuildings

- Signed 10-month plus one-year option time-charter with a major energy company for the Torben Spirit
  - Charter contract commences on March 1, 2017 immediately after vessel's scheduled delivery from yard
- Entered into 15-year charter with the fully-financed Yamal LNG project
  - Yamal Project scheduled to commence operations in late-2017; Teekay LNG's conventional LNG vessel delivery in early-2019
  - Vessel will service part of Yamal's conventional LNG vessel requirement and deliver LNG under the Project's long-term LNG SPAs

**\$12.2 billion of forward fee-based revenues with avg. remaining contract duration of 13 years<sup>(1)</sup>**



(1) As of September 30, 2016. Excludes extension options; includes existing vessels and growth projects

# Financing of Growth Projects On Track

Project	Remaining CAPEX (\$ millions as at September 30, 2016) <sup>(1)</sup>	Committed and Anticipated Debt Financing (\$ millions as at September 30, 2016) <sup>(1)</sup>	Financing Status	2016				
				2017	2018	2019	2020	
8 MEGI LNG Carriers (100%)	1,342	1,385	4 vessels expected completion Q4-2016: Delivery 2017/18 4 vessels term sheet negotiation: Delivery 2017-19	5 vessels with 6 – 8 year contracts, plus extension options with Shell, 1 vessel with 13-year contract with BP, 1 vessel with 15-year contract with Yamal LNG and 1 vessel with 10-month contract plus extension option with energy major				
Bahrain Regas Terminal (30%) and FSU (100%)	483	390	Regas Terminal financial close expected Q4-2016 FSU to be financed in 2017	20-year FSU and terminal contracts				
Shell (ex. BG) LNG Carriers (20-30%)	188 <sup>(2)</sup>	148	Financing Completed	20-year charter contracts, plus extension options				
Yamal LNG ARC 7 Carriers (50%)	901	845	2 vessels credit approved, finalizing documentation: Delivery 2018 4 vessels term sheet negotiation: Delivery 2019/20	Charter contracts through to 2045, plus extension options				
Exmar LPG Carriers (50%)	98	131	Financing Completed	1 Vessel with 2 year charter, plus extension option				
Preferred Equity Issued Oct-16		125	Financing Completed					
<b>Total</b>	<b>\$3,012</b>	<b>\$3,024</b>		<span style="color: blue;">■</span> Contracted <span style="color: gray;">■</span> MGC LPG short-term market				

**Remaining Capex Expected to be Funded through Committed or Anticipated Financings**



(1) Teekay LNG's proportionate share  
 (2) Excludes shipbuilding and crew training costs reimbursable by Shell (ex. BG)

# Appendix

# Distributable Cash Flow

## Q3-16 vs. Q2-16

(Thousands of U.S. Dollars except units outstanding or unless otherwise indicated)	Three Months Ended September 30, 2016 (unaudited)	Three Months Ended June 30, 2016 (unaudited)	Comments
Net voyage revenues <sup>(1)</sup>	100,313	98,699	Increased due to the charter commencement for the <i>Oak Spirit</i> , partially offset by the sales of the <i>Bermuda Spirit</i> and <i>Hamilton Spirit</i> in April 2016 and May 2016, respectively, and unscheduled off-hire relating to one of our LNG carriers.
Vessel operating expenses	(22,055)	(22,412)	
Estimated maintenance capital expenditures	(12,065)	(11,968)	
General and administrative expenses	(3,573)	(5,864)	Decreased due to amounts capitalized for our proportionate share of costs associated with the Bahrain LNG Joint Venture, including pre-operation, engineering and financing-related expenses.
Partnership's share of equity accounted joint ventures' DCF net of estimated maintenance capital expenditures	16,397	39,442	Lower equity income primarily from the MALT joint venture due to a favourable settlement in Q2 of a disputed charter contract termination on one of its LNG carriers.
Adjusted interest expense <sup>(2)</sup>	(24,209)	(22,862)	Increased due to a drawdown on the <i>Oak Spirit</i> lease facility.
Interest income	653	545	
Income tax expense	(209)	(252)	
Direct finance lease payments received in excess of revenue recognized	5,247	4,969	
Other adjustments - net	(745)	1,036	Q2 included an adjustment to DCF to record revenue on a cash basis for certain contracts where revenue was recognized on a straight-line basis for accounting purposes.
<b>Distributable Cash Flow before Non-Controlling Interests</b>	<b>59,754</b>	<b>81,333</b>	
Non-controlling interests' share of DCF	(5,429)	(5,266)	
<b>Distributable Cash Flow<sup>(3)</sup></b>	<b>54,325</b>	<b>76,067</b>	
Cash distributions to the General Partner	(227)	(227)	
Limited partners' Distributable Cash Flow	54,098	75,840	
Weighted-average number of common units outstanding	79,571,820	79,571,820	
<b>Distributable Cash Flow per limited partner unit</b>	<b>0.68</b>	<b>0.95</b>	



1) Refer to next slide for a reconciliation of Net Voyage Revenues.

2) Refer to next slide for a reconciliation of Adjusted Interest Expense.

3) For a reconciliation of Distributable Cash Flow, a non-GAAP measure, to the most directly comparable GAAP figures, see Appendix B in the Q3-16 and Q2-16 Earnings Releases.

# Reconciliations of Non-GAAP Financial Measures

Q3-16 vs. Q2-16

## Reconciliation of Partnership's Net Voyage Revenues:

(Thousands of U.S. Dollars)	Three Months Ended September 30, 2016 (unaudited)	Three Months Ended June 30, 2016 (unaudited)
Voyage revenues	100,658	99,241
Voyage expenses	(355)	(542)
Realized losses on charter contract derivative instrument	10	-
<b>Net Voyage Revenues</b>	<b>100,313</b>	<b>98,699</b>

## Reconciliation of Partnership's Adjusted Interest Expense:

(Thousands of U.S. Dollars)	Three Months Ended September 30, 2016 (unaudited)	Three Months Ended June 30, 2016 (unaudited)
Interest expense as reported	(15,644)	(13,269)
Ineffectiveness of hedge-accounted interest rate swaps	130	(484)
Realized losses on derivative instruments and other	(8,695)	(9,109)
<b>Adjusted Interest Expense</b>	<b>(24,209)</b>	<b>(22,862)</b>





# 2016 Drydock Schedule

Segment	March 31, 2016 (A)		June 30, 2016 (A)		September 30, 2016 (A)		December 31, 2016 (E)		Total 2016 (E)	
	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days
LPG Equity	-	18	1	20	-	-	1	31	2	69
	-	18	-	1	20	-	-	-	1	31



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.

The background is a deep blue with a subtle, wavy texture. Overlaid on this are several thick, white, semi-transparent geometric lines that form a stylized, blocky letter 'E'. The lines are composed of multiple parallel paths, creating a sense of depth and movement. The overall composition is clean and modern, with a strong emphasis on geometric shapes and a monochromatic color palette.

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