Teekay LNG Partners L.P.
First Quarter 2007 Earnings Release Conference Call
May 11, 2007

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Teekay LNG Partners First Quarter 2007 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, participants will be asked to press star, one to register for a question. For assistance during the call, please press star, zero on your touchtone 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. Peter Evensen, Chief Executive Officer. Please go ahead sir.

Dave Drummond: 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 will find a copy of the first quarter 2007 earnings presentation. Mr. Evensen and Mr. Lok will review this presentation during today's conference call. I will now read the forward-looking statement.

Please allow me to remind you that various remarks we may make about future expectations, plans and prospects for the Partnership and the shipping industries constitute forward-looking statements for the purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. Actual results my 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 20F dated September 31st, 2006, on file with the SEC.

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

Peter Evensen: Thank you Dave. Good morning and thank you for joining us today on our first quarter results conference call. With me today are Vince Lok and Brian Fortier (sp?) of Teekay Shipping. Turning to the presentation and to slide three of it, and reviewing the first quarter highlights, overall the results for the first quarter were in line with expectations. They generated 17.9 million of distributable cash flow, up from 17.6 million in the first quarter of 2006. Consistent with the previous quarter, we declared a cash distribution of 16.5 million, or $0.4625 per unit, representing an annualized distribution of $1.85 per unit. Excluding the results of the unrealized foreign exchange loss and the impact of the delivery of the RasGas to LNG carriers, which I will discuss next, net income was 8.6 million or $0.24 per unit. The remaining two of the three RasGas II LNG carriers were delivered in early

January 2000, and late February 2007, and commenced service under fixed rates 20-year charters to RG2 (sp?), a company owned by Exxon and the Government of Qatar. As per the charter contract, in the first quarter each vessel was off hire for 17 days for repositioning time, and incurred one-time start-up costs which had a negative impact on our net income. In the second quarter, we will have the full financial benefit of all three RasGas II carriers, and their positive contribution to our net income and distributable cash flow.

We also acquired an LPG carrier, the Dania Spirit, from Teekay Shipping Corporation in January, which is currently on a fixed-rate time charter to Statoil with the remaining contract term of approximately nine years. As a result, our Partnership is now in the LPG segment, and has another platform for future growth that is complementary to LNG.

As previously announced, we updated our 2007 distribution guidance to reflect the delivery of the RasGas II vessels earlier than previously anticipated, as well as the acquisition of the Dania Spirit. We anticipate raising our quarterly cash distributions by 15% to $0.53 per unit, or $2.12 annualized, commencing with the next distribution which relates to the second quarter of 2007.

Turning now to slide four and reviewing the distributable cash flow and cash distribution for the quarter, we generated $17.9 million of distributable cash flow, which resulted in a healthy coverage ratio of 1.08 times.

Moving on to slide five, and reviewing the operating results for our two segments, overall cash flow for vessel operations amounted to $41 million, compared to 34 million in the fourth quarter. Partnership's cash flow from vessel operations from our liquified gas segment, which includes LNG and LPG carriers, increased to 27.5 million from the first quarter of 2007, compared to 20.9 million for the four quarter of 2006 due to the delivery of the RasGas II carriers and the Dania Spirit. We have an additional six LNG and three LPG new buildings on order, which are scheduled to be delivered during 2008 and 2009. The Partnership's cash flow from vessel operations from the Suezmax segment for the first quarter was substantially unchanged from the fourth quarter of 2006.

Moving on to slide six and reviewing the income statement for the first quarter 2007, and comparing it to the last quarter, except for one of our LNG carriers, the Good Spirit, our fleet achieved 100% utilization. However, on March 29th, the Good Spirit sustained damage to its engine boilers. As a result, the vessel will lose approximately seven days of revenue, net of all fire insurance recovery, of which four off hire days will be in the second quarter and three are in the first quarter as the (inaudible) undergoes repairs. The cost of these repairs is also covered by insurance, but is subject to a $500,000 deductible, and that will be expensed in the second quarter. The 9.1 million increase in net voyage revenues for the fourth quarter of 2006, and the 3.3 million increase in vessel operating expenses, and the 2.2 million increase in depreciation, are primarily due to the acquisition of our four new vessels.

General and administrative expenses decreased from last quarter by $700,000, primarily due to a reduction in stock based compensation expenses and corporate expenses. Net interest expense increased from last quarter by 5.7 million, primarily due to the increase in debt and capital lease obligations from the acquisition of the three RasGas II vessels.

We incurred an unrealized foreign exchange translation loss of 4.8 million, primarily due to the effect of the change in the Euro to the US dollar exchange rate on our Euro denominated debt. And as a reminder, our Euro denominated revenues currently approximate our Euro denominated expenses and debt service cost. So as a result, we are not exposed materially to foreign exchange currency fluctuations and there is no impact on our cash flow. However, for accounting purposes, we are required to revalue our foreign currency denominate monetary assets and liabilities at the end of each reporting period. The revaluation does not affect the cash flow or calculation of distributable cash flow, but it does result in new recognition of unrealized foreign exchange gains or losses; in this quarter losses. And given the recent volatility in foreign exchange rates, we must 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. With the Partnership agreement in November 2006 to acquired Teekay's 70% and 40 % interest in the Tangguh RasGas 3 projects respectively, the Partnership is required to consolidate these entities under general, under US generally accepted accounting principles. We've shown separately on this slide the impact of Tangguh and RasGas 3 will have on the Partnership's balance sheet. The restricted cash related to new building vessels to be delivered at December 31st related to the RasGas II vessels have now been included in long-term debt, net of restricted cash for presentation purposes at March 31st.

Debts on equipment increased from last quarter as a result of the delivery of the two vessels and the acquisition of the Spirit. Other assets increased from last quarter primarily as a result of advances made to the RasGas 3 joint venture. Long term debt, net of restricted cash, increased from last quarter primarily reflecting the delivery of the two RasGas II vessels and the Dania Spirit. Long term debt related to new building vessels reflects the debt to the RasGas 3 vessels. And other long term liabilities decreased from last quarter due to the partial repayment of the amount owning to Teekay for the purchase of this interest in RasGas II. And finally, minority interest includes 100% of the equity interest in the Tangguh project and the Partnership's 42% equity in the RasGas 3 project. They are not currently owned by the Partnership.

Turning to slide eight, I want to again show you our multi-year built-in growth profile. The business development people at TK are actively pursuing several new projects to further build this portfolio. And in closing, we continue to execute on our plan to increase the Partnership's distributable cash flow, both through acquisitions and building of LNG and LPG carriers against long term contracts. This is the Partnership's two year anniversary since becoming a publicly traded Partnership. With the expected increase to our annualized distributions next quarter to $2.12, this represents the 28th percent increase from our initial distribution of $1.65 two years ago. And as you can see, our portfolio of contracts puts us in the position to grow further in 2008 and 2009. Thank you all for listening and operator I'm now available to take questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, press star, one on your touchtone phone. To withdraw your question, press the pound sign. If you use a speakerphone, lift your handset before entering your request. Please standby for your first question. Once again ladies and gentlemen, if you do have a question, please press star one at this time.

Your first question comes from Ted Gardner, Raymond James. Please go ahead.

Ted Gardner: Good morning Peter.

Peter Evensen: Howdy.

Ted Gardner: Just wanted to get the usual quarterly run-down on what you guys are seeing out there in terms of, of the new projects on the LNG front, and also if you'd just like to comment a little bit more about what you're seeing in the LPG space these days as well.

Peter Evensen: Well, it's active, but what's happened is that a lot of the tenders have been delayed both because of delays in building on-shore facilities and in contract negotiations so the shipping is ready but the on-shore side isn't. So we have a lot of tenders that we're bidding on but some have been outstanding for over a year and these are in places like India and Africa and more specifically Nigeria and Angola. So right now everyone's sort of waiting for these final investment decisions to get taken.

Ted Gardner: I believe last quarter you mentioned that there was still 70 or so awards that were expected to be handed out this year. Do you think that that number is meaningfully lower at this point, or...?

Peter Evensen: I don't think I mentioned 70. But I can, we're bidding on several billion dollars' worth of projects. I don't think we'll get all of them.

Ted Gardner: Okay.

Peter Evensen: But I hope that they can clear up, all the onshore side of things, mostly on the liquefaction side. And then we can finalize the awards. But right now, we're, they're just being extended right now. So I'm hopeful that this year we will get it.

Ted Garner: Okay. And on the LPG front, are you guys seeing lots of opportunities out there to, to acquire additional vessels? What does that environment look like?

Peter Evensen: Yes. We're hopeful on that side, but we're very specific on exactly which type of vessels we want, and the type of contract that we are, so we're in for more long term contracts, more than 10 years, and there's been some weakness in the big LPG sizes. So we're sort of picking the right points in which to go forward I think.

Ted Garner: Thank you.

Peter Evensen: Thank you.

Operator: Thank you. Your next question comes from Jonathan Chapel (sp?) of JP Morgan. Please go ahead.

Jonathan Chapel: Thank you; morning Peter.

Peter Evensen: Morning.

Jonathan Chapel: How do you look at political risk, when you look at the tenders that you're putting out there? Clearly Nigeria has been a hot spot in that way and I know you're well positioned in Qatar but if you wanted to diversify your geography, West Africa would be a good spot, but, you know, just my concerns with what's going on out there.

Peter Evensen: Well, first of all we look, and look at whether the project is an extension of an existing facility where they're de-bottlenecking or you have existing facilities in place so those are brown field projects as opposed to green field projects. We attach less risk to a build-out of existing facilities than we do to an entire green field project. So that's the first thing we look at, and then the second thing is the location. Are they more, are they taking their gas from well inland or is it more from an offshore facility, and we would consider the inland to be a little bit more risky. But once a training is up and operating, it pretty much stays in place. And then finally we look at the contract terms that the project allows, makes, or puts in place specifically (inaudible), because we want to be sure that if there is a problem, that it, that we can limit that effect component.

Jonathan Chapel: Right. Understood, and one quick follow-up too, the CNG (sp?) business, I know that's very early development stages. Could that be a third leg of the stool of what LNG and LPG are already starting to form for you?

Peter Evensen: Yes it could be. And up our sponsor Teekay has taken and investment in two separate compressed natural gas companies, and so when those vessels, if they get long-term contracts and build vessels against it, it would be natural that they would be put in TK LNG.

Jonathan Chapel: Okay sounds great. Thanks Peter.

Peter Evensen: Thank you.

Operator: Thank you. Your next question comes from Jeff Morgan, AG Edwards. Please go ahead.

Jeff Morgan: Thanks. You mentioned the one-time start-up costs for the second and third RasGas II vessels. I was wondering if you could give a little bit more color on that, or you know actually, how much does that affect your cost dollar wise during the quarter?

Peter Evensen: Sure. When we started those up, we had some crew training costs and we couldn't capitalize those. Those were just part of the expense. So that is a one-time expense of about $1.5 million that we incurred in the start-up side. And then when the vessel is delivered in Korea as per the contract, we don't start getting paid until we arrive in Qatar so that was 17 days for two vessels (inaudible), and so that cost us 2.5 million in revenue for those 17 days.

Jeff Morgan: Okay great. Thanks.

Peter Evensen: Thank you.

Operator: Thank you. Your next question comes from Louis Shemi with Zimmer Lucas. Please go ahead.

Louis Shemi: Hi guys. Congratulations on this quarter. Actually, my question was just answered. Thank you.

Peter Evensen: Okay great. Thank you.

Operator: Ladies and gentlemen, if there are any additional questions, please press star one at this time. Mr. Evensen, there are no further questions. I would like to turn the call back to you.

Peter Evensen: Okay, well thanks very much for listening and we look forward to talking with you next quarter. Thank you.

Operator: Ladies and gentlemen, this does conclude the conference call for today. You may now disconnect your line and have a great day.