TEEKAY LNG PARTNERS L.P.

Moderator: Peter Evensen
May 5, 2006
12:00 p.m. CT

Operator: Good day, ladies and gentlemen, and thank you for standing by. Welcome to the Teekay LNG Partners L.P. first quarter 2006 earnings release.

During the presentation, 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, you will need to press star one. As a reminder, this conference is being recorded.

Now for opening remarks and introductions, I would like to turn the conference over to Mr. Peter Evensen. Please go ahead, sir.

Scott Gayton: Before Mr. Evensen begins and before I read the forward-looking statements, I would like to direct all participants to our Web site at www.teekaylng.com where you will find a copy of the first quarter of 2006 earnings presentation. Mr. Evensen will review this presentation during today's conference call. I will now read the forward-looking statements.

Please allow me to remind you that various remarks we may make about future expectations, plans, and prospects for the partnership, and the shipping industry constitute forward-looking statements for purposes of the Safe Harbor provision under Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors, including those discussed in our most recent annual report on Form 20-F dated December 31st, 2005, on file with the SEC.

I will now turn it over to Mr. Evensen to begin.

Peter Evensen: Thank you, Scott. I'm very pleased to report to you our first quarter results. With me today from Teekay Shipping Corporation is Vince Lok, Treasurer.

Turning to the presentation and to slide three of our presentation in reviewing the first quarter highlights, we're pleased to report that the results of the first quarter of 2006 were in line with expectations. The partnership generated 17.6 million of distributable cash flow, up from 15.7 million in the previous quarter. We declared a cash distribution of 16.5 million, or (46.25) cents per unit for this quarter representing an annualized distribution of $1.85 per unit compared to $1.65 annualized per unit from last quarter. This 12-percent increase in the quarterly cash distribution is in line with the guidance we provided earlier this year. The cash distribution is payable on May 15th to all unit holders of record on May 10th.

The partnership has agreed to purchase Teekay's 70-percent interest in Teekay Nakilat Corporation, which previously owned the three RasGas II LNG carriers under construction. In January 2006, Teekay Nakilat (novated) the shipbuilding contracts to Sea Spirit Leasing Limited and concurrently entered into a 30-year U.K. lease for the three LNG carriers. The benefits of the lease arrangements are expected to reduce the partnership's required equity investment in this project by approximately $40 million. That is, from 93 million to $53 million. Under GAAP in the United States, the partnership is required to consolidate Teekay Nakilat at this time although we will not formally purchase the vessels until the fourth quarter of this year.

We're reaffirming our previously provided guidance of $1.85 per unit in annualized cash distributions through the second quarter of 2007 and an additional 14-percent increase to $2.10

per unit commencing in the third quarter of 2007 when all three of the RasGas II vessels have delivered and are in service.

Turning next to slide four in reviewing the distributable cash flow and cash distribution for the first quarter, we generated the 17.6 million of distributable cash flow, resulting in a coverage ratio of 1.07 times, which is consistent with the previous quarter. Distributable cash flow represents net income adjusted for depreciation and amortization, non-cash interest expense, foreign exchange losses, and income tax recoveries. Distributable cash flow also deducts estimated maintenance cap ex, which represents the dry-docking expenditures, and the cost of acquiring vessels, which maintain the operating capacity of our fleet. As a result of the distributable cash flow generated, we have declared and will pay later this month the cash distribution of 16.5 million.

Turning next to slide five in reviewing the income statement for the first quarter of 2006 and comparing it to the last quarter, during the first quarter, other than scheduled dry dockings, our LNG carriers and our Suezmax tankers again achieved 100-percent utilization. During the first quarter, we were able to benefit from a full quarter of cash flow from the ConocoPhillips tankers, which we acquired in late November 2005. As a result, net voyage revenues, vessel operating expenses, and appreciation and amortization were higher than last quarter by 3.9 million, 1.4, and $700,000, respectively.

General and administrative expenses were consistent with last quarter. Net interest expense increased from quarter by 1.6 million primarily due to having the debt associated with the three ConocoPhillips tankers for a full quarter and a non-cash interest expense of approximately 700,000 relating to Teekay Nakilat. Since Teekay Nakilat is consolidated at far as Teekay LNG for accounting purposes only, this has no – this has no affect on the partnership's cash flows. We incurred an unrealized foreign exchange translation loss of 7.8 million primarily to the affect of the change in the euro to U.S. dollar exchange rate on our euro denominated debt.

Turning next to slide six, on a comparable basis to analysts' estimates, we would exclude from net income the unrealized foreign exchange loss of 7.8 million and 720,000 in non-cash expenses related to Teekay Nakilat. This would have resulted in net income for this quarter of approximately 9.3 million, or 26 cents per unit.

Our euro denominated revenues currently approximate our euro denominated expenses and debt service costs. As a result, we are not exposed materially to foreign currency fluctuations and there is no impact to our cash flows; however, for accounting purposes, we are required to revalue all foreign currency denominated monetary assets and liabilities at each reporting period. This reevaluation does not affect our cash flows or the calculation of distributable cash flow but the – but does result in the recognition of unrealized foreign exchange gains or losses, and given the recent volatility in (FX) rates, you should expect the reported net income to fluctuate from quarter to quarter to reflect this.

Turning next to slide seven, we presented our March 31st balance sheet showing separately the consolidation of Teekay Nakilat and then comparing it to the previous quarter.

As mentioned earlier, Teekay Nakilat (novated) its shipbuilding contracts to Sea Spirit in January and entered into the 30-year U.K. leases for the three LNG ships. These leases will commence upon the delivery of the LNG carriers during the fourth quarter of 2006 and first half of 2007. Sea Spirit reimbursed Teekay Nakilat for previously paid shipyard installments and other construction costs which were originally capitalized to advances on new building contracts. These proceeds were used to fund restricted cash deposits.

Under the terms of the leases, Teekay Nakilat is required to have on deposit an amount of cash together with interest earned on the deposit that will equal the remaining amounts owed under the leases. At March 31st this amounted to $395 million. These cash deposits are restricted to being used for capital lease payments and have been fully funded by Teekay Nakilat with term loans and loans from joint venture partners, which is shown here as debt related to new building vessels to be leased.

The amount from Teekay Nakilat consolidated in the balance sheet includes other current assets of 1.1 million relating to capitalized commitment fees on the leases entered into and accrued liabilities of 3.3 million relating to interest accrued on its term loans. Other long-term assets, long-term liabilities, and equity of Teekay Nakilat primarily reflect the interest rate swaps related to its LIBOR-based capital lease obligations, which ensures that we do not have any interest rate exposure on Teekay Nakilat.

Today is Teekay LNG Partners' one-year anniversary as a publicly traded partnership, and to commemorate this occasion, Teekay LNG is going to be ringing the closing bell today at the New York Stock Exchange.

The partnership's off to an excellent start with the units trading around 40 percent above the IPO price and we're executing on our plan to increase the partnership's distributable cash flow each year, both through acquisitions and building LNG carriers against the long-term fixed rate contracts. And as you can see on slide eight, our portfolio contract puts us in a position to grow each year from 2006 to 2009.

Thank you all for listening. And operator, I'm now available to take questions.

Operator: Thank you, sir. The question-and-answer session will be conducted electronically. If you would like to ask a question, please do so by pressing the star key followed by the digit one on your touch-tone telephone. If you are using a speakerphone, please make sure that your mute function is turned off to allow your signal to reach our equipment. We ask that anyone who is using a hands-free phone or a speakerphone to please pick up the handset when asking your question. Once again, that's star one if you would like to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal.

And we'll take our first question today from Jon Chappell with JP Morgan.

Jon Chappell: Good afternoon. Peter, I hate to beat a dead horse here about the delays in tenders but we're in the first week of May and there haven't been a whole lot of ships – LNG ships tendered and most consultants were looking for about 70 in 2006. Are you concerned that it's possibly delays in some of the (regasifaction) with the (faction) projects? Or is it just going to be backend loaded in your opinion?

Peter Evensen: Well, it's actually some delay and that's actually because, you know, these – we are part of a logistic chain that costs about $5 billion and you have to work out the financial and the commercial links between the suppliers and the consumers and, you know, you need contracts in every step of the process from (extraction) to (liquification), shipping to delivery to (regasification). And so there have been delays and that's primarily because people wanted to do these projects a little faster than was humanly possible. But the projects are going forward and we're very busy on tenders. But, clearly, it has gone a little slower than people intended but that's the nature of projects. We are still just as positive about the future of it.

Jon Chappell: OK, so it may just push some back from the 2006 to 2007 tenders in your opinion?

Peter Evensen: Well, we're talking about the awarding of the ship tenders. The actual projects are going on as budgeted and what's happened actually is that a lot of projects, especially in (Gutter), they have already gone ahead and reserved some shipping berth so the tightness that we find in the shipping, they've already gone out and told the shipyards we're going to be ordering these, we want to reserve them, just as they've been going out and ordering the (liquification) materials and getting the engineers. But it isn't a surprise with a five or $7-billion project that you get a certain amount of delay.

Jon Chappell: Just one other question on expansion. I know you guys build to suit pretty much and you have the 30-year – 20/25-year contracts on the back of each ship before you even start the construction of it but some people have been building speculatively. Is there an opportunity for you to purchase some ships that may be delivered earlier than 2009/2010?

And by that, I guess there's two parts to that. Would you purchase it if it was for the right price for a speculative? Or is it possible to actually get contracts for those ships that you haven't started from the beginning of construction?

Peter Evensen: We have a build-to-suit strategy and we don't see that we need to deviate from that. What you may find us doing is making acquisitions of ships that already have long-term contracts. But the idea that Teekay LNG Partners would buy ships speculatively is – probably doesn't fit with our strategy because Teekay LNG is about having long-term fixed rate contracts and giving us our stability and even if speculative ships – they have a different risk reward than what we are trying to do in Teekay LNG, which is to be stable, and to grow the cash flow every year, and make sure that we can always have that stability.

Jon Chappell: Sounds good. Thanks, Peter.

Peter Evensen: Thank you.

Operator: And just a reminder, ladies and gentlemen, if you would like to ask a question, please press star one on your touch-tone telephone now. And we have a question from John Tysseland with Citigroup.

John Tysseland: Hi, guys. Good afternoon. Now that you have a pretty track record of, you know, some of these third party – you know, servicing the transportation for LNG vessels on a third-party basis, what does your deal flow look like this year versus, I guess, a year ago?

Peter Evensen: Well, for competitive reasons, I'm not going to outline exactly what deal flow is but we're actually more busy this year on tenders for the reasons I talked about with Jon Chappell that some of them have been backended. But I can talk about the regions that we're working in.

John Tysseland: Sure.

Peter Evensen: We see many more projects coming out of West Africa and Angola and Nigeria, Algeria, and that is – that's where we're seeing many more projects and those projects weren't there going back to last year where we did many more deals in (Gutter), for example. So the whole LNG development is expanding geographically, and then ultimately, but not probably this year, we see Russia coming more into the mix.

John Tysseland: Would you say the size of the ships in these different regions are about the same? Or do you still continue to see the push for larger vessels?

Peter Evensen: We're really only seeing the push for larger vessels coming out of (Gutter) and that's because (Gutter) wants to super size these ships in order to bring (gas) very long distances, for example, to the United States. So the average size has crept up from about 145,000 to now 155,000/165 and this is a size that fits into standard shippers.

When you're talking about moving up into what we call the Q-flex or (Q-max), which basically adds about 100 yards in length, then you're talking about making sure that the – that it doesn't just fit into existing terminals but it fits into new terminals and those are very much related to long distances. When you have shorter distances, you generally want the more standard vessel, which is now working out at 155,000 cubic to 165. Having said that, we are building four of what we call Q-flex vessels that are about 217,000 cubic and they will go to either the United States, or more likely to the U.K. from (gutter).

John Tysseland: All right, guys. Thanks a lot.

Peter Evensen: Thank you.

Operator: And it appears there are no further questions. Mr. Evensen, I will turn the conference back over to you.

Peter Evensen: OK. Well, thank you very much for all your support and we look forward to executing on our business plan and reporting back to you in about 90 days. Thank you very much.

Operator: And this concludes today's conference call. Thank you, everyone, for joining us.

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