TEEKAY LNG PARTNERS L.P.

Moderator: Peter Evensen
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10:00 a.m. CT

Operator: Good morning, ladies and gentlemen, thank you for standing by. Welcome to Teekay LNG Partner's fourth quarter year end 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 and at that time if you have a question, participants will be asked to press star one to register. For assistance during the call, please press star zero on your touch-tone phone to reach an operator and 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 of Teekay GP LLC. Please go ahead, sir.

David Drummond: Before Mr. Evensen begins, I would like to direct all participants to our Web site at www.teekaylng.com where you find a copy of the fourth quarter 2007 earnings presentation. Mr. Evensen 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 those projected by said forward looking statements as the result of various important factors. Additional information concerning these factors is contained in our earnings release and the earnings release presentation available on our Web site.

I'll 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 fourth quarter earnings call. With me today from Teekay Corporation are Vince Lok, Chief Financial Officer, and Brian Fortier, the Corporate Controller.

If we turn to slide three of the presentation and review the fourth quarter highlights. Overall, the results for the fourth quarter were inline with expectations. We generated $22.4 million of distributable cash flow up from $20.4 million in the third quarter. This increase was primarily the result of having the entire fleet operating at 100 percent utilization during the fourth quarter compared to 31 days of offhire for a scheduled drydock of one of our LNG carriers in the third quarter. We declared a cash distribution of 53 cents per unit representing an annualized distribution of $2.12 per unit and a total cash distribution of $20.6 million. The cash distribution was paid on February 14th.

In December 2007, Teekay Corporation acquired two 1993 built 88,000 cubic meters specialized LNG vessels from a joint venture between Conoco-Phillips and Marathon Oil for a total cost of $230 million. This is Teekay's first acquisition of existing LNG assets since the launch of Teekay LNG Partners. And in accordance with our agreement with Teekay, Teekay has offered these vessels to Teekay LNG which our Board of Directors is currently reviewing.

If we turn to slide four and review the distributable cash flow and cash distribution for the quarter, you can see we generated $22.4 million of distributable cash flow which resulted in a coverage ratio of 1.09 times.

Turning now to slide five and reviewing the operating results for our two segments. Overall, cash flow from vessel operations amounted $47 million which was stable compared to the $46 million in the third quarter. The Partnership's cash flow from vessel operations from our liquified gas segment increased to $35.9 million for the fourth quarter of 2007 compared to $33.5 million for the third quarter of 2007 primarily due to the Hispania Spirit being offhire as scheduled in the third quarter as I discussed earlier. The Partnership's cash flow from vessel operations from the Suezmax tankers decreased to $11.2 million for the fourth quarter compared to $12.4 million for the third quarter of 2007 primarily due to increases in vessel operating costs which were related to crew related costs.

Moving now to slide six and reviewing the income statement for the fourth quarter of 2007 and comparing it to the previous quarter. Again, the $2.7 million increase in net void revenues from the third quarter is primarily due to the scheduled drydock of the Hispania Spirit in the third quarter. Vessel operating expenses increased from the third quarter as crew wage scales increased in August 2007 which resulted in a full quarter of wage scale increases in the fourth quarter.

G&A expenses increased mainly due to one-time severance costs from some employees in Spain. The $2.2 million increase in net interest expense is primarily due to non-cash items relating to the refinancing of the Tangguh debt and resulting write-off of $1.3 million of capitalized loan costs. Concurrently, we entered into a new debt financing and a tax lease for the Tangguh vessels which will result in significant savings going forward. The remaining increase in net interest expense relates to a non cash change in the mark to market value of the portion of our interest rate swaps which aren't designated as hedges.

We incurred an unrealized foreign exchange translation loss of $9.2 million primarily due to the effect of the change in the Euro to the U.S. dollar exchange rate on our Euro-denominated debt. And as a reminder, our Euro-denominated revenues currently approximate our Euro-denominated expenses, including debt service costs. So as a result, we are not exposed materially to foreign exchange currency fluctuations and there is no impact on our cash flows. But for accounting purposes, we are required to revalue all of our foreign currency denominated monetary assets and liabilities and this, of course, gives rise to these translation losses. Again, this revaluation does not affect our cash flows or the calculation of distributable cash flow, but it does result in the recognition of these gains or losses. And given the recent volatility in CAPEX rates, we probably will – you should expect – that these will fluctuate from quarter to quarter to reflect this.

Turning next to slide seven, we presented our December 31st balance sheet. With the Partnership's agreement in November to acquire Teekay's 70 percent and 40 percent interest in the Tangguh and RasGas 3 projects respectively. The Partnership is required to consolidate these entities under U.S. GAAP. We've shown these separately on this slide and the impact that these two projects will have on our balance sheet. Long term debt related to newbuilding vessels increased from last quarter reflecting the installment payments made toward RasGas 3 and Tangguh vessels and the increased debt financing at the Tangguh joint venture level. As of December 31st, the Partnership had total liquidity of $523 million compared to total liquidity of $486 million in the previous quarter. However, $54 million of this liquidity relates to the Tangguh joint venture.

Turning to slide eight, I want to again close by showing you our multi-year built-in growth profile. We currently have another six LNG and three LPG new buildings under construction which are scheduled to deliver during 2008 and 2009. And although while not shown on this slide, if we decide to purchase the Kenai LNG vessels from Teekay Corporation, these vessels will provide immediate accretion to the Partnership's cash flow. And in accordance with existing agreements, Teekay is obligated to also offer us it's interest in the Angola LNG project which will be delivered in 2011. And in addition, we're actively pursuing new projects in LNG and LPG including acquisitions which will further increase our portfolio.

So we continue to execute on the plan to increase the partnership's distributable cash flow each year. Our annualized distributions are now $2.12 per unit which is a 28 percent increase from initial distributions of $1.65 two years ago and as you can see, our portfolio of contracted newbuilding projects puts us in a position to grow the distribution further for the next several years.

Thank you for listening and operator, I am now available to take questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, you may do so, once again, by pressing star one on your touch-tone phone. The first question will come from Johnathan Chappell of JPMorgan. Please go ahead.

Johnathan Chappell: Thanks. Good morning, Peter. Pretty straightforward quarter, just a question on the Kenai vessels. First of all, I'm assuming that Teekay is offering them to Teekay LNG for the same $230 million price that they purchased them for. Is that correct?

Peter Evensen: That's correct. They must be offered at the same price and terms under which Teekay Corporation has bought them.

Johnathan Chappell: OK. And then as far as the financing is concerned, maybe this is better for Vince, but do you have the necessary funding for these vessels or might there have to be equity issuances? And also the third option, one other MLP earlier this week had the parent company or the sponsor take some stock as part of a payment. Would that be something that Teekay LNG Partners would be interested in? And obviously, wearing your Teekay hat, Peter, would that be something that Teekay may be interested in as a different financing option?

Peter Evensen: Well, to answer your first question, Teekay Corporation is very close to lining up financing of these Kenai vessels, which would allow for them to be transferred down to Teekay

LNG Partners. In other words, the bank will agree to convey the debt assuming Teekay LNG Partners purchases them. But even if they didn't have specific financing, Teekay LNG has the liquidity in order to buy them for cash, using it's undrawn revolving credit facilities. So it's not necessary that a follow on offering would need to be done, but that's our usual strategy which is to do follow on offerings. And our desire right now is to increase the liquidity of Teekay LNG Partners. We don't think there's enough float out there which is hurting the stock price and so, we probably would try to not have Teekay subscribe to the deal.

Johnathan Chappell: OK. That's great. Thanks, Peter.

Peter Evensen: Thank you.

Operator: Thank you. Once again, ladies and gentlemen, if you would like to ask a question, you may do so by pressing star one on your touch-tone phone. The next question will come from Ron Londe of Wachovia. Please go ahead.

Ron Londe: Thank you. From the standpoint of vessel operating expenses and the crew costs under the new contracts, can you give us a feel for what kind of incremental increases might be built in for the next couple of years?

Peter Evensen: Vince, do you want to take that?

Vince Lok: I think what you're seeing in the fourth quarter of 2007 is a pretty good indication of what you will see in the next few quarters at TGP. We recently, as Peter mentioned, increased the wages in August and we'll probably do annual reviews of those depending on what market conditions are. Right now, we don't anticipate any significant increases in the near term though.

Ron Londe: But maybe after August you might see some increases?

Vince Lok: That's a possibility, yes. It's really dependent on the market conditions.

Ron Londe: OK. That's really all I had. I think for now.

Peter Evensen: OK. Thanks a lot, Ron.

Operator: All right. The next question will come from Martin Malloy of Johnson Rice & Company. Please go ahead.

Martin Malloy: Good morning. Could you talk a little bit about your outlook for potential award of LNG carriers associated with new liquefication LNG projects?

Peter Evensen: Sure. Well, the most of the action, if you will, this year is probably going to be in Nigeria. Nigeria has several – three big projects that they are going to be awarded sometime either this year or early next year, but definitely some will be awarded this year. And we're competing on all of those different tenders that are going on. If we look at the whole gamut of what's going on here, these would be for newbuildings that would be delivered probably in 2011, going forward, and so what we've seen in the market is that some of the Russian projects, the Stockman field has been announced that it will come on in 2013 with LNG shipments starting in 2014. And so, we've basically seen with this whole build out a lot of projects have been delayed.

For example, in Qatar, where we have vessels coming on, some of those projects have been or liquefication have been delayed. That doesn't affect us because we have under our contracts, we get paid whether we are at anchor or whether we're moving.

So, I guess if I looked across the board, I would say that we have continued to see various projects being delayed out longer because the contractors haven't been able to cope with the surge of demand that's gone forward. But if we look at the general market, going forward, there's very strong demand for LNG from all areas near term because of some nuclear reactor outages in Japan. And Japan is paying the highest price for LNG. So most LNG spot cargos are going into Japan which is a long haul route. But there isn't enough gas in the world because the liquefication plants haven't been able to keep up with the demand. So what we basically see is that natural gas prices are higher outside the U.S. than inside the U.S. which is why you haven't seen as many spot cargos come into the U.S. And that's the general landscape.

Martin Malloy: Thank you.

Operator: Thank you. And we now have a follow-up question coming from Ron Londe of Wachovia. Please go ahead.

Ron Londe: Yes. Just curious the problems that the Catalunya Spirit had this quarter, do you anticipate what the costs might be in the first quarter?

Peter Evensen: Sure. This was the Catalunya Spirit, which suffered a mechanical function outside of Cape Cod, and so we brought some tugs out and it was never a safety issue. And subsequently, the Catalunya) Spirit has unloaded it's cargo in Boston and has gone back to Trinidad to load another cargo. But we were off hire for 14 days and this will have a financial effect in the first quarter of about $1 million.

Ron Londe: OK. Thank you.

Operator: Thank you. There are no further questions at this time. Please continue.

Peter Evensen: All right. Well, thank you very much and the – with the landscape changing and with our liquidity, we think we'll have more opportunities to make acquisitions this year than we've had in the previous two years, so I'm optimistic – more optimistic about near term acquisitions and as I just said, the tendering process is moving into 2011 and into 2012. So, we're changing our model a little bit to rely more upon acquisitions. Thank you for your support and I look forward to talking with you next quarter.

Operator: Ladies and gentlemen, this will conclude the conference call for today. You may now disconnect your lines and have a great weekend.

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