Company: TEEKAY LNG PARTNERS L.P.

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Operator: Welcome to the Teekay LNG Partners' Second Quarter 2017 Earnings 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 star 1 to register for a question. For assistance during the call, please press star 0 on your touch-tone 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. Mark Kremin, Teekay LNG Partners' President and Chief Executive Officer. Please go ahead, sir.

Scott Gayton: Before Mr. Kremin begins, I would like to direct all participants to our website at www.teekay.com, where you will find a copy of the second quarter 2017 earnings presentation. Mark Kremin and Brody Speers 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 second quarter 2017 earnings release and earnings presentation available on our website.

I will now turn over the call to Mark to begin.

Mark Kremin: Thank you, Scott. Good morning everyone and thank you for joining us on the second quarter of 2017 investor call for Teekay LNG Partners. I'm joined today by Brody Speers, Teekay Gas Group's CFO.

Turning to slide three of the presentations, I'll review some of Teekay LNG's recent highlights. For the second quarter of 2017, the Partnership generated distributable cash flow, or DCF, of $41 million, and cash flow from vessel operations, or CFVO, of $106 million.

The Partnership's results for the quarter were impacted by one-off and temporary items; including an unscheduled off-hire event relating to one of our 70% owned LNG carriers that required repairs during the quarter. It is now back in operation and contributing to earnings; and collection issues related to our six LPG carriers charter to I.M. Skaugen during the quarter. We expect to resolve once Skaugen commences a new small scale LNG project in West Africa.

Once the project is operational, we expect to recognize our regularly quarterly revenue related to these vessels and gradually recover unpaid revenues owing from Skaugen.

Despite the one-off and temporary items just described, the Partnership still generated DCF per limited partner common unit of 51 cents per unit, resulting in a strong distribution coverage ratio of 3.6 times.

Pro forma for these one-off and temporary items, the Partnership would have reported EPS of $48.3 million or 61 cents per unit which would have resulted in a coverage ratio of 4.3 times.

During the quarter, the Partnership successfully completed charter contract extensions for two LNG carriers charter to Awilco LNG in connection with raising $25 million in new equity, including a further investment from their largest investor, (Awil Humsen).

Both of these charter contracts have now been extended to December 2019 along with an accompanying hire deferral which averages $15,000 -- excuse me, $15,600 per day per vessel starting in July 2017 until the end of the new charter period.

Awilco continues to have an obligation to repurchase the vessels at or prior to December 2019 and the deferred higher amounts plus interest will be added to the repurchase price. In addition I'm pleased to report that following these extensions, we have now extended the loan facilities associated with these two vessels to mid-2020, which were previously scheduled to mature in 2018. Brody will provide more detail on this and our continued progress on financing our remaining contract of new building vessels later on in the presentation.

Lastly, our 50% owned Exmar LPG joint venture took delivery of the 10th mid-sized LPG carrier the Kruibeke, in late July. This vessel will operate as part of the joint ventures portfolio, which includes time-charter contracts, the Contract of Affreightment, and short-term trading.

Turning to slide four, I would like to highlight the Partnership's market leading portfolio of fixed contracts, which currently stands at $11.4 billion of forward revenues with the weighted average remaining contract duration of 13 years excluding charter extension options.

These forward fixed revenues come from a diverse customer group including energy majors and large LNG projects and contribute to the stability of our cash flows. As illustrated on the slide, the Partnership's forward fixed revenues are set to more than double with the delivery of our current LNG vessel orderbook.

In addition I would like to highlight the Partnership's LNG fleet is 96% fixed in 2017 based on available ship days, which is consistent with our business model of employing our vessels on medium to long-term contracts.

Finally, we are seeing positive signs that the market is gradually tightening and we expect this to continue as more liquefaction capacity comes online. The Partnership has taken advantage of the strengthening market and during the first half of 2017, we fixed three of four 52% owned vessels trading in the short-term market on term charters ranging from six to 18 months and beginning at various times starting from July 2017 to the fourth quarter of 2018.

Turning to slide five, we have provided an overview of the Partnership's newbuilding LNG vessels, which will commence fixed-rate freight charters upon the delivery. In total, the Partnership has 18 newbuilding LNG vessels and a 30% interest in the Bahrain regasification facility, which are scheduled to commence operations under charter contracts ranging from six to 28 years between now and early 2020.

This LNG carrier orderbook, which is the largest in the industry, is expected to contribute approximately $250 million of incremental run rate CFVO to the Partnership by 2020 with many of these vessels scheduled to deliver over the next few quarters.

With that, I will now turn the call over to Brody to provide an update on the Partnership's financing activities.

Brody Speers: Thank you, Mark, and hello everyone. Turning to slide six, I will provide a brief update on our progress in securing long-term financing for our growth project. I'm pleased to report that we continue to make progress on the financings for our remaining projects delivering through 2020 and continue to work on these in a parallel track.

I won't cover all of the financings on the slide, instead I will focus on the update since we last reported earnings in May. Starting at the top of the slide, as reported in previous quarters, the Partnership has completed long-term financing for five of the seven maybe MEGI LNG carriers under construction.

The financing for our remaining two MEGI LNG carrier newbuildings delivering in early 2019, which are employed on long-term charter contracts to BP and the Yamal LNG projects are progressing well with one vessel credit approved and in documentation and the other vessel now having a signed term sheet.

Moving down the list, we have now also signed a term sheet and begun documentation for the financing of our FSU newbuilding, which will go on charters to the Bahrain regasification project for 20 years.

Our next update is on the Yamal ARC7 financing. Together with our 50/50 joint venture partners, China LNG shipping or CLNG, we have decided to pursue a six-vessel financing package for our ARC7 LNG vessels in place of our earlier guidance that we would split this financing with a two vessel sales leaseback and a four vessel term loan.

Since earnings in May, we have been progressing in these discussions with our lender for the six-vessel transaction and have already begun documentation. The six-vessel term loan is expected to have slightly lower leverage than our previous guidance, but will come with more attractive pricing. We continue to target for this financial thing to be completed by the end of 2017.

Finally, our 50% owned Exmar LPG joint venture expects to see it being constructed at Hyundai Heavy Industries in Korea and delivers in the third quarter of 2018. This financing will be put in place at the joint venture level and is currently being discussed with potential lenders.

Overall, we are pleased with the progress we have made since we last updated you and continue to expect that we will complete our remaining newbuilding financings within the second half of 2017.

Turning to slide seven, I will provide an overview of the Partnership's upcoming refinancing between now and 2020. In the second half of 2017, the Partnership has one remaining maturities, which is $170 million 364-day unsecured corporate revolver facility, of which only $10 million was drawn at June 30th. This corporate revolver comes due in November of each year and we expect to begin refinancing discussions on this next month.

As previously discussed, 2018 is a heavier refinancing year for the Partnership with several loan facilities coming due. Previously these refinancings amounted to approximately $730 million, but it’s now been reduced to approximately $550 million as a result of extending $180 million of loans with the LNG vessels chartered to Awilco LNG to mid-2020 which Mark touched on in his opening remarks.

The remaining 2018 financings can be placed into three categories. Firstly, approximately $300 million of maturities relating to the Galicia Spirit, Hispania Spirit, and Madrid Spirit, all of which are on long-term charter. Secondly, approximately $110 million relating to two niche trade LNG vessels and six LPG vessels all of which have low loan-to-value ratio. And finally, a NOK bond maturity in September 2018 for $150 million.

In addition to the recent loan extensions for the Awilco LNG vessels, we have also begun discussions on some of the other 2018 maturities and we'll keep you updated in future quarters on how we progress these.

The Partnership's maturities in 2019 and 2020 including NOK Bond maturing in 2020 and the remaining amounts are all secured by vessels either on long-term charters having low loan-to-value ratios or which carry charter purchase obligations.

I will now turn the callback over to Mark to conclude.

Mark Kremin: Thank you, Brody. Turning to slide eight, I will summarize Teekay LNG's key investor highlights. We have a market-leading position as the third largest independent owner and operator of LNG carriers with a total of 50 LNG carriers including 18 vessels currently under construction.

We have a stable -- we have stable and growing cash flows supported by one of the largest and most diverse portfolios of long-term LNG charters, totaling $11.4 billion of forward revenues and a weighted remaining duration of 13 years.

In addition, we have the world's largest LNG orderbook, which is entirely contracted out on long-term charters which will provide significant cash flow growth between now and 2020. And we operate in an attractive market which has already begun the road to recovery.

We currently project a shortfall of LNG vessels by 2020 for the expected liquefaction capacity that is already under construction. And longer-term, we expect the growth in LNG demand to drive future demand for LNG shipment.

Finally, the partnership is focused on increasing distributions to unit holders at the appropriate time and in a sustainable manner. In this regard, our current thought process has not change from prior quarters, but we continue to focus on achieving key milestones including completing all the long-term debt financing of our new building vessels while obtaining sufficient comfort on refinancing our 2018 building maturities.

Further, we again highlight the significant incremental cash flow which we expect will be generated as our committed growth projects deliver between now and early 2020 which will add to our distributable cash flow capacity. We will continue discussing our distribution policy with our Board in the second half of 2017.

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

Operator: Thank you. And if you'd like to ask a question over the phones, please press star 1 on your telephone keypad. We'll go first to Spiro Dounis with UBS.

Spiro Dounis: Hey, Mark, hey, Brody. Just wanted to start-off Mark on maybe just getting an update on your views, the opportunities set out there. I know earlier in the year…

Mark Kremin: Operator, we're available for questions.

Spiro Dounis: Hey, can you guys hear me? Hello. Hello.

Operator: Your line is open.

Spiro Dounis: Hey, Mark, hey, Brody. Are you there? I think there might be a problem with the line.

Mark Kremin: Sorry folks just please be patient. We have a small technical difficulty. We expect to correct it shortly.

Operator: And Spiro, could you please repeat your question once again.

Spiro Dounis: Sure. Hey, Mark, hey, Brody. Guys hear me now? I think we still have an issue.

Mark Kremin: Folks, if you're still in the line, we're going to dial back in. Sorry about this. We should be back on the line in a minute or so -- within a minute.

Operator: Please standby. Please standby. You are reconnected with your audience.

Mark Kremin: Sorry about that people. We're back on. This is Mark Kremin and Brody Speers so, we are available for questions.

Spiro Dounis: Hey, Mark and Brody. Its Spiro, can you guys hear me now?

Mark Kremin: Yes, thanks, again, apologies for that. It's a technical difficulty.

Spiro Dounis: Great. No worries. You guys didn't need to run off. It's not like I was going to ask the exact date and time when the distribution is getting lifted, so I'll give something else.

Just in terms of where you guys stand, Mark, I know earlier in the year, you kind of left there weren't a lot of opportunities out there that attracted you then, last quarter, you kind of shifted a bit and it sounds like things were getting more interesting, just wondering where that stands now?

And as you look forward, any other opportunities, how many tenders are out there maybe that you simple close in the second half of this year, not necessarily that you'll win, but maybe what's available?

Mark Kremin: Okay. Thanks. (Mike). Yes, things seem to be picking up a little and you've seen that to some extent in that term charters that we've done, builds a relatively short-term on the Marubeni joint venture owned ships, but they are an indication that people are looking back at term business again.

In the longer term, there are let's say a number of tenders out there that we may or may not win, GAIL being one of them. GAIL is yet to be decided for most of their ships. That will be followed shortly after we believe by IOC in India. And there are some other longer term tenders out there right now as they -- for instance, a European utility that's looking for a long-term charter. So, that's a good sign for things.

On the FSRU side, there are obviously a lot of uptick. We see about up to 30 potential projects, that's a little different from ours in that. There are around seven uncommitted vessels for those. So, we wouldn't necessarily be the winners with those 30 opportunities, but there is certainly an uptick in projects that we've seen over the last quarter or two.

Spiro Dounis: Got it. Okay, that's good to hear. And then just want a -- quick housekeeping question on Awilco LNG carriers. Looking at the debt, it looks like you got kind of a six-month time window between when the purchase obligation would be and then when the debt matures?

Just wondering, you know, that appears by design -- just wondering why that is -- trying to get a sense if there are any sort of other outcomes other than Awilco purchasing those vessels at the end of ‘19? Thanks.

Brody Speers: Yes, hi Spiro, this is Brody. Yes, the original loans that we did had the same feature where the loans matured a few months after the charter purchase obligations were due. And so we just kept that in place on this refinancing.

So, there's no -- we currently expect Awilco to repurchase the ships, but we’ve just put the debt out an extra six months just for flexibility, but we don't expect any other outcome at this point.

Spiro Dounis: Got it. Makes sense. Appreciate the color. Thanks guys.

Operator: We'll go next to Espen Landmark with Fernley.

Espen Landmark: Hey, good morning guys. Two ones from me. I know you didn't put anything on this in the presentation, but, you know, given everything that has happened with TiVo and Teekay, I was just wondering what this means for TGP. Is there any, you know, potential positive spillovers for you guys there?

Mark Kremin: Good morning (Esta). Yes, I think there is hopefully a positive spillover for us. The transaction is, in fact, we hope positive for the entire Teekay Group. It's reflective of the reputation that Teekay has in the industry and the ability to attract a quality partner like Brookfield.

So, the transaction we hope and we believe will strengthen Teekay's Sponsor Teekay Corporation and is very much in line with TGP's own model, which is to partner with people and we've done successfully in the past and hope we'll do the same with this. So, I can't see as anything other than a positive.

Espen Landmark: All right. And then, you know, you have a couple -- or quite a few mid-sized LPG carries with Exmar, you know, has been struggling with a bond refi and has also yet to secure employment for the (F1G) and (FSU)s. So, I know ((inaudible)) are close to fully financed, but is there any angle for you guys to maybe increase your ownership in this segment?

Mark Kremin: At this point, we're not really looking at that. This segment we believe, will take a bit longer to recover than the LNG market, which is already on the uptick. We did -- or as you may recall, we did take ownership of opportunistic newbuild, last quarter we announced that. So, we are making small growth. But in terms of consolidation in a big way, it's not really on our plans right now.

The orderbook for LPG has just delivered one of the biggest increases ever in the last quarter. So, it is fairly -- it's a fair amount of shipping supply available and we're not at this point looking to make any big move on consolidation.

Espen Landmark: All right. Thank you guys.

Operator: We'll go next to Michael Webber with Wells Fargo.

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

Mark Kremin: Fine Mike. Thanks.

Michael Webber: Just wanted to circle back on the refis and the distribution. Brody, you mentioned in your prepared remarks after you laid out the schedule financing work here what you're doing right now and you expect to reasonably, I guess, have that done by the back end of the year.

The slide six and seven are helpful. When I look at seven, the remaining refi activity that's needed, can you give us a sense of when you'd realistically be able to address the 2018 refis to the point where distributions become a relevant -- distribution bump becomes a relevant topic for you guys?

Brody Speers: Yes, sure. Hi Mike. As I mentioned in the prepared remarks, we are currently starting to work on some of those 2018 refinancings, now that the Awilco one has been completed. Realistically speaking I don't see us completing all of those refinancings by the end of the year; it's going to spill over into 2018.

The maturities on most of those are in -- I would say in the latter half of 2018, but we expect to complete the refinancings before those maturity dates. And then in terms of the comfort levels of the distribution, I think what we said in the past holds true which is we would look at how completed or commitments for the majority of those refinancings.

Michael Webber: Okay. For the majority. Okay, that's helpful. Mark I wanted to touch base on some LNG charter activity. I guess to the broader Teekay umbrella, I know the assets are chartered out to the Teekay parent level, but the Arctic, looks like it found some employment starting at September. Can you give us a sense on rate and term and just kind of what the market was like for both that and the polar?

Mark Kremin: Sure Mike. You're correct; the Arctic has been fixed for employment. So, the ship is right now in Singapore, getting dried up, touch up for charter which will commence in early September. Both ships are on similar trades, they're on the niche trades to China and as a result, they do earn above market rates. And we expect that to continue when Teekay redeliver the ships most likely to TGP in April of 2017 -- sorry 2018.

So, we're in contact with the various opportunities and there's a good opportunity perhaps to extend for TGP, but they are at above market rates for niche trades to China, both of them.

Michael Webber: Is there a good opportunity to extend the charter out to Teekay parent at TGP?

Mark Kremin: I don't think that's likely. The options are long and I think now that TGP has the portfolio that it does, it will be TGP that will continue on with--.

Michael Webber: All right. Okay. That makes sense. Okay, I was confused. Okay. Just Brody, one more on the debt, sorry to hop around like this, but kind of being looking at the detail in 2018 refinancing work of $307 million for the Spanish LNG carriers. Can you remind us of when in 2018 that matures?

Brody Speers: Yes, the Spanish LNG carrier debt matures in September and November, its two separate facilities. Its September and November of 2018.

Michael Webber: Okay. So, realistically, that's the only remaining financing that would drive you to a majority for your 2018 work. So, that's kind of the fulcrum, if you will, for freeing up additional cash.

Brody Speers: Yes, I don't think we've necessarily said exactly which facilities need to be done, but I think we'll just continue to look at it on a regular basis as we progress here into 2018.

Michael Webber: Great. Thanks for the time guys.

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

Fotis Giannakoulis: Yes, hi gentlemen and thank you. I want to ask about the financing on the newbuildings and I'm trying to understand -- I was under the impression that three of these seven vessels they had originally been financed together with the Torben Spirit at around $170 million. Can you give us a little bit more background why this reduction in the amount of financing and also what would be the bare-boat rate in the debt service of this newbuildings?

Brody Speers: Hi Fotis, this is Brody. You're correct the three MEGI vessels you're referring to were financed alongside the Torben Spirit with the Chinese sale leaseback financing. And that hasn't changed and the amounts haven't changed.

I think the reason you see that reduction on that slide is because we're showing just the undrawn amounts and what we've done is of the total five MEGI LNG carrier financings that we've completed there, we did draw down on some pre-delivery financing during the second quarter. So, it's reduced the undrawn amount. So, nothing has changed in respect to those five completed MEGI LNG carrier financings.

In terms of the debt service, we guided in the past, it's about a 5% all-in cost for these sale leaseback financings and leverage of as you said roughly $175 million. So, it works out to roughly $40,000 a day in total debt service.

Fotis Giannakoulis: Okay, that's very helpful. In relations to refinancing of the existing debt -- 2018 debt and I'm asking particularly the bank debt, not the unsecured debt. How shall we think the debt service for these refinancings?

Brody Speers: Yes, on the debt service amounts for those refinancings, we're still in discussions. We obviously just started discussions on some of them, but it's largely going to be length to the remaining charters for the Spanish vessels, so those charters they mature in 2022, 2024, and 2029, and so we would expect the tenure in the profile of the loan to match that charter period.

On the unchartered ships, the short-term chartered ships, we would expect probably about a five to seven-year prepayment profile on the remaining buildings there.

Fotis Giannakoulis: Okay. Thank you. That's very helpful. Just to clarify the Spanish ships, are they all the four Spanish ships in the collateral package of this facility?

Brody Speers: No, there's two separate facilities, so the Hispanian and Galicia are financed together and the Madrid is financed on its own. And then there is a fourth Spanish ship which is also financed on its own, but is not maturing in 2018.

Fotis Giannakoulis: Okay, that's very helpful. Thank you very much guys.

Operator: We'll go next to Noah Parquette with JP Morgan.

Noah Parquette: Thanks. You know, I wanted to ask if you can give any update or color on the Yemen LNG deferrals and what you're thinking about for next year if you need to. And how much of a factor is that in, you know, the dividend decision?

Mark Kremin: Hi, Noah. There has not been any progress towards the restarting of the plant as the conflict in Yemen continues. As described in our previous earnings releases, our joint venture with Marubeni agreed to defer a significant portion of the charter hires for both ships until the end of 2017.

We expect the negative impact to TGP's share of this DO resulting from the deferral at least in 2017 will approximate that of last year, which is roughly $25 million of CFVO. During this period, however, I would remark that in addition to the subsidy that we do get spill or the portion of hire we get spill from Yemen, we've been sub-chartering the vessels.

So, both the Marib Spirit and Arwa Spirit have been sub-chartered and one has gone onto a longer term charter. So, it's been fixed to a longer term charter, I should say. So, that's the -- in short we will probably end up having to increase some type of deferral arrangement beyond the end of this year share with Yemen.

Noah Parquette: Okay, great. And then just one question on the market. Are you able to give any sort of color on -- in your ships that are loading, being passed and discharging in the Far East, what they're doing for that second voyage? If they're just back-hauling or if there is a back-haul cargo or if there's just out and back. Thanks.

Mark Kremin: Well, you bring up some good news which is that the ships that we are loading in Sabine Pass and we have a number of them because not only do we have the Oak Spirit and Creole Spirit on time-charter to Chenier. We have vessels that are doing a lot of spot marketing for Chenier and they are going to the Far East which some had doubted would happen.

And so we've been making long haul tonne miles through the Panama Canal and typically they've been ballasting back all the way from the Far East. So, it's so far kind of an inefficient process, at least the trading, but a nice story for LNG, so, -- or I should say shipping. So, whereas the trade from Australia is very short for the most part, from Australia to the Far East for making long haul bounce back to the United States for Sabine Pass Bill.

Noah Parquette: Okay. Thanks.

Operator: We'll go next to Jerry Zhou with Citi.

Jerry Zhou: Hey guys. A lot of my questions have been answered. But just a quick one -- just regarding where you guys are seeing the market right now. What kind of sort -- what sort of like loan-to-value ratio are you seeing sort of within the industry regarding your types of vessels and similar of types of vessels?

Brody Speers: Hi, yes, Brody. In terms of loan-to-value, it largely depends on the contract coverage that you have. So, for our newbuilding orderbook, which is all chartered on long-term contracts, we've been seeing approximately, you know, 80% loan-to-value and then little bit higher when you start looking at the Asian sales leaseback opportunities.

Jerry Zhou: Got it. That's helpful. Thanks guys.

Operator: We'll go next to Randy Giveans with Jefferies.

Randy Giveans: Hey, guys. Thank you. And most of my questions have also been asked and answered. Just two quick things looking at slide six, it looks like you have $2.6 billion or so in remaining CAPEX, $1.1 billion in completed undrawn refinancing, and then the $1.4 billion in-process debt refinancing. So, should we assume you take on that full I guess $2.5 billion or so in debt for the remaining $2.6 billion CAPEX?

Brody Speers: Yes, that's right. We essentially paid I would say our equity contribution for these newbuilding installments -- these newbuilding projects already and so we do expect to finance the vast majority of the remaining CAPEX with debt.

Randy Giveans: Got it. And then lastly just for modeling purposes, any dry docking scheduled for second half of this year in 2017?

Brody Speers: Yes. There are some -- if you look in the appendix, the final slide of the presentation, we provided a dry docking schedule that we have planned. So, if there is a few ships docking. In Q3, specifically, we have the Arctic Spirit will do a dry docking as well as one of our vessels within the Marubeni joint venture.

Randy Giveans: Marubeni joint venture. All right. That's it for me. Thanks again.

Operator: And that this time, there are no further questions.

Mark Kremin: Sorry about the technical glitch, but thanks, again, for the call. We look forward to updating you on all of our activities next quarter. Thanks again. Bye.

Operator: This does conclude today's conference. We thank you for your participation.