



**Teekay LNG Partners LP
Third Quarter 2006 Earnings Release
November 3, 2006**

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Teekay LNG Partners LP Third Quarter 2006 Earnings Release 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, you will need to press star then the number one on your telephone keypad. As a reminder, this call is being recorded.

Now for opening remarks and introductions, I would like to turn the call over to Mr. Scott Gayton. Afterwards, we will hear from Mr. Peter Evensen, Chief Executive Officer of Teekay GP LLC. 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 website at www.teekaylng.com where you'll find a copy of the third quarter 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 the 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 31, 2005 on file at the SEC.

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

Peter Evensen: Thank you, Scott. Thank you for joining us today on our third quarter conference call. With me today is Vince Lok, Chief Financial Officer of Teekay Shipping Corporation, and Brian Fortier, Controller of Teekay Shipping.

Turning to the presentation and to slide three of our presentation, in reviewing the third quarter highlights, we're pleased to report that the partnership achieved its best ever quarterly results in the third quarter of 2006 with the results coming in above expectations. We generated 18.6 million of distributable cash flow, up from 14.2 million in the previous quarter. We



achieved virtually full utilization of the fleet with the Catalunya Spirit returning to full operation in the third quarter. Also, one of our Suezmax Tankers, the Teide Spirit, earned an additional 1.3 million in revenues resulting from the profit share arrangement we have on that vessel which provides a share of the upside when spot tanker rates exceed a certain level. Excluding the unrealized foreign exchange gain of 3.8 million, net income was 8.8 million or \$0.25 per unit. We declared a cash distribution of 16.5 million, or \$0.46.25 per unit for this quarter, representing an annualized distribution of \$1.85 per unit.

Earlier this week, the first of first of three RasGas II LNG newbuildings commenced its 20 year charter contract. The other two vessels are expected to be on charter by the end of the first quarter of 2007. The total equity required by the partnership for the three RasGas II vessels is approximately \$50 million, net of the UK tax lease benefits. With total liquidity of over \$460 million, no equity issuance is required to fund this purchase.

We are also pleased to announce that we have agreed to acquire Teekay Shipping Corporation's 40% interest in the four RasGas 3 LNG newbuilding carriers, scheduled to deliver during the second quarter of 2008, and Teekay's 70% interest in the two Tangguh LNG carriers scheduled to deliver during late 2008 and early 2009. As with the RasGas II vessels, the parent of our general partner, Teekay Shipping Corporation, will continue to finance the construction of these vessels on our behalf until they deliver from the shipyard and commence their charters. Upon delivery, the RasGas 3 vessels will go on charter to Ras Laffan LNG in Qatar for a fixed period of 25 years with options to extend to do a total contract period of 35 years. Qatar Gas Transportation Company owns the remaining 60% interest in these vessels. The two Tangguh vessels will go on charter to the Tangguh Production Sharing Contractors, a consortium led by a subsidiary of BP plc, to service the Tangguh LNG project in Indonesia for a period of 20 years.

We are reaffirming our previously provided guidance of \$1.85 per unit in annualized cash distributions through the second quarter of 2007 and an additional 14% increase to \$2.10 per unit commencing in the third quarter of 2007. We will be providing guidance for 2007 and 2008 at our next earnings conference call in February.

Turning next to slide four in reviewing the distributable cash flow and cash distribution for the quarter, we generated 18.6 million of distributable cash flow resulting in a very healthy coverage ratio of 1.13 times.

Turning next to slide five, in reviewing the income statement for the third quarter of 2006 and comparing it to last quarter, during the third quarter, our LNG carriers and our Suezmax tankers achieved 100% utilization. During the second quarter, the Catalunya Spirit was off hire for 33 days to complete repairs and a scheduled dry-dock, whereas this vessel was



fully operational in the third quarter. This increase, together with the previously mentioned additional profit share revenues from one of our tankers, made up most of the 4.1 million increase in net voyage revenues from the second quarter. Vessel operating expenses, depreciation, and general and administrative expenses were consistent with the prior quarter.

Net interest expense incurred from last quarter by 440,000 primarily due to an increase in floating interest rates pertaining to our five Suezmax tankers on charter to CEPESA, for which we received compensation by the charterer in the form of higher revenues as the time charter rates adjust in accordance with changes in floating interest rates. In other words, there is no net effect on our cash flows or net income.

We incurred an unrealized foreign exchange translation gain of 3.8 million primarily due to the effect of the change in the Euro to the US Dollar exchange rate on our Euro denominated debt. As a reminder, our Euro denominated revenues currently approximate our Euro denominated expenses and debt service costs. As a result, we are not exposed materially to foreign exchange fluctuations and there is no impact on our cash flows. However, for accounting purposes, we are required to revalue all of our foreign currency denominated monetary assets and liabilities at the end of each reporting period. This reevaluation does not affect our cash flows or the calculations of distributable cash flow but it does result in the recognition of unrealized foreign exchange gains or losses, and given the recent volatility in foreign exchange rates, we should expect reported net income to fluctuate from quarter to quarter to reflect this.

Turning next to slide six, we presented our September 30th balance sheet, showing separately the consolidation of Teekay Nakilat and comparing it to the previous quarter. Under terms of the UK tax leases for the three RasGas II LNG carriers, Teekay Nakilat is required to have on deposit an amount of cash that, together with interest earned on the deposit, will equal the remaining amounts owing under the leases. At September 30th, this amount was \$438 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 its joint venture partners, which is shown here as debt related to newbuilding vessels to be leased.

Other long term assets, long term liabilities and equity of Teekay Nakilat primarily reflect the interest rate swaps related to the LIBOR based debt, capital lease obligations, and restricted cash deposits which ensure that we do not have any interest rate exposure in Teekay Nakilat. The balance sheet remains strong with net debt, that is net of restricted cash, capitalization remaining at 44.6% and the partnership had total liquidity of \$466 million at September 30th, compared to 234 million last quarter. The increase in liquidity is due to an additional 230 million in revolving credit capacity on two of our LNG



vessels which were refinanced during the third quarter. As a result, the partnership is in very strong financial position to take advantage of any acquisition opportunities without having to issue equity immediately.

Turning to slide seven, the entire board of Teekay LNG Partners visited Daewoo Shipyard where we had a rare double naming ceremony of the first two of our LNG carriers that will go on charter for 20 years, moving LNG from Qatar. The first vessel, the Al Marrouna was delivered and officially went on charter to RasGas a few days ago and is presently on route to Qatar to pick up its first cargo.

In closing, we continue to execute on our plan to increase the partnership's distributable cash flow, both through acquisitions and building LNG carriers against long-term contracts. As you can see from slide eight, our portfolio of contracts puts us in a position to grow each year from 2006 to 2009.

Thank you all for listening. Operator, I am now available to take questions.

Operator: At this time, I would like to remind everyone in order to ask a question, please press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. Again, if you would like to ask a question, please press star then the number one on your telephone keypad. We'll pause again to compile the Q&A roster.

Your first question comes from Jonathan Chappell with JP Morgan.

Jonathan Chappell: Almost thought you were going to get away with no questions. Peter, you mentioned a couple of times the strength of your balance sheet. I'm not sure how you'd budgeted that by yearend '06 but two questions off that. First, as you look out to the ships that need to be delivered in '08 and '09, are the required equity financings for that shrinking at all because of the strength of your balance sheet?

Peter Evensen: No, we think we will be delivering when we deliver the RasGas 3 vessels and the Tangguh, we have budgeted that we will be issuing equity both in 2008 and 2009. But without acquisitions we won't be in the market with equity until then.

Jonathan Chappell: Okay. And for acquisitions, you've given your liquidity. How comfortable would you feel, your debt to cap ratio how many potential acquisitions? How high would you take it?



Peter Evensen: What we're budgeting is that on our long term contracts, in order to lock down the interest rates we try to finance them at up to 80% because that means that we can lock in the interest rates. For example on the RasGas 3 and Tangguh, we've already locked those interest rates.

On acquisitions, we are planning to finance them in with a much lower leverage. In other words, maximum 50% leverage in order that we can use acquisitions where we immediately get the cash flow, then we will issue much more equity.

Jonathan Chappell: Okay. Your coverage ratio as you noted was pretty healthy for the third quarter. I assume some of it had to do with the profit sharing from the Teide Spirit. I'm not 100% sure on your flexibility with dividends here and you've already given good guidance but is there the potential to pay one time dividends, as small as they may be, to help bring the coverage ratio back towards one or in certain quarters when you have profit share from that ship.

Peter Evensen: Well we could certainly increase the distributions more, and which would of course reduce the coverage ratio closer to one. Right now we have elected only to increase the distributions by the whenever we get a new project but this means that the coverage ratio will sort of steadily rise up until we make a material change in the distribution.

Jonathan Chappell: Okay, that's a little different from other MOPs that raise it every quarter.

Peter Evensen: We're raising it materially once every year.

Jonathan Chappell: Okay. And then finally, if I remember correctly the two RasGas II ships were supposed to be delivered a little bit later in '07, so I think the shipyards are probably pushing them out a little bit quicker to free the berths. Are the '08 and '09 RasGas 3 and Tangguh ships still on schedule for delivery or is there a potential to have those a little bit earlier as well?

Peter Evensen: Right now we haven't been advised from the shipyard that they would like to deliver them early. If we do get advised of that of course we go to the charterer and ask them if they want the ships early. Otherwise we don't take them earlier.

Jonathan Chappell: Okay and that's a good point and you are getting, you are putting these RasGas II ships under contracts immediately, even though you're getting them a little bit earlier.

Peter Evensen: That's right. When we were advised by the shipyard, we went to the charterer and asked them if they wanted them earlier and they said yes they did.



Jonathan Chappell: Okay. Thanks a lot, Peter.

Peter Evensen: Thank you, Jonathan.

Operator: Again, I would like to remind everyone in order to ask a question, please press star then the number one on your telephone keypad for a final reminder.

Your next question comes from Ed Gardner of Raymond James.

Ted Gardner: Hi guys, it's actually Ted Gardner. Just wanted to get a feel for what you guys are seeing out there surrounding other projects and its been a few quarters since you've announced any new bids or awards, I should say, on new vessels and I just wondered what the landscape looks like and if you guys foresee some new ones coming up here over the next few months.

Peter Evensen: Yes, we've actually been quite busy but a lot of these tenders, especially in Africa, have been extended for a much longer period. And so it isn't a question of what we've been doing, it's a question that the people who have gone out for tenders have actually just extended them out and so a part of that has to do with the fact that it's taking a little bit longer to build liquification plants and they also need to get their permits for the regasification terminals. But we remain optimistic. We have several tenders out which I can't talk about the specifics of but we think that we'll be busy in '07.

Ted Gardner: Okay, appreciate it.

Peter Evensen: Thank you.

Operator: At this time, there are no further questions. I would now like to turn the conference over to Mr. Peter Evensen for closing remarks.

Peter Evensen: Okay thank you very much. We are very pleased to have gotten the first of our RasGas II vessels and that's going to power the growth in 2007. Thank you all for listening and we'll speak to you next quarter.

Operator: Thank you. This concludes today's Teekay LNG Partners LP Third Quarter 2006 Earnings Conference Call. You may now disconnect.