

Teekay LNG Partners L.P.
Form 6-K
February 23, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Date of report: February 22, 2006

Commission file number 1- 32479

TEEKAY LNG PARTNERS L.P.

(Exact name of Registrant as specified in its charter)

TK House
Bayside Executive Park
West Bay Street & Blake Road
P.O. Box AP-59212, Nassau, Bahamas
(Address of principal executive office)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.]

Form 20-F Form 40-F

[Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____]

Yes No

[Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____]

Yes No

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.]

Yes _____ No X

[If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82- _____]

Item 1 - Information Contained in this Form 6-K Report

Attached as Exhibit I is a copy of an announcement of Teekay LNG Partners L.P. (the Partnership), dated February 22, 2006.

THIS REPORT ON FORM 6-K IS HEREBY INCORPORATED BY REFERENCE INTO THE FOLLOWING REGISTRATION STATEMENT OF THE PARTNERSHIP.

REGISTRATION STATEMENT ON FORM S-8 (NO. 333-124647) FILED WITH THE SEC ON MAY 5, 2005

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEEKAY LNG PARTNERS L.P.

Date: February 22, 2006

By: /s/ Peter Evensen _____
Peter Evensen
Chief Executive Officer and Chief Financial Officer
(Principal Financial and Accounting Officer)

TEEKAY LNG PARTNERS L.P.
TK House, Bayside Executive Park, West Bay Street & Blake Road
P.O. Box AP-59212, Nassau, Bahamas

EARNINGS RELEASE

**TEEKAY LNG PARTNERS L.P. REPORTS FOURTH QUARTER RESULTS
AND PROVIDES 2006 AND 2007 GUIDANCE**

Highlights

- Declared and paid a cash distribution of \$14.7 million, or \$0.4125 per unit
- Generated \$15.7 million in distributable cash flow
- Completed the acquisition of three Suezmax tankers with long-term charters for \$180 million
- Quarterly cash distributions estimated to increase by 12% to \$0.4625 per unit in the first quarter of 2006 and by a further 14% to \$0.5250 per unit in the third quarter of 2007

Nassau, The Bahamas, February 22, 2006 Teekay LNG Partners L.P. (*Teekay LNG* or *the Partnership*) (NYSE: TGP) today reported net income of \$12.7 million for the three months ended December 31, 2005, compared to a net loss of \$60.1 million for the three months ended December 31, 2004. The results for the fourth quarter of 2005 and 2004 include a \$5.2 million foreign currency exchange gain and a \$58.8 million foreign currency exchange loss, respectively, relating primarily to long-term debt denominated in Euros. Nearly all of Teekay LNG's foreign currency exchange gains and losses are unrealized.

During the three months ended December 31 2005, the Partnership generated \$15.7 million of distributable cash flow.⁽¹⁾ Teekay G.P. LLC, the general partner of Teekay LNG, declared a cash distribution of \$0.4125 per unit for the fourth quarter of 2005, representing a total cash distribution of \$14.7 million. The cash distribution was paid on February 14, 2006 to all unitholders of record on February 1, 2006.

Net income for the year ended December 31, 2005 was \$79.5 million, compared to a net loss of \$68.2 million last year. The results for the year ended December 31, 2005 include a foreign currency exchange gain of \$81.8 million relating primarily to the Partnership's Euro-denominated long-term debt and a \$15.3 million loss relating to the write-down of capitalized loan costs and the termination of interest rate swaps incurred prior to the Partnership's initial public offering (*IPO*) on May 10, 2005. The results for the year ended December 31, 2004 include a foreign currency exchange loss of \$60.8 million relating primarily to the Euro-denominated debt, an \$11.9 million loss on the sale of certain non-operating assets, a \$4.0 million unrealized gain on interest rate swaps and a \$3.4 million gain on the sale of vessels and equipment. Financial results for periods prior to the IPO are attributable primarily to Teekay Shipping Spain S.L., which was contributed to the Partnership by its parent company, Teekay Shipping Corporation (*Teekay*), in connection with the IPO.

2006 and 2007 Guidance

The table below summarizes Teekay LNG's estimates for 2006 and 2007, giving effect to the acquisitions described below:

| <i>in `000s of USD (except unit and per unit amounts)</i> | 2006 | 2007 | |
|---|----------------|-----------------|-----------------|
| | | <u>1st Half</u> | <u>2nd Half</u> |
| (unaudited) | | | |
| Total CFVO (2) | 127,500 | 83,000 | 91,500 |
| Less: Cash interest expense | (35,250) | (28,750) | (32,100) |

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| | | | | |
|---|----------------|-----------------|----------------|-----------|
| Less: Maintenance capex reserve | (21,300) | (13,600) | (14,500) | (2) |
| Less: Tax expense | (1,500) | (1,000) | (1,000) | (|
| <hr/> | | | | |
| Distributable cash flow (1) | 69,450 | 39,650 | 43,900 | 8 |
| Minority interest | - | (2,000) | (2,950) | (|
| <hr/> | | | | |
| Available cash flow for distribution | 69,450 | 37,650 | 40,950 | 7 |
| General partner interest | (1,350) | (700) | (1,500) | (|
| <hr/> | | | | |
| Cash flow available for L.P. unitholders | 68,100 | 36,950 | 39,450 | 7 |
| <hr/> | | | | |
| Estimated distribution per L.P. unit | \$ 1.85 | \$ 0.925 | \$ 1.05 | \$ |
| <hr/> | | | | |
| Estimated annualized distribution per L.P. unit | \$ 1.85 | \$ 1.85 | \$ 2.10 | |
| <hr/> | | | | |
| Estimated accretion | 12% | | 14% | |
| <hr/> | | | | |

- (1) Distributable cash flow is a non-GAAP financial measure used by certain investors to measure the financial performance of the Partnership and other master limited partnerships. Please see the attached Appendix for a reconciliation of this non-GAAP measure to the most directly comparable GAAP financial measure.
- (2) Cash flow from vessel operations (CFVO) represents income from vessel operations before depreciation and amortization expense and vessel write-down/ gain (loss) on sale of vessels. Cash flow from vessel operations is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. Please see the attached Appendix for a reconciliation of this non-GAAP measure to the most directly comparable GAAP financial measure.

On November 23, 2005, Teekay LNG purchased from Teekay three double-hulled Suezmax crude oil tankers and related long-term, fixed-rate time charters for an aggregate price of \$180 million. The Partnership anticipates that the three Suezmaxes will contribute approximately \$20 million of annual cash flow from vessel operations to the Partnership and permit an increase of approximately 12% to cash distributions to unitholders, commencing with the distribution for the first quarter of 2006.

Teekay LNG has agreed to acquire from Teekay its 70% interest in three 151,700 cubic meter LNG newbuilding carriers that are scheduled to deliver during the fourth quarter of 2006 and the first half of 2007. Upon their delivery, the vessels will provide transportation services under 20-year, fixed-rate time charters, with inflation adjustments, to Ras Laffan Liquefied Natural Gas Co. Limited (II) (*RasGas II*), a joint venture company between a subsidiary of ExxonMobil Corporation and Qatar Petroleum. Qatar Gas Transport Company Ltd. (Nakilat) (*QGTC*) will own the remaining 30% interest in these vessels.

In January 2006, Teekay entered into lease arrangements to finance the purchase of the RasGas II vessels. The lease arrangements are expected to reduce the Partnership's required equity investment for its 70% interest in the three vessels by approximately \$40 million, from \$93 million to \$53 million. In November 2005, the Partnership raised gross proceeds of \$126 million through a follow-on public offering of 4.6 million common units to finance, in part, the \$180 million acquisition of the three Suezmax tankers from Teekay discussed above. The Partnership believes that this offering, together with a new \$137.5 million revolving credit facility the Partnership entered into in December 2005, will provide sufficient flexibility to finance the purchase of the RasGas II vessels without issuing additional equity. The Partnership anticipates that cashflow generated from the RasGas II LNG carriers will permit the estimated annual cash distribution to unitholders to be increased to \$2.10 per unit commencing in the third quarter of 2007, a 14% increase from the estimated 2006 annual distribution discussed above.

Estimates of potential increases in cash distributions to unitholders for 2006 and 2007 discussed in this press release are based on current estimates of the Partnership's operating results and capital requirements. Any increases will be subject to, among other things, actual operating results and capital requirements and will require the approval of Teekay GP L.L.C., the Partnership's general partner.

Teekay LNG's Fleet

The following table summarizes Teekay LNG's fleet as of December 31, 2005:

| Number of Vessels | | |
|----------------------|--------------------------|-------|
| Delivered Vessels | Committed Vessels (1) | Total |
| | | |

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| | | | |
|---------------------------------|----|-------|----|
| LNG Carrier Fleet | 4 | 3 (2) | 7 |
| Suezmax Tanker Fleet (3) | 8 | - | 8 |
| Total | 12 | 3 | 15 |

- (1) Excludes Teekay's interests in six LNG newbuilding carriers relating to the RasGas 3 and Tangguh LNG projects that have been awarded to Teekay and that Teekay LNG will have the right to acquire as described below.
- (2) Represents the 70% interest in three LNG newbuilding carriers relating to the RasGas II LNG project that Teekay LNG has agreed to acquire from Teekay as described above.
- (3) Includes the three Suezmax tankers that Teekay LNG acquired from Teekay during the fourth quarter of 2005 as described above.

Future LNG Projects

RasGas 3

In August 2005, Teekay announced that it had been awarded contracts to charter four 217,000 cubic meter LNG newbuilding carriers to Ras Laffan Liquefied Natural Gas Co. Limited (3) (*RasGas 3*), a joint venture company between a subsidiary of ExxonMobil Corporation and Qatar Petroleum. Upon their deliveries scheduled during the first half of 2008, the vessels will provide transportation services to RasGas 3 at fixed rates, with inflation adjustments, for a period of 25 years, with options exercisable by RasGas 3 to extend up to a total of 35 years.

In accordance with existing agreements, Teekay is required to offer to Teekay LNG its 40% interest in these vessels and related charter contracts no later than 180 days before the scheduled deliveries of the vessels. QGTC will own the remaining 60% interest.

Tangguh

In July 2005, Teekay announced that it had been awarded contracts to charter two 155,000 cubic meter LNG newbuilding carriers to The Tangguh Production Sharing Contractors, a consortium led by a subsidiary of BP plc, to service the Tangguh LNG project in Indonesia. Upon their deliveries scheduled for late 2008 and early 2009, the vessels will provide transportation services at fixed rates, with inflation adjustments, for a period of 20 years.

In accordance with existing agreements, Teekay is required to offer to Teekay LNG its 70% interest in these vessels and related charter contracts no later than 180 days before the scheduled deliveries of the vessels. An Indonesian joint venture partner will own the remaining 30% interest.

About Teekay LNG Partners L.P.

Teekay LNG Partners L.P. is a Marshall Islands partnership formed by Teekay Shipping Corporation (NYSE: TK) as part of its strategy to expand its operations in the liquefied natural gas (*LNG*) shipping sector. Teekay LNG Partners L.P. provides LNG and crude oil marine transportation services under long-term, fixed-rate time charter contracts with major energy and utility companies through its fleet of seven LNG carriers and eight Suezmax class crude oil tankers. Three of the seven LNG carriers are newbuildings scheduled for delivery in late 2006 and early 2007.

Teekay LNG Partner's common units trade on the New York Stock Exchange under the symbol *TGP*.

Earnings Conference Call

The Partnership plans to host a conference call at 4:00 p.m. EST (1:00 p.m. PST) on February 23, 2006, to discuss the Partnership's results and the outlook for its business activities. All unitholders and interested parties are invited to listen to the live conference call and view the Partnership's earnings presentation through the Partnership's Web site at www.teekaylng.com. The Partnership currently plans to make available a recording of the call until March 2, 2006 by dialing (719) 457-0820, access code 7064423, or via the Partnership's Web site until March 22, 2006.

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TEEKAY LNG PARTNERS L.P.
SUMMARY CONSOLIDATED STATEMENTS OF INCOME (LOSS) (1)
(in thousands of U.S. dollars, except unit data)

| | <u>Three Months Ended</u> | | | <u>December 31, 2005</u> |
|---|---------------------------|---------------------------|--------------------------|--------------------------|
| | <u>December 31, 2005</u> | <u>September 30, 2005</u> | <u>December 31, 2004</u> | |
| | <u>(unaudited)</u> | <u>(unaudited)</u> | <u>(unaudited)</u> | <u>December 31, 2005</u> |
| VOYAGE REVENUES | 40,206 | 34,760 | 32,262 | 145,459 |
| OPERATING EXPENSES | | | | |
| Voyage expenses | 199 | 135 | 243 | 658 |
| Vessel operating expenses | 7,531 | 6,571 | 7,555 | 28,805 |
| Depreciation and amortization | 11,961 | 10,607 | 8,656 | 43,171 |
| General and administrative | 3,021 | 2,733 | 2,659 | 9,957 |
| Gain on sale of vessels and equipment | - | - | (3,428) | (186) |
| | 22,712 | 20,046 | 15,685 | 82,405 |
| Income from vessel operations | 17,494 | 14,714 | 16,577 | 63,054 |
| OTHER ITEMS | | | | |
| Interest expense | (15,048) | (14,382) | (19,865) | (73,302) |
| Interest income | 5,443 | 5,638 | 4,777 | 23,182 |
| Income tax recovery (expense) | (349) | 1,587 | (2,589) | 262 |
| Foreign exchange gain (loss) | 5,184 | 1,347 | (58,754) | 81,819 |
| Loss from settlement of interest rate swaps | - | - | - | (7,820) |
| Write-off of capitalized loan costs | - | - | - | (7,462) |
| Other - net | - | - | (208) | (186) |
| | (4,770) | (5,810) | (76,639) | 16,493 |
| Net income (loss) | 12,724 | 8,904 | (60,062) | 79,547 |
| Limited partners' units outstanding: | | | | |
| Weighted-average number of common units outstanding | | | | |
| - Basic and diluted (2) | 17,548,942 | 15,638,072 | 8,734,572 | 13,679,849 |
| Weighted-average number of subordinated units outstanding | | | | |
| - Basic and diluted (2) | 14,734,572 | 14,734,572 | 14,734,572 | 14,734,572 |
| Weighted-average number of total units outstanding | | | | |
| - Basic and diluted | 32,283,514 | 30,372,644 | 23,469,144 | 28,414,421 |

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- (1) Teekay LNG was formed to own and operate the LNG and Suezmax crude oil marine transportation businesses conducted by Teekay Luxembourg S.a.r.l. (or *Luxco*) and its subsidiaries. Financial results for periods prior to May 10, 2005 (the date of Teekay LNG's IPO) are attributable primarily to Luxco, which owns all of the outstanding shares of Teekay Shipping Spain S.L. In May 2005, Teekay contributed all of the issued and outstanding shares and notes receivable of Luxco to the Partnership in connection with the IPO.
- (2) For periods prior to May 10, 2005, amounts presented represent the number of units Teekay received in exchange for the net assets it contributed to the Partnership in connection with the IPO.

TEEKAY LNG PARTNERS L.P.
SUMMARY CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars)

| | <u>As at December 31,</u> <u>2005</u> | <u>As at Decemb</u> <u>2004</u> |
|---|--|------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | 34,469 | 156,410 |
| Restricted cash - current | 139,525 | 82,387 |
| Other current assets | 6,949 | 10,646 |
| Restricted cash - long-term | 158,798 | 352,725 |
| Vessels and equipment | 1,185,511 | 995,903 |
| Advances on newbuilding contracts | 316,875 | 49,165 |
| Other assets | 20,215 | 20,394 |
| Intangible assets | 169,194 | 178,457 |
| Goodwill | 39,279 | 39,279 |
| Total Assets | 2,070,815 | 1,885,366 |
| LIABILITIES AND PARTNERS' EQUITY/ (STOCKHOLDER'S DEFICIT) | | |
| Accounts payable and accrued liabilities | 19,837 | 30,633 |
| Current portion of long-term debt | 145,749 | 110,055 |
| Advances from affiliate | 2,222 | 454,713 |
| Long-term debt | 780,592 | 1,278,119 |
| Long-term debt related to newbuilding vessels to be acquired | 319,573 | - |
| Other long-term liabilities | 33,703 | 134,848 |
| Partners' equity/(stockholder's deficit) | 769,139 | (123,002) |
| Total Liabilities and Partners' Equity/(Stockholder's Deficit) | 2,070,815 | 1,885,366 |

TEEKAY LNG PARTNERS L.P.
SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

| | <u>Years Ended December 31,</u> <u>2005</u> | <u>2004</u> |
|--|--|---------------|
| Cash and cash equivalents provided by (used for) | | |
| OPERATING ACTIVITIES | | |
| Net operating cash flow | 65,718 | 25,076 |

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FINANCING ACTIVITIES

| | | |
|--|-----------|-----------|
| Net proceeds from long-term debt | 290,561 | 133,727 |
| Scheduled repayments of long-term debt | (87,218) | (137,270) |
| Prepayments of long-term debt | (399,307) | (61,891) |
| Proceeds from issuance of common units | 259,289 | - |
| Settlement of interest rate swaps | (143,295) | - |
| Net advances from affiliate | 101,348 | 409,141 |
| Cash distributions paid | (20,090) | - |
| Decrease in restricted cash | 80,365 | 19,370 |
| Other | - | 4,226 |

Net financing cash flow 81,653 367,303

INVESTING ACTIVITIES

| | | |
|---|-----------|-----------|
| Expenditures for vessels and equipment | (222,582) | (89,225) |
| Acquisition of three Suezmax tankers from Teekay Shipping Corporation | (180,000) | - |
| Purchase of Teekay Shipping Spain S.L. | - | (298,184) |
| Proceeds from sale of vessels and equipment | 133,270 | 123,689 |
| Other | - | 6,423 |

Net investing cash flow (269,312) (257,297)

Increase (decrease) in cash and cash equivalents (121,941) 135,082
 Cash and cash equivalents, beginning of the period 156,410 21,328

Cash and cash equivalents, end of the period 34,469 156,410

TEEKAY LNG PARTNERS L.P.
APPENDIX RECONCILIATION OF NON-GAAP FINANCIAL MEASURE

(in thousands of U.S. dollars)

Description of Non-GAAP Financial Measure Distributable Cash Flow

(1) Distributable cash flow represents net income adjusted for depreciation and amortization expense, non-cash interest expense, estimated maintenance capital expenditures, gains and losses on vessel sales, income taxes and foreign exchange related items. Maintenance capital expenditures represent those capital expenditures required to maintain over the long-term the operating capacity of or the revenue generated by the Partnership's capital assets. Distributable cash flow is a quantitative standard used in the publicly-traded partnership investment community to assist in evaluating a partnership's ability to make quarterly cash distributions. Distributable cash flow is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to net income or any other indicator of the Partnership's performance required by accounting principles generally accepted in the United States. The table below reconciles distributable cash flow to net income.

| | <u>Three Months Ended</u> <u>December 31, 2005</u> <u>(unaudited)</u> |
|---|---|
| Net income | 12,724 |
| Add: | |
| Depreciation and amortization | 11,961 |
| Non-cash interest expense | 1,339 |
| Income tax expense | 349 |
| Less: | |
| Estimated maintenance capital expenditure | 4,630 |
| Foreign exchange gain | 5,184 |

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| | |
|-----------------------------|--------|
| Income tax payments | 880 |
| | |
| Distributable cash flow (1) | 15,679 |
| | |

Description of Non-GAAP Financial Measure **Cash flow from Vessel Operations**

(2) Cash flow from vessel operations represents income from vessel operations before depreciation and amortization expense and vessel write-down/gain (loss) on sale of vessels. Cash flow from vessel operations is included because certain investors use this data to measure a shipping company's financial performance. Cash flow from vessel operations is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to net income or any other indicator of the Partnership's performance required by accounting principles generally accepted in the United States. The table below reconciles estimated cash flow from vessel operations to estimated income from vessel operations, the most directly comparable GAAP financial measure for the periods presented.

| (unaudited) | 2006 | | 2007 | |
|--------------------------------------|---------------|-----------------|-----------------|--------------|
| | <u>Fiscal</u> | <u>1st Half</u> | <u>2nd Half</u> | <u>Total</u> |
| Income from vessel operations | 76,700 | 57,600 | 59,300 | 116,900 |
| Add: depreciation and amortization | 50,800 | 25,400 | 32,200 | 57,600 |
| Cash flow from vessel operations (2) | 127,500 | 83,000 | 91,500 | 174,500 |

FORWARD LOOKING STATEMENTS

This release contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: the Partnership's future growth prospects; the Partnership's estimated financial results for 2006 and 2007 and corresponding potential increases in cash distributions to unitholders; the offers to the Partnership of Teekay's interests in LNG projects; the timing of the commencement of the RasGas II, RasGas 3 and Tangguh LNG projects; the timing of LNG newbuilding deliveries; the expected cost of LNG newbuildings for the RasGas II project and related financing arrangements, including the benefit resulting from the lease arrangement; and the Partnership's exposure to foreign currency fluctuations, particularly in Euros. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: changes in production or demand for LNG, oil and petroleum products, either generally or in particular regions; less than anticipated revenues or higher than anticipated costs or capital requirements; failure of Teekay GP L.L.C. to authorize increased cash distributions to unitholders; changes in trading patterns significantly affecting overall vessel tonnage requirements; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; the potential for early termination of long-term contracts and inability of the Partnership to renew or replace long-term contracts; shipyard production delays; the Partnership's ability to raise financing to purchase additional vessels, or to pursue LNG projects; changes in applicable tax laws relating to the lease arrangements for the three RasGas II vessels; required approvals by the conflicts committee of the board of directors of the Partnership's general partner of any LNG projects offered to the Partnership by Teekay; changes to the amount or proportion of revenues, expenses, or debt service costs denominated in foreign currencies; and other factors discussed in the Partnership's filings from time to time with the SEC, including its amended Registration Statement on Form F-1 dated November 15, 2005. The Partnership expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Partnership's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.