

TEEKAY OFFSHORE PARTNERS

Third Quarter 2007 Earnings Presentation

November 2, 2007



Forward Looking Statements

This presentation 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 increase in distributable cash flow from the acquisition of the *Dampier Spirit*; the offers of shuttle tankers, FSOs and FPSOs and associated contracts from Teekay to Teekay Offshore; 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 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 L.L.C. to authorize the proposed increase to the Partnership's distributions; changes in production of offshore oil, either generally or in particular regions; 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 or OPCO to renew or replace long-term contracts; the failure of Teekay to offer additional interests in OPCO to Teekay Offshore; 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, 2006. 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.

Third Quarter Highlights

- ▶ Generated distributable cash flow of \$7.3 million during the third quarter of 2007
- ▶ Increased cash distribution by 10% to \$0.385 for the third quarter of 2007 (\$1.54 annualized)
 - ▶ Record date: Nov. 7th
 - ▶ Payment date: Nov. 14th
- ▶ Acquired two shuttle tankers in July 2007
 - ▶ Basis for a 10% distribution increase
- ▶ Acquired an FSO from Teekay Corporation on October 1, 2007
 - ▶ Management to recommend a 4% distribution increase in fourth quarter to \$0.40 (\$1.60 annualized)



**14% increase in
distribution since IPO
in Dec. 2006**

Distributable Cash Flow and Cash Distribution

In thousands of U.S. dollars	Three Months Ended Sept 30, 2007 (unaudited)
Net income	\$ 2,114
Add:	
Depreciation and amortization	31,318
Non-controlling interest	6,763
Non-cash expenses	148
Foreign exchange loss	4,372
Income tax expense	6,057
Less:	
<u>Estimated maintenance capital expenditures</u>	<u>(19,390)</u>
Distributable Cash Flow before Non-Controlling Interest	31,382
Non-controlling interest's share of DCF	(24,037)
<u>Distributable Cash Flow ⁽¹⁾</u>	<u>\$ 7,345</u> A

Quarterly L.P. Distribution (19,600,000 L.P. units x \$0.385 / unit)	\$ 7,546
General Partner 2% Distribution	<u>154</u>
Total Distribution	\$ 7,700 B
Coverage Ratio	0.95x =A/B

⁽¹⁾ Please refer to the 3rd Quarter of 2007 Earnings Release for a description of Distributable Cash Flow and a reconciliation to its most directly comparable GAAP financial measure.

Segment Operating Results

(in thousands of U.S. dollars)	<u>Three Months Ended Sept 30, 2007</u>			
	<u>(unaudited)</u>			
	Shuttle Tanker Segment	Conventional Tanker Segment	FSO Segment	Total
Net voyage revenues (1)	115,762	23,284	16,546	155,592
Vessel operating expenses	25,532	6,125	3,590	35,247
Time-charter hire expense	37,161	-	-	37,161
Depreciation & amortization	22,453	5,053	3,812	31,318
Cash flow from vessel operations (2)	40,056	15,089	12,203	67,348

(in thousands of U.S. dollars)	<u>Three Months Ended June 30, 2007</u>			
	<u>(unaudited)</u>			
	Shuttle Tanker Segment	Conventional Tanker Segment	FSO Segment	Total
Net voyage revenues (1)	117,398	24,070	10,916	152,384
Vessel operating expenses	24,885	5,060	3,614	33,559
Time-charter hire expense	36,473	-	-	36,473
Depreciation & amortization	19,825	5,110	4,098	29,033
Cash flow from vessel operations (2)	42,199	17,175	6,625	65,999

(1) Net voyage revenues represents voyage revenues less voyage expenses, which comprise all expenses relating to certain voyages, including bunker fuel expenses, port fees, canal tolls and brokerage commissions. Net voyage revenues is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to voyage revenues or any other indicator of the Partnership's performance required by accounting principles generally accepted in the United States. Please see the Partnership's Website at www.teekayoffshore.com for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable GAAP financial measure.

(2) Cash flow from vessel operations represents income from vessel operations before depreciation and amortization expense. 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 Partnership's Website at www.teekayoffshore.com for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable GAAP financial measure.

Q3 '07 vs. Q2 '07

Teekay Offshore Partners L.P.
Consolidated Income Statement (Unaudited)
In thousands of U.S. dollars

	Three Months Ended		Variance
	Sept 30, 2007	June 30, 2007	
Net Voyage Revenues ⁽¹⁾	155,592	152,384	3,208
Operating Expenses			
Vessel operating expenses	35,247	33,559	1,688
Time-charter hire expense	37,161	36,473	688
Depreciation and amortization	31,318	29,033	2,285
General and administrative expenses	15,731	16,248	(517)
	119,457	115,313	4,144
Income from Vessel Operations	36,135	37,071	(936)
Other Items			
Interest expense	(21,578)	(17,553)	(4,025)
Interest income	1,784	1,347	437
Foreign exchange loss	(4,372)	(5,797)	1,425
Income tax expense	(6,057)	(532)	(5,525)
Other - net	2,965	2,582	383
Income before non-controlling interest	8,877	17,118	(8,241)
Non-controlling interest	(6,763)	(13,404)	6,641
Net income	2,114	3,714	(1,600)

(1) Net voyage revenues represents voyage revenues less voyage expenses, which comprise all expenses relating to certain voyages, including bunker fuel expenses, port fees, canal tolls and brokerage commissions. Net voyage revenues is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to voyage revenues or any other indicator of the Partnership's performance required by accounting principles generally accepted in the United States. Please see the Partnership's Website at www.teekayoffshore.com for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable GAAP financial measure.

Balance Sheet

In thousands of U.S. dollars	<u>As at Sept 30</u> <u>2007</u>	<u>As at June 30</u> <u>2007</u>
	(unaudited)	(unaudited)
ASSETS		
Cash and cash equivalents	96,589	100,718
Other current assets	107,161	108,115
Vessels and equipment	1,659,079	1,492,019
Other assets	113,766	152,855
Intangible assets	58,122	60,890
Goodwill	127,113	127,113
Total Assets	2,161,830	2,041,710
LIABILITIES AND PARTNERS' EQUITY		
Accounts payable and accrued liabilities	48,614	48,036
Current portion of long-term debt	18,980	18,980
Advances from affiliate	10,378	-
Long-term debt	1,430,421	1,262,011
Other long-term liabilities	118,057	103,409
Non-controlling interest	429,041	460,603
Partners' equity	106,339	148,671
Total Liabilities and Partners' Equity	2,161,830	2,041,710
Total Liquidity	361,100	386,600



TEEKAY OFFSHORE PARTNERS L.P.

