TEEKAY LNG PARTNERS L.P.

Moderator: Peter Evensen
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10:00 am CT

Operator: Welcome to Teekay LNG Partners First Quarter 2011 Earnings Results conference call. During the call all participants will be in a listen-only mode. Afterwards you'll 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 touchtone phone. As a reminder this call is being recorded.

Now, for open remarks and introductions, I would like to turn the call over to Mr. Peter Evensen, Teekay LNG Partners' Chief Executive Officer. Please go ahead, sir.

Kent Alekson: Before Mr. Evensen begins 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 2011 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 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 as contained in the first quarter 2011 earnings release and earnings presentation available on our Web site.

I will now turn the call over to Mr. Evensen to begin.

Peter Evensen: Thank you, Kent. Good morning, everyone, and thank you very much for joining us on our annual, on our quarterly investor call. I'm joined this today by Teekay Corporation CFO, Vince Lok and MLP Controller David Wong.

Turning to slide number 3 of the presentation we generated distributable cash flow in the, in the fourth quarter, excuse me, in the quarter of $39.1 million which was up 15% from the 33.9 million that we generated in the same quarter of last year.

We declared and have now paid a first quarter distribution of 63 cents per unit which is the same as last quarter. Investors will recall that the previous quarter’s distribution declaration in January included an increase of the distribution of 5% or 3% per unit or 3 cents per unit, excuse me.

We've agreed to acquire a 33% interest in four new building LNG carriers, which when delivered later in 2011 and in early 2012 will serve under long term time charters to the Angola LNG project which is a consortium run by Chevron. Importantly with prearranged debt financing and proceeds from our recent equity offering. We've completed financing for this project.

Our total liquidity sits at approximately $600 million, which gives the partnership the financial flexibility to pursue other growth opportunities in addition to the Angola and Skaugen new buildings.

Turning to slide number 4, you take we look at recent developments in the LNG shipping business. After a prolonged period of inactivity we're now starting to see a pick-up in the level of tendering activity for both conventional LNG and floating re-gasification and storage or FSRU projects. And I expect Teekay LNG to participate fully in these.

We expect this trend to continue as more LNG liquefaction and floating re-gasification projects reach final investment decision through the course of 2011 and beyond. There's also been a significant uptick in spot LNG shipping rates over the past 9 months, with rates currently at $90,000 per day versus $30,000 per day last summer.

This is largely due to a 40% increase in spot and short term LNG spot trades during 2010 as a result of more attractive spot LNG prices versus long term prices coupled with a high availability of uncommitted supplies from the Middle East.

The market has strengthened further over the last 2 months as a result of increased LNG demand from Japan due to the nuclear power plant outages following the devastating earthquake which struck on March 11.

Turning to slide number 5, we can see that a much tighter spot LNG shipping market coupled with an increase in the volume of project tenders has resulted in a significant increase in LNG carrier new building activity. Since the start of the year there have been orders for at least 16 LNG carriers.

Some of which have been ordered against long term projects and some of which are speculative, meaning they don't have a contract. Although the increase in vessel ordering looks dramatic it should be noted that the number of new orders placed since the start of the year is still relatively small compared to expected future demand.

A large number of conventional LNG and floating (re-gas) projects are expected to be sanctioned in the next few years and expected vessel requirement these projects will generate is far larger than the number of ships which have been ordered so far over the past few months.

Turning to slide number 6, I will review our consolidated operating results for the quarter comparing to an adjusted Q1 statement and an adjusted income statement, which excludes the items listed in appendix A of our earnings release and reallocates realized gains and losses from derivatives to their respective income statement line items.

Net (Boyd's) revenues decreased by $2.1 million as a result of 2 less calendar days this quarter and the fact that last quarter we recognized the annual profit share on four of our (Size mix) tankers. These decreases were partially offset by increases in charter hire rates effective January 1 related to annual escalation adjustments and 21 less off hire days in Q1 as a result of scheduled dry dockings in Q4. For the second quarter we are projecting approximately 90 days of off hire for dry dockings.

As expected all of our operating expenses remained relatively consistent from Q4. Net interest expense has also remained consistent with the prior quarter. Equity income increased by 1.4 million primarily due to a full quarter of earnings from the Exmar acquisition which we completed in November of 2010.

Non controlling interest expense increased as a result of the tax provision recruit, recorded in the (Tangu) U.K. entities in Q4. I won't walk through all of slide number 7 which was included in our recent earnings release however I would like to point out that our coverage ratio of.96 for the first quarter was lower than its run rate due to the timing of when we raised equity in April. And the timing of the delivery of the Skaugen and Angola projects and when they begin generating cash flow for the partnership later this year.

Had we not decided to raise equity in advance of the commencement of cash flow from these projects the coverage ratio would have been 1.04.

On slide number 8, I'd like to take a few moments to discuss possible tax changes that have been discussed in the MLP space lately and its impact on Teekay LNG partners and our unit holders. Teekay LNG Partners is currently structured and taxed as an MLP and issues K-1 for its unit holders. However, none of our ships generate income in the United States because our assets are owned and operated offshore.

And as a result if the tax changes that have been floated by a few politicians in Washington as part of new taxes on the energy industry were to be passed it would not affect our distributable cash flow. In addition we have the ability to cheek the box and convert Teekay LNG into a taxable entity for U.S. tax purposes, in which case our investors would receive a 1099 instead of a K-1.

This is similar to how our sister MLP, Teekay Offshore Partners is structured. So Teekay LNG and its unit holders would not be directly impacted should any of these tax changes come to fruition.

Turning to slide number 9, Teekay LNG Partners is currently in a strong financial position. We have almost $600 million of liquidity with no requirement to tap the energy market. We have no covenant concerns on any of our debt facilities and a strong debt profile. We signed a term sheet and are gathering a bank group to refinance the balloon that is due in 2012 which will further strengthen our credit profile.

Slide number 10, is a chart we've been using for many years that illustrates our growth profile. We've been able to raise our distribution each year since our IPO in 2005. And with the resurgence in LNG markets we're confident that Teekay LNG Partners remained positioned to grow our distributable cash flow and create long term value for our unit holders.

Operator, I'm now available to take questions.

Operator: Thank you sir.

Ladies and gentlemen if you would like to ask a question, please press star 1 on your touchtone phone. To withdraw your question, please press the pound sign. If you're using a speaker phone please lift the handset before answering your request. Please stand by for the first question.

The first question comes from James Allred, please go ahead.

James Allred: Could you guys just maybe comment on you know last quarter you know you mentioned you were looking to the FSRU market for higher returns mainly as a result of you know less competition. So has anything changed with regard to your strategy given the recent uptick in new build activity you detail on slide 5?

Peter Evensen: Hi, no it hasn't the FSRU market in our opinion still presents good possibilities and probably above average returns compared to the point to point tenders. And so we're trying to grow the distributable cash flow three ways. One is point-to-point tenders, which is (a) come back, the FSRUs which we think will be more profitable and then the third is to make acquisitions of existing ship which is something we're working on.

James Allred: Okay and then in the third party acquisitions with the day rates rising are you seeing pick up in multiples in that market?

Peter Evensen: Yes we think asset values are increasing clearly with the spot rates and so that's something that has to be taken into account. But in any case we only enter into transactions if their (aggregative) to us.

James Allred: Okay and then could you maybe just detail your off-hire days that you're expecting for the second half of the year?

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

David Wong: Sure, we don't actually anticipate any off hire because the dry docks that will occur are fully covered by the charter agreements.

James Allred: Okay thank you.

Peter Evensen: Thank you. Operator is there another question?

Operator: The next question comes from Ron Londe, please go ahead.

Ron Londe: Yes, thank you. With regard to the Angola joint venture, I think you said that the transaction was 73 million in cash plus assuming the debt. Can you, can you give us an idea what the debt was?

Peter Evensen: Yes, first of all we're not going to be consolidating it since we only own 33% of it and David, you have the debt figure that we have on that?

David Wong: What, on Angola it's roughly about, say about, it, the debt financing's about 80% on the ships. So our share of that would be around 250 ((inaudible)).

Ron Londe: So it's around a total (of).

David Wong: That would be, that would be off balance sheet of course as Peter mentioned because our interest is 33%.

Peter Evensen: That's 250 million for our 33% of it.

David Wong: That's right.

Ron Londe: Okay plus the 73 million.

David Wong: That's right.

Peter Evensen: That's correct.

David Wong: Yes.

Ron Londe: Okay. All right thank you.

Peter Evensen: Thanks Ron.

Operator: Thank you, ladies and gentlemen if there are any further questions at this time, please press star 1 on your touchtone phone.

There are no further questions at this time, please continue.

Peter Evensen: Okay thank you very much we look forward to reporting next quarter to you. Thank you.

Operator: Ladies and gentlemen this concludes the conference call for today. We thank you for your participation. You may now disconnect your line and have a great day.

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