

Teekay LNG Partners L.P.  
Form 6-K  
August 17, 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

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For the quarterly period ended June 30, 2006

Commission file number 1- 32479

**TEEKAY LNG PARTNERS L.P.**  
(Exact name of Registrant as specified in its charter)

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

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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

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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-\_\_\_\_\_

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**TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES**

**REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2006**

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**ITEM 1 - FINANCIAL STATEMENTS**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Unitholders of  
**Teekay LNG Partners L.P.**

We have reviewed the consolidated balance sheet of Teekay LNG Partners L.P. (successor to Teekay Luxembourg S.a.r.l) and subsidiaries (or the *Partnership*) as at June 30, 2006 and the related consolidated statements of income (loss) for the three and six months ended June 30, 2006 and 2005 aggregated as follows:

<u>Three months ended June 30, 2006</u>	.	April 1 to June 30, 2006
<u>Three months ended June 30, 2005</u>	.	April 1 to May 9, 2005
	.	May 10 to June 30, 2005
<u>Six months ended June 30, 2006</u>	.	January 1 to June 30, 2006
<u>Six months ended June 30, 2005</u>	.	January 1 to May 9, 2005
	.	May 10 to June 30, 2005

We have also reviewed the consolidated statements of partners' equity/stockholder deficit and cash flows for the six months ended June 30, 2006. These financial statements are the responsibility of the Partnership's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Partnership as at December 31, 2005, the related consolidated statements of income, partners' equity/stockholder deficit and cash flows for the year then ended and in our report dated February 21, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2005, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Vancouver, Canada  
August 1, 2006

/s/ ERNST & YOUNG LLP  
Chartered Accountants



**TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES (Note 1)**  
**(Successor to Teekay Luxembourg S.a.r.l.)**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
**(in thousands of U.S. dollars, except unit and per unit data)**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005		2006	2005	
	April 1 to June 30, 2006	April 1 to May 9, 2005	May 10 to June 30, 2005	January 1 to June 30, 2006	January 1 to May 9, 2005	May 10 to June 30, 2005
	\$	\$	\$	\$	\$	\$
<b>VOYAGE REVENUES</b>	42,534	15,365	20,364	86,675	50,129	20,364
<b>OPERATING EXPENSES</b>						
Voyage expenses	650	59	73	927	251	73
Vessel operating expenses ( <i>note 10c</i> )	9,767	2,777	3,932	18,728	10,771	3,932
Depreciation and amortization	12,743	4,541	5,852	25,402	14,751	5,852
General and administrative ( <i>note 10b and 10d</i> )	2,998	1,418	1,274	6,093	2,928	1,274
<b>Total operating expenses</b>	26,158	8,795	11,131	51,150	28,701	11,131
<b>Income from vessel operations</b>	16,376	6,570	9,233	35,525	21,428	9,233
<b>OTHER ITEMS</b>						
Interest expense ( <i>notes 4 and 7</i> )	(21,404)	(10,068)	(8,196)	(40,005)	(35,679)	(8,196)
Interest income	9,443	2,829	3,003	16,880	9,098	3,003
Foreign currency exchange (loss) gain ( <i>note 7</i> )	(20,328)	7,296	22,993	(28,153)	52,295	22,993
Other income (loss) - net ( <i>note 8</i> )	387	(19,320)	1,670	995	(17,927)	1,670
<b>Total other items</b>	(31,902)	(19,263)	19,470	(50,283)	7,787	19,470
<b>Net (loss) income</b>	(15,526)	(12,693)	28,703	(14,758)	29,215	28,703
General partner's interest in net (loss) income	(311)	-	9,233	(296)	-	9,233

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Limited partners' interest:

Net (loss) income	(15,215)	(12,693)	19,470	(14,462)	29,215	19,470
Net (loss) income per: (note 13)						
- Common unit (basic and diluted)	(0.44)	(0.54)	0.64	(0.40)	1.24	0.64
- Subordinated unit (basic and diluted)	(0.44)	(0.54)	0.64	(0.44)	1.24	0.64
- Total unit (basic and diluted)	(0.44)	(0.54)	0.64	(0.42)	1.24	0.64
Weighted-average number of units outstanding:						
- Common units (basic and diluted)	20,238,072	8,734,572	15,638,072	20,238,072	8,734,572	15,638,072
- Subordinated units (basic and diluted)	14,734,572	14,734,572	14,734,572	14,734,572	14,734,572	14,734,572
- Total units (basic and diluted)	34,972,644	23,469,144	30,372,644	34,972,644	23,469,144	30,372,644
Cash distributions declared per unit	0.4625	-	-	0.8750	-	-

*The accompanying notes are an integral part of the unaudited interim consolidated financial statements.*

**TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES (Note 1)**  
**(Successor to Teekay Luxembourg S.a.r.l.)**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
**(in thousands of U.S. dollars)**

	As at June 30, 2006 \$	As at December 31, 2005 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	18,881	34,469
Restricted cash - current ( <i>note 4</i> )	149,046	139,525
Accounts receivable	12,460	2,977
Prepaid expenses and other assets	7,450	3,972
<b>Total current assets</b>	<b>187,837</b>	<b>180,943</b>
Restricted cash - long-term ( <i>notes 4 and 12</i> )	615,614	158,798
<b>Vessels and equipment (<i>note 7</i>)</b>		
At cost, less accumulated depreciation of \$25,409 (December 31, 2005 - \$16,235)	499,303	507,825
Vessels under capital leases, at cost, less accumulated depreciation of \$43,415 (December 31, 2005 - \$32,266) ( <i>note 4</i> )	668,804	677,686
Advances on newbuilding contracts ( <i>note 12</i> )	-	316,875
<b>Total vessels and equipment</b>	<b>1,168,107</b>	<b>1,502,386</b>
Other assets ( <i>note 11</i> )	97,330	20,215
Intangible assets - net ( <i>note 5</i> )	164,629	169,194
Goodwill ( <i>note 5</i> )	39,279	39,279
<b>Total assets</b>	<b>2,272,796</b>	<b>2,070,815</b>
<b>LIABILITIES AND PARTNERS' EQUITY</b>		
<b>Current</b>		
Accounts payable	9,581	5,885
Accrued liabilities	12,875	7,789
Unearned revenue	7,034	6,163
Current portion of long-term debt ( <i>note 7</i> )	9,060	8,103
Current obligation under capital leases ( <i>note 4</i> )	157,013	137,646
Current portion of long-term debt related to newbuilding vessels to be leased ( <i>note 12</i> )	6,232	-
Advances from affiliate ( <i>notes 10e and 10f</i> )	4,541	2,222
<b>Total current liabilities</b>	<b>206,336</b>	<b>167,808</b>
Long-term debt ( <i>note 7</i> )	411,963	398,249
Long-term obligation under capital leases ( <i>note 4</i> )	390,674	382,343
Long-term debt related to newbuilding vessels to be leased ( <i>note 12</i> )	438,447	319,573
Other long-term liabilities ( <i>note 11</i> )	67,439	33,703
<b>Total liabilities</b>	<b>1,514,859</b>	<b>1,301,676</b>
Commitments and contingencies ( <i>note 4 and 12</i> )		



<b>Partners' equity</b>		
Partners' equity	795,517	841,642
Accumulated other comprehensive loss <i>(note 9)</i>	(37,580)	(72,503)
<b>Total partners' equity</b>	<b>757,937</b>	<b>769,139</b>
<b>Total liabilities and partners' equity</b>	<b>2,272,796</b>	<b>2,070,815</b>

*The accompanying notes are an integral part of the unaudited interim consolidated financial statements.*

**TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES (Note 1)**  
**(Successor to Teekay Luxembourg S.a.r.l.)**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(in thousands of U.S. dollars)**

	<b>Six Months Ended June</b>	
	<b>30,</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents provided by (used for)		
<b>OPERATING ACTIVITIES</b>		
Net (loss) income	(14,758)	57,918
Non-cash items:		
Depreciation and amortization	25,402	20,603
Gain on sale of assets	-	(186)
Deferred income tax (recovery) expense	(524)	1,500
Foreign currency exchange loss (gain)	30,744	(79,014)
Loss from settlement of interest rate swaps	-	7,820
Write-off of capitalized loan costs	-	7,462
Accrued interest and other - net	524	7,568
Change in non-cash working capital items related to operating activities	(3,677)	1,458
Expenditures for drydocking	(2,655)	(104)
<b>Net operating cash flow</b>	<b>35,056</b>	<b>25,025</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	129,700	10,900
Capitalized loan costs	(2,512)	-
Scheduled repayments of long-term debt	(4,167)	(5,600)
Scheduled repayments of capital lease obligations	(4,280)	(3,346)
Prepayments of long-term debt	(34,000)	(339,438)
Proceeds from issuance of common units	(141)	141,327
Interest rate swap settlement costs	-	(143,295)
Advances from affiliate	19,706	353,069
Advances to affiliate	(3,759)	(184,302)
(Increase) decrease in restricted cash <i>(Note 4)</i>	(431,489)	10,440
Cash distributions paid	(31,226)	-
<b>Net financing cash flow</b>	<b>(362,168)</b>	<b>(160,245)</b>
<b>INVESTING ACTIVITIES</b>		
Expenditures for vessels and equipment	(1,448)	(48,921)
Proceeds from sale of vessels and equipment <i>(Note 4)</i>	312,972	83,606
<b>Net investing cash flow</b>	<b>311,524</b>	<b>34,685</b>
Decrease in cash and cash equivalents	(15,588)	(100,535)
Cash and cash equivalents, beginning of the period	34,469	156,410
<b>Cash and cash equivalents, end of the period</b>	<b>18,881</b>	<b>55,875</b>

Please see Note 6 for supplemental cash flow disclosure.

*The accompanying notes are an integral part of the unaudited interim consolidated financial statements.*

**TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES (Note 1)**  
**(Successor to Teekay Luxembourg S.a.r.l.)**  
**UNAUDITED CONSOLIDATED STATEMENT OF PARTNERS' EQUITY/STOCKHOLDER DEFICIT**  
**(in thousands of U.S. dollars and units)**

	<b>PARTNERS' EQUITY</b>							
	<b>Limited Partners</b>							
	<b>Stockholder Deficit (Predecessor)</b>	<b>Common</b>		<b>Subordinated</b>		<b>General Partner</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total</b>
	\$	Units	\$	Units	\$	\$	\$	\$
<b>Balance as at December 31, 2004</b>	(123,002)	-	1	-	-	-	-	(123,001)
Net income (January 1 - May 9, 2005)	29,215	-	-	-	-	-	-	29,215
Unrealized loss on derivative instruments (notes 9 and 11)	(22,874)	-	-	-	-	-	-	(22,874)
Reclassification adjustment for loss on derivative instruments included in net income (notes 9 and 11)	14,359	-	-	-	-	-	-	14,359
Sale of the <i>Santiago Spirit</i> (note 10g)	(3,115)	-	-	-	-	-	-	(3,115)
<b>Balance as at May 9, 2005</b>	(105,417)	-	1	-	-	-	-	(105,416)
Equity contribution by Teekay Shipping Corporation (note 1)	105,417	8,734	211,788	14,735	357,318	11,614	(52,194)	633,943
Proceeds from initial public offering of limited partnership interests, net of offering costs of \$16,089 (note 2)	-	6,900	135,711	-	-	-	-	135,711
Proceeds from follow-on public offering of limited partner ship interests, net of offering costs of \$5,832 (note 2)	-	4,600	120,208	-	-	2,572	-	122,780
Issuance of units to non-employee directors (note 2)	-	4	-	-	-	-	-	-
	-	-	23,716	-	16,951	9,665	-	50,332

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Net income (May 10 - December 31, 2005)								
Cash distributions	-	-	(10,137)	-	(9,551)	(402)	-	(20,090)
Unrealized loss on derivative instruments (note 11)	-	-	-	-	-	-	(26,622)	(26,622)
Reclassification adjustment for loss on derivative instruments included in net income (note 11)	-	-	-	-	-	-	6,313	6,313
Purchase of three Suezmax tankers from Teekay Shipping Corporation (note 10h)	-	-	(15,773)	-	(11,483)	(556)	-	(27,812)
<b>Balance as at December 31, 2005</b>	-	20,238	465,514	14,735	353,235	22,893	(72,503)	769,139
Net income (January 1 - June 30, 2006)	-	-	(8,051)	-	(6,411)	(296)	-	(14,758)
Cash distributions	-	-	(17,708)	-	(12,893)	(625)	-	(31,226)
Unrealized gain on derivative instruments (notes 9 and 11)	-	-	-	-	-	-	30,480	30,480
Reclassification adjustment for loss on derivative instruments included in net income (notes 9 and 11)	-	-	-	-	-	-	4,443	4,443
Offering costs from follow-on public offering of limited partnership interests (note 2)	-	-	(141)	-	-	-	-	(141)
<b>Balance as at June 30, 2006</b>	-	20,238	439,614	14,735	333,931	21,972	(37,580)	757,937

The accompanying notes are an integral part of the unaudited interim consolidated financial statements.

**TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES**  
**(Successor to Teekay Luxembourg S.a.r.l.)**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(all tabular amounts stated in thousands of U.S. dollars, except unit and per unit data)**

**1. Basis of Presentation**

On April 30, 2004, Teekay Shipping Corporation through its subsidiary, Teekay Luxembourg S.a.r.l (or *Luxco*), acquired all of the outstanding shares of Naviera F. Tapias S.A. and its subsidiaries (or *Tapias*) and renamed it Teekay Shipping Spain S.L. (or *Teekay Spain*). Teekay Shipping Corporation acquired Teekay Spain for \$298.2 million in cash, plus the assumption of debt and remaining newbuilding commitments.

On November 3, 2004, Teekay Shipping Corporation formed Teekay LNG Partners L.P., a Marshall Islands limited partnership (or the *Partnership*), to own and operate the liquefied natural gas (or *LNG*) and Suezmax crude oil marine transportation businesses conducted by Luxco and its subsidiaries (collectively, the *Predecessor*). On May 6, 2005, Teekay Shipping Corporation contributed to the Partnership all of the outstanding shares of Luxco, all but \$54.9 million of the notes receivable from Luxco, and all of the equity interests of Granada Spirit L.L.C., which owned the Suezmax tanker, the *Granada Spirit*, in connection with the Partnership's initial public offering on May 10, 2005 of 6.9 million common units, which represent limited partner interests in the Partnership. The Partnership subsequently repaid the \$54.9 million note receivable.

In exchange for these shares, equity interests and assets, Teekay Shipping Corporation received 8,734,572 common units and 14,734,572 subordinated units, which represented a 75.7% limited partner interest in the Partnership. The Partnership's general partner, Teekay GP L.L.C. (or the *General Partner*), received a 2% general partner interest and all of the incentive distribution rights in the Partnership. Teekay GP L.L.C. is a wholly-owned subsidiary of Teekay Shipping Corporation. During November 2005, the Partnership issued, in a public offering, an additional 4.6 million common units, effectively reducing Teekay Shipping Corporation's limited partnership interest to 65.8% (please see Note 2).

The accompanying unaudited consolidated interim financial statements include the accounts of Luxco and its subsidiaries, which include Teekay Spain, for periods subsequent to December 31, 2004 and prior to May 10, 2005. The results for the periods subsequent to December 31, 2004 reflect the comprehensive revaluation of all assets (including intangible assets and goodwill) and liabilities of Teekay Spain at their fair values on the date of acquisition. For periods subsequent to May 10, 2005, the consolidated financial statements include the accounts of Teekay LNG Partners L.P., its subsidiaries (which include, among others, Luxco and Teekay Spain), and Teekay Nakilat Corporation (or *Teekay Nakilat*), a variable interest entity for which the Partnership is the primary beneficiary (please see Note 12). The transfer to the Partnership of the shares of and notes receivable from Luxco and equity interests of Granada Spirit L.L.C. represented a reorganization of entities under common control and, consequently, was recorded at historical cost. The book value of these assets on their transfer was \$633.9 million.

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States. Certain information and footnote disclosures required by generally accepted accounting principles in the United States for complete annual financial statements have been omitted and, therefore, these consolidated interim financial statements should be read in conjunction with the Partnership's audited consolidated financial statements for the year ended December 31, 2005. In the opinion of the General Partner's management, these consolidated interim financial statements reflect all adjustments (consisting only of normal recurring accruals) necessary to present fairly, in all material respects, the Partnership's consolidated financial position, results of operations, changes in partners' equity and cash flows for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of those for a full fiscal year.

Significant intercompany balances and transactions have been eliminated upon consolidation. Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current period.

**TEEKAY LNG PARTNERS L.P. AND SUBSIDIARIES**  
**(Successor to Teekay Luxembourg S.a.r.l.)**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (Cont'd)**  
**(all tabular amounts stated in thousands of U.S. dollars, except unit and per unit data)**

## 2. Public Offerings

On May 10, 2005, the Partnership completed its initial public offering (or the *IPO*) of 6.9 million common units at a price of \$22.00 per unit. During November 2005, the Partnership issued in a follow-on public offering an additional 4.6 million common units at a price of \$27.40 per unit (or the *Follow-On Offering*). Concurrently with the Follow-On Offering, the General Partner contributed \$2.6 million to the Partnership to maintain its 2% general partner interest.

The proceeds received by the Partnership from the public offerings and the use of those proceeds are summarized as follows:

	<b>IPO</b>	<b>Follow-On</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Proceeds received:</b>			
Sale of 6,900,000 common units at \$22.00 per unit	151,800	-	151,800
Sale of 4,600,000 common units at \$27.40 per unit	-	126,040	126,040
General Partner contribution	-	2,572	2,572
	151,800	128,612	280,412
<b>Use of proceeds from sale of common units:</b>			
Underwriting and structuring fees	10,473	5,042	15,515
Professional fees and other offering expenses to third parties	5,616	959	6,575
Repayment of advances from Teekay Shipping Corporation	129,400	-	129,400
Purchase of three Suezmax tankers from Teekay Shipping Corporation. <i>(note 10h)</i>	-	122,611	122,611
Working capital	6,311	-	6,311
	151,800	128,612	280,412

Concurrently with the IPO, the Partnership awarded 700 common units as compensation to each of the Partnership's five non-employee directors. These common units reverse vest equally over a three-year period.

## 3. Segment Reporting

The Partnership has two reportable segments: its LNG carrier segment and its Suezmax tanker segment. The Partnership's LNG carrier segment consists of LNG carriers subject to fixed-rate time-charter contracts. The Partnership's Suezmax tanker segment consists of conventional crude oil tankers operating on fixed-rate time-charter contracts. Segment results are evaluated based on income from vessel operations. The accounting policies applied to the reportable segments are the same as those used in the preparation of the Partnership's audited consolidated financial statements for the year ended December 31, 2005.