T E E K A Y O F F S H O R E P A R T N E R S L. P.

Financial Restatement and Update

November 25, 2008

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 estimated increases in cash distributions to unitholders; the Partnership's future growth prospects; the Partnership's future capital expenditure commitments and the financing requirements for such commitments; the potential for Teekay to offer up to four Aframax shuttle tanker newbuildings either with new long-term fixed-rate contracts, or to service the contracts-of-affreightment in the North Sea; the potential for Teekay to offer Teekay Petrojarl's existing FPSO units; the potential for Teekay to secure future FPSO projects through wholly-owned subsidiary, Teekay Petrojarl ASA; the potential for Teekay to offer to Teekay Offshore additional limited partner interests in OPCO; and the Partnership's exposure to foreign currency fluctuations, particularly in Norwegian Kroner. 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: failure of Teekay Offshore GP LLC to authorize the proposed increase to the cash distributions; changes in production of offshore oil, either generally or in particular regions; changes in trading patterns significantly affecting overall vessel tonnage requirements or demand for shuttle tankers, FSOs and FPSOs; 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 or OPCO to renew or replace long-term contracts; the Partnership's future capital expenditure requirements; the failure of Teekay to offer additional interests in OPCO to Teekay Offshore; required approvals by the board of directors of Teekay and Teekay Offshore, as well as the conflicts committee of Teekay Offshore to acquire additional interests in OPCO; the Partnership's ability to raise financing to purchase additional vessels and/or interests in OPCO; changes to the amount or proportion of revenues, expenses, or debt service costs denominated in foreign currencies; and other factors discussed in Teekay Offshore's filings from time to time with the SEC, including its Report on Form 20-F for the fiscal year ended December 31, 2007. 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.

Restatement Process Completed

Key Findings:

- As anticipated, all reported changes are **non-cash in nature**
  - No impact on historical or future cash flows or liquidity
  - No impact on Distributable Cash Flow*
- Restatements strictly related to accounting treatment and presentation, **no impact on the economics** of the Partnership or its actual cash flows
- Relevant accounting processes have been amended

*see slide 6 for further information

Restatement Process Overview

Process took longer than anticipated:

- Ernst and Young's audit team included subject matter experts from their Canadian and US National Offices
- Management engaged independent, 3rd party subject matter experts
- Together, all parties focused on complex, non-routine areas of accounting
  - Thorough process undertaken to review **all** derivative transactions
  - Process brought other related areas into scope
- Q3 2008 earnings results expected to be released mid-December

Results:

- Changes to accounting treatment for derivative transactions (hedges)
- Changes to accounting for dropdown transactions

Changes in Hedge Accounting Treatment

Reason for Restatement:

- Certain derivative instruments used to hedge interest rate and foreign exchange risks did not meet strict technical requirements for hedge accounting treatment under SFAS 133
- Examples - transfer of swaps to 'Daughter' companies
  - ordering of foreign exchange contracts vs. expenditures

Changes in Accounting Treatment:

Former Treatment		New Treatment
Unrealized portion of the mark-to-market change in fair value of derivative instruments <u>recorded directly to partners' equity on the balance sheet</u>	→	Unrealized portion of the mark-to-market change in fair value of derivative instruments <u>recorded as an unrealized gain or loss on the income statement</u>

Effect of new treatment:

- ✓ Greater volatility of reported GAAP net income
- ✓ No change to cash flows or affect on the economics of the hedging transactions

Changes to Dropdown Accounting Treatment

Reason for Restatement:

- Upon review of an impending change to the applicable accounting standard effective Jan. 2009 for acquisitions between related parties it became apparent that the presentation for accounting for vessels acquired through dropdowns from Teekay Corporation would have to change
- SEC's preference between two alternative accounting treatments is to treat dropdowns as business acquisitions between related parties, rather than asset acquisitions

Changes in Accounting Treatment:

Former Treatment	→	New Treatment
Partnership's financial statements include the acquisition starting from the date of acquisition by the Partnership	→	Partnership's financial statements are retroactively adjusted to include the historical results of the acquired vessels from the date the vessels were originally under the control of Teekay Corporation

Effect of New Treatment:

✓ Adjustments to historical financial statements for periods prior to acquisition

✓ Increased historical net income but no change to Partnership's cash flows for any period

Restatements Have No Impact on Distributable Cash Flow

- All restatements are non-cash in nature, thus distributions as reported by securities analysts, are not affected for any periods

	Three Months Ended June 30, 2008			
		Restatement Adjustments		
	As Previously Reported (unaudited)	Derivative Instruments and Other (1) (unaudited)	Dropdown Predecessor (2) (unaudited)	As Reported (unaudited)
Net Income	19,234	5,143	848	25,225
Add:				
Depreciation and amortization	35,747	-	700	36,447
Non-controlling interest	40,023	2,475	-	42,498
Foreign exchange and other, net	680	133	-	813
Less:				
Unrealized gain on interest rate swaps	(35,976)	(5,947)	-	(41,923)
Unrealized gain on forward contracts	-	(204)	-	(204)
Income tax recovery	(5,942)	(1,600)	-	(7,542)
Cash flow attributable to the Dropdown Predecessor	-	-	(1,548)	(1,548)
Estimated maintenance capital expenditures	(19,951)	-	-	(19,951)
Distributable Cash Flow before Non-Controlling Interest	**33,815**	-	-	**33,815**
Non-controlling interests' share of DCF	(23,319)	-	-	(23,319)
Distributable Cash Flow	**10,496**	-	-	**10,496**

Changes Made as a Result of Restatement Process

- Implemented a more rigorous process to determine the appropriate accounting treatment for:
  - complex accounting issues
  - non-routine financial structures and arrangements
- Engagement of the appropriately qualified external expertise
- Going forward, the Partnership has decided to record fair value changes of derivative instruments through the income statement, other than certain foreign currency forward contracts

Financial Update

Teekay Offshore is well-positioned in the current economic and financial environment:

1. Strong liquidity position

2. Favorable debt profile with no near-term refinancing requirements and no covenant concerns

3. Substantial long-term fixed-rate contracts with strong counterparties

Teekay Offshore Financial Snapshot

- Q3 distribution increased 12.5% to $0.45 per unit ($1.80 per unit annualized)
- Current yield: 23.2%
- June 30, 2008 total liquidity: $258.8 million
- No requirement to tap equity markets
  - $217m follow-on offering completed in June 2008
- No CAPEX commitments
- Leverage based on book value metrics not representative

Net Debt / Total Cap. (Book): 89.5% vs. Net Debt / Fair Market Value: 51.8%

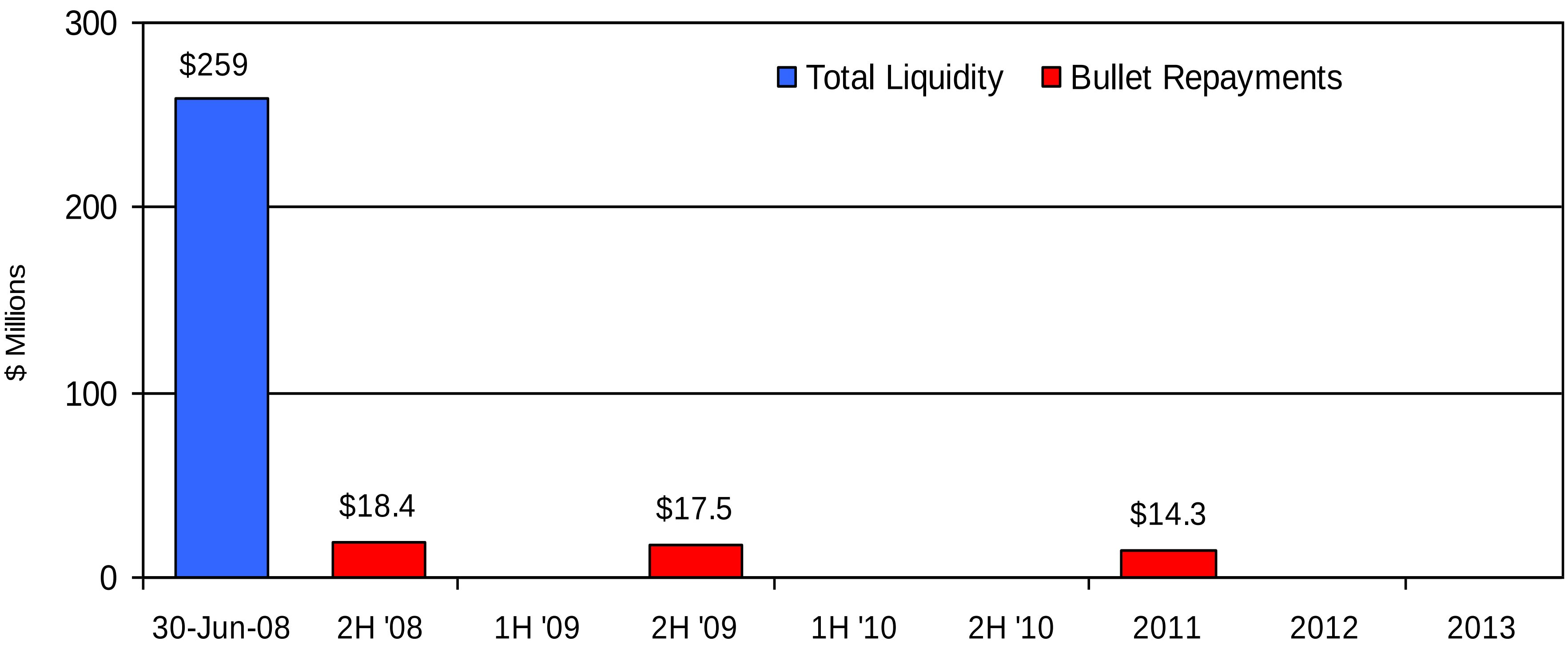
- Book equity understates total cap since it is based on historical book value of Teekay Corporation, not fair market value of TOO/OPCO fleet

See Appendix for supporting calculations

Teekay Offshore Has a Favorable Debt Profile

No near-term refinancing requirements

- Only $50 million in balloon payments due between now and end-2013
- Current liquidity more than sufficient to repay all facilities coming due



Covenant-lite Debt Provides Flexibility

- **Primary financial covenant across all entities is based on maintaining a modest minimum liquidity**
  - The Partnership has no covenant concerns

Minimum hull value covenants topical in other shipping segments today

- Teekay Offshore has only one facility representing $87m tied to hull values
  - Current coverage ~185% (required minimum 105%)
  - Vessel values must drop significantly from today's values before debt availability is reduced

If vessel values drop by 35%	Would lose debt capacity of	$0
If vessel values drop by 50%	Would lose debt capacity of	$10m

Shuttle Tankers: “Floating Pipelines” for Offshore Oil

North Sea Offshore Oil Network

Advantages Over Pipelines

- Less costly – especially for remote areas
- Vessel interchangeability allows undisrupted oil movement
- Destination flexibility for the customer
- Segregation of cargo

Long-Term Contract Portfolio With Strong Counterparties

	Shuttle Tankers	FSO Units	Conventional Tankers
Average Contract Life	▶ Majority of CoA volumes are life of field (15 year average field life) – 22 vessels ▶ Time / bareboat charter 5 years – 17 vessels	▶ 4 years	▶ 6 years (plus 5 one-year options and 2 five-year options)

High Quality Customers

Teekay Offshore is well positioned in the current economic and financial environment:

1. Total liquidity position of ~$260 million

2. Favorable debt profile with no need to access capital markets and no covenant concerns

3. Substantial fixed-rate contract portfolio with strong counterparties

Appendix

Teekay Offshore Financial Snapshot Back-up

Teekay Offshore Partners L.P. Leverage

(USD 000s, except per unit amounts)

Balance Sheet as of June 30, 2008

Long-term debt	1,618,507
Less: cash	(113,021)
Net debt	1,505,486
BV equity	174,869
Total capitalization (book)	1,680,355
Fair market value of vessels (mgmt est.)	2,908,740

Leverage Metrics

Net debt / Total capitalization (book)	89.6%
Net debt / Fair market value	51.8%

Yield

Q3 dividend	$0.45
Q3 dividend - annualized	$1.80
Unit price (November 21, 2008)	$7.77
Current yield	23.2%