TEEKAY OFFSHORE

Teekay Offshore Partners LP
Fourth Quarter Year-End Earnings
February 23, 2007

Operator: Good morning. My name is Darla and I will be your conference operator today. At this time, I would like welcome everyone to the Teekay Offshore Partners Fourth Quarter Year End Earnings Conference Call, with Chief Executive Officer, Peter Evensen, as today's host.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press star, then the number two on your telephone keypad.

Thank you. Mr. Evensen, you may begin your conference.

Scott Gayton: Before Mr. Evensen begins and before I read the forward-looking statements, I would like direct all participants to our website at www.teekayoffshore.com where you will find a copy of the Fourth Quarter of 2006 Earnings Presentation. Mr. Evensen will review this presentation during today's conference call.

I will now read the forward-looking statements. Please allow me to remind you that various remarks we may make about future expectations, plans and prospects for the Partnership and the Shipping Industry constitutes forward-looking statements for purposes of the safe harbor provision under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors including those discussed in our most recently filing on Form F-1 dated December 13, 2006, on file with the SEC.

I will now turn it over to Mr. Evensen to begin.

Peter Evensen: Thank you, Scott.

I am pleased to report to you the results of our first quarter as a publicly traded partnership. With me today from Teekay Shipping Corporation are Vince Lok, Chief Financial Officer and Brian Fortier (sp?), Corporate Controller.

Turning to the presentation and to Slide 3 of our presentation, and reviewing the Fourth Quarter Highlights. On December 13, we commenced trading on the New York Stock Exchange after pricing our offering at $21, which was at the top of the range. This was following a road show which saw strong support from retail, institutional and existing Teekay investors. A unit price opened up at $21, and has not dipped below $24 per unit. That the unit price is trading around $30, is reflective, we think, of the strong growth prospects that investors see in our partnership in the years ahead.

We're pleased to report that the results for the small period from December 19th to December 31st were in line with expectations. The Partnership generated 1.2 million of distributable cash flow and as expected we declared a cash distribution of 1.0 million or $0.05 per unit for this 13 day period, representing an annualized distribution of $1.40 per unit. The cash distribution is payable on February 14, to all unit holders of record on February 9th.

Turning next to Slide 4, let's look at our Ownership Structure. Teekay Offshore Partners has been established with a standards M.L.P. structure including 98% L.P. interest and a 2% General Partner interest. The M.L.P.'s primary asset currently is the 26% ownership in Teekay Offshore Operating L.P. or OPCO, the holding company we have established for Teekay's Offshore business.

Teekay Offshore controls OPCO through its ownership of OPCO's General Partner interest and therefore consolidates its financial results.

OPCO's current fleet includes 36 shuttle tankers, four floating storage units, nine Aframax class conventional crude oil tankers, all on long term charter.

Initially, the Partnership will conduct all operations throughout OPCO and its subsidiaries. However, in the future, the Partnership intends to conduct additional operations through wholly owned subsidiaries of the M.L.P.

Turning next to Slide 5, as CEO of Teekay Offshore Partners, my goal is to meaningfully raise the distribution on our units every year. Our strategy to achieve this objective is three-fold and it's to acquire new assets organically and through acquisition. What's particularly exciting is that we believe we have multiple ways in which we can do so and thereby take advantage of the strong industry growth.

Starting with the bottom of this slide let me explain our three-fold strategy. First, we intend to expand the fleet by having Teekay Offshore directly acquire offshore units. Our sponsor, Teekay Shipping is currently converting three vessels into offshore units. Within a year after they are delivered, our sponsor will be required to offer Teekay Offshore the opportunity to directly acquire these vessels, consisting of two shuttle tankers that will operate under 13 year charters in Brazil and one FSO unit that will operate under a seven year charter in Australia.

Secondly, Teekay Offshore may acquire additional interests in OPCO that Teekay Shipping may offer us over time. And, we would, of course, do this in an accretive manner.

And finally, Teekay Shipping is entered into a joint venture agreement with Teekay Petrojarl as well as Teekay Shipping is taking control of Teekay Petrojarl, one of the largest independent FPSO operators which is focused on pursuing new opportunities, including floating storage and FPSO units.

So, Teekay will be required to offer us its interest in certain future FPSO and FSO projects under this joint venture agreement.

Similar to Teekay's other MLP, Teekay LNG Partners, we don't speculatively build units. We build units when we have new projects with long term contracts or make acquisitions.

Turning next to Slide 6, in reviewing the Distributable Cash Flow and Cash Distribution for the 13 days we were public during the fourth quarter, we generated 1.2 million of distributable cash flow or DCF, resulting in a healthy coverage ratio of 1.2 times. DCF represents net income before non-cash items such as depreciation and amortization, non-controlling interest, foreign exchange losses, income tax expense and other non-cash expenses.

DCF deducts estimated maintenance cap ex which represents dry docking expenditures and the cost of acquiring vessels which maintain the operating capacity of our fleet.

Because of the timing of maintenance, cap ex can vary significantly; we are required by the Partnership agreement to deduct an estimate of the average maintenance cap ex each period to maintain the operating capacity of our fleet.

Teekay Shipping Corporation's 74% portion of OPCO's distributable cash flow is also deducted from the Partnership's DCF which I will explain a little bit more further on.

As a result of the distributable cash flow generated, we've declared a cash distribution of 1.0 million or $0.05 for the 13 day period. The amount of this distribution is equal to the pro rata minimum quarterly distribution disclosed in our Prospectus.

Turning next to Slide 7 and reviewing the Income Statement from December 19th, to December 31st, in comparison to the forecast. Forecast presented is based on the forecast including, included in the Partnership's Prospectus for the year ending December 31st, 2007, pro-rated for 13 days. Partnership's results for this 13 day period were in-line with expectations. During this period, the Partnership's income from Vessel Operations was 5.3 million and net income was 0.9 million compared to a forecast of 5.4 million in income from Vessel Operations and a forecast of 0.8 million in that income.

Turning next to Slide 8, we presented our December 31st, Balance Sheet alongside the June 30th, Pro Forma Balance Sheet that was included our Prospectus. As you can see, a Post-IPO Balance Sheet is consistent with our expectations. As we consolidate 100% of OPCO, Teekay Shipping Corporation's 74% interest in the net assets and liability of OPCO have been shown as non-controlling interest on the Balance Sheet. Our Balance Sheet remains strong with net debt to EBITDA 4.3 times. In addition, the Partnership had total liquidity of approximately $430 million at December 31st, 2006. As a result, we feel the Partnership is in a strong financial position and has ample capacity to take advantage of acquisition opportunities without necessarily having to issue new units.

In closing, let me say that we appreciate the positive response from the investor community to our new partnership and we think we're off to a great start. Our mission is to continue to grow our distributions.

Thank you all for listening, and operator we are now available to take questions.

Operator: Thank you. At this time, I would like to remind everyone if you would like to ask a question, press star and then the number one on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

Our first question is from Ron Londy with AG Edwards.

Ron Londy: Yes, thanks. I noticed you had seen some currency translation losses and it seemed to me from my understanding that that wasn't going to be an issue going forward with regard to the P&L statement. Was I, am I incorrect in that assumption or was there something unusual that happened in the quarter?

Peter Evensen: Hi Ron. No, you are correct at going forward. We won't have those same kind of unrealized foreign exchange gains and losses that we had with our other partnership Teekay LNG. That relates to the period prior to going public.

Ron Londy: Okay, where, was there anything unusual from an operational standpoint in the North Sea for the first quarter? You know, so far in the first quarter?

Peter Evensen: No. Fourth quarter, excuse me, the first quarter is going along as well. There's various changes in production in some fields being less, some fields being more. And, but, we're seeing utilization right where we want it.

Ron Londy: Okay, thank you.

Operator: Once again, if you would like to ask a question, press star and then the number one on your telephone keypad.

The next question is from Steven Williams at Simmons and Company (sp?).

Steven Williams: Hi, it's actually Rory Stewart (sp?). But, I was wondering with the contracts of a freightment you have in the North Sea. Looking out Norway's expecting production to fall around 7…7 or 8%, I think, on the liquid side this year. I was wondering if you had flexibility in your portfolio to, you know, reduce the tonnage you had there if you have the operational efficiencies you could build in to offset that so that that probably wouldn't be reflected as much in your your earnings with the, under the contract.

Peter Evensen: Yeah, hi Rory.

Yes, we do. We first of all if we are told that production is going to go down on any given field, we can reposition those vessels and we can always trade them in the conventional tanker market which have been strong or has stronger than getting shuttle tankers. So, we can make up for any loss revenue if we see production declines that are going on.

We're quite tight on our utilization so what happens is we can just reposition those going forward and ultimately if we see…if we don't see new fields coming on in the North Sea then we can reposition those shuttle tankers in other areas which we've done with moving them down to Brazil or moving them into new projects down in Australia. However, we are seeing new projects coming on in…in the North Sea that we expect in the years ahead. So, when…

Rory Stewart: Yeah, and on those…some of those projects maybe are a little bit longer term, are looking towards the northern part of Norway up into the Barents. Do you think that's going to be more of a pipeline or a shuttle tanker kind of development opportunity?

Peter Evensen: We absolutely think it will be a shuttle opportunity because where are you going to send the pipe? You're going to send the pipe into northern Norway where you just would have to try and ship it. So, the advantage of shuttle tankers is you can pick up the oil directly from the platforms and it will probably be floating type of units up there which plays to Teekay Offshore Partner's other strength but we have…we are the acknowledged leader in shuttle tanking in harsh weather environments and the Barents Sea definitely qualifies as that.

Rory Stewart: Yes, sure.

And then, last one from me…the M.L.P. evaluations are the stock prices have been kind of negatively correlated with interest rates over the long term, which can enter to the mix then. That's kind of broken down somewhat in the last year or so where you've seen variations continue to…to go higher on a stock price, kind of overall level, just…despite the rise in interest rates, do you see that as sustainable or do you think there's historical relationship will return after perhaps the current investment interest and yield focus goes away more with the opportunities in treasuries and other riskless assets?

Peter Evensen: Well, I think that's a great question. That exercises a lot of people's minds. I think what separates and what's happening on the energy side, you have to compare it as well to real estate investment trusts which in many cases trade lower than treasuries, right?

Rory Stewart: Yes.

Peter Evensen: And, but what I think is happening on the energy side is investors are starting to see that there's a lot more growth on the energy side than what they had seen in the M.L.P.s before. We think Teekay Offshore Partners is a growth M.L.P. and therefore people are expecting the distributions to grow more than what people had traditionally seen M.L.P.s of 10 or 15 years ago which was mature assets that don't expect a lot of growth, right? But the new, I would say the new generation MLPs are sort of geared for more growth and investors are reflecting that in how they buy and sell the units.

Rory Stewart: But I guess it's a kind of a circular reference to a certain point because, you know, in order to, for you to be able to grow, you need that evaluation in order to do multiple accretive transactions. So, it's kind of a, you know, what comes first and if overall, the appetite for yield goes down or there's more competition from other asset classes then that…that would also challenge your growth as well.

Peter Evensen: Yeah, you're absolutely right. If interest rates go up, it's going to hurt everybody and MLPs would definitely be part of that. It would raise the cost of capital going forward so I totally agree with you on that but what we're focused on at Teekay Offshore is that we had great growth prospects in our areas of expertise; shuttle tankers, floating storage units, FPSOs. And, so we think that there's more than enough absolute returns there that it isn't really a question of…well…that the kind of IORs we're getting are more than 10% on our new projects so that makes for our ability to do a accretive deals no matter where interest rates are within in a certain parameter.

Rory Stewart: Okay, well, rather than turn that into a one on one, that'll be it for me. Thanks.

Peter Evensen: Thank you very much.

Operator: Once again, to ask a question, press star, one. At this time there are no further questions. Mr. Evensen, are there any closing remarks?

Peter Evensen: Okay, well I would just like to thank everyone for listening in. It was a short quarter as a public company, only 13 days, but you can be rest assured that we're looking forward to 2007 and executing on our business plan. Thank you all very much. I look forward to talking with you next quarter.

Operator: This concludes today's Teekay Offshore Partners Fourth Quarter Earnings Conference Call. You may now disconnect.