

TEEKAY OFFSHORE PARTNERS

Fourth Quarter 2007 Earnings Presentation

February 29, 2008



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 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: 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.



Fourth Quarter Highlights

- ▶ Acquired an FSO from Teekay Corporation on October 1, 2007
- ▶ Increased cash distribution by 3.9% to \$0.40 for the fourth quarter of 2007 (\$1.60 annualized)
 - ▶ Record date: February 9th ▶ Payment date: February 14th
- ▶ Generated distributable cash flow of \$6.5 million during the fourth quarter of 2007

**14.3% increase in
distribution since IPO
in Dec. 2006**

Distributable Cash Flow and Cash Distribution

In thousands of U.S. dollars	Three Months Ended <u>Dec 31, 2007</u> <u>(unaudited)</u>
Net income	\$ 7,012
Add:	
Depreciation and amortization	33,473
Non-controlling interest	19,702
Less:	
Estimated maintenance capital expenditures	(19,254)
Income tax recovery	(13,607)
Foreign exchange and other, net	(396)
<u>Distributable Cash Flow before Non-Controlling Interest</u>	<u>26,930</u>
Non-controlling interests' share of DCF	(20,391)
<u>Distributable Cash Flow ⁽¹⁾</u>	<u>\$ 6,539</u> A

Quarterly L.P. Distribution	\$ 7,840
(19,600,000 L.P. units x \$0.40 / unit)	
General Partner 2% Distribution	<u>160</u>
Total Distribution	\$ 8,000 B
Coverage Ratio	0.82x =A/B

⁽¹⁾ Please refer to the 4th Quarter of 2007 Earnings Release for a description of Distributable Cash Flow and a reconciliation to its most directly comparable GAAP financial measure.

2007 Coverage Ratio of 1.03x

Segment Operating Results

(in thousands of U.S. dollars)	<u>Three Months Ended Dec 31, 2007</u>			
	<u>(unaudited)</u>			
	Shuttle Tanker Segment	Conventional Tanker Segment	FSO Segment	Total
Net voyage revenues (1)	119,959	22,549	17,685	160,193
Vessel operating expenses	30,284	6,988	6,950	44,222
Time-charter hire expense	38,714	-	-	38,714
Depreciation & amortization	22,912	5,576	4,985	33,473
Cash flow from vessel operations (2)	40,168	13,661	9,689	63,518

(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

(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 and amortization of deferred gains. 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.

Q4 '07 vs. Q3 '07

In thousands of U.S. dollars

	Three Months Ended		Variance
	Dec 31, 2007	Sept 30, 2007	
Net Voyage Revenues ⁽¹⁾	160,193	155,592	4,601
Operating Expenses			
Vessel operating expenses	44,222	35,247	8,975
Time-charter hire expense	38,714	37,161	1,553
Depreciation and amortization	33,473	31,318	2,155
General and administrative expenses	14,377	15,731	(1,354)
	130,786	119,457	11,329
Income from Vessel Operations	29,407	36,135	(6,728)
Other Items			
Interest expense	(22,128)	(21,578)	(550)
Interest income	1,506	1,784	(278)
Foreign exchange gain (loss)	2,185	(4,372)	6,557
Income tax recovery (expense)	13,607	(6,057)	19,664
Other - net	2,137	2,965	(828)
Income before non-controlling interest	26,714	8,877	17,837
Non-controlling interest	(19,702)	(6,763)	(12,939)
Net income	7,012	2,114	4,898

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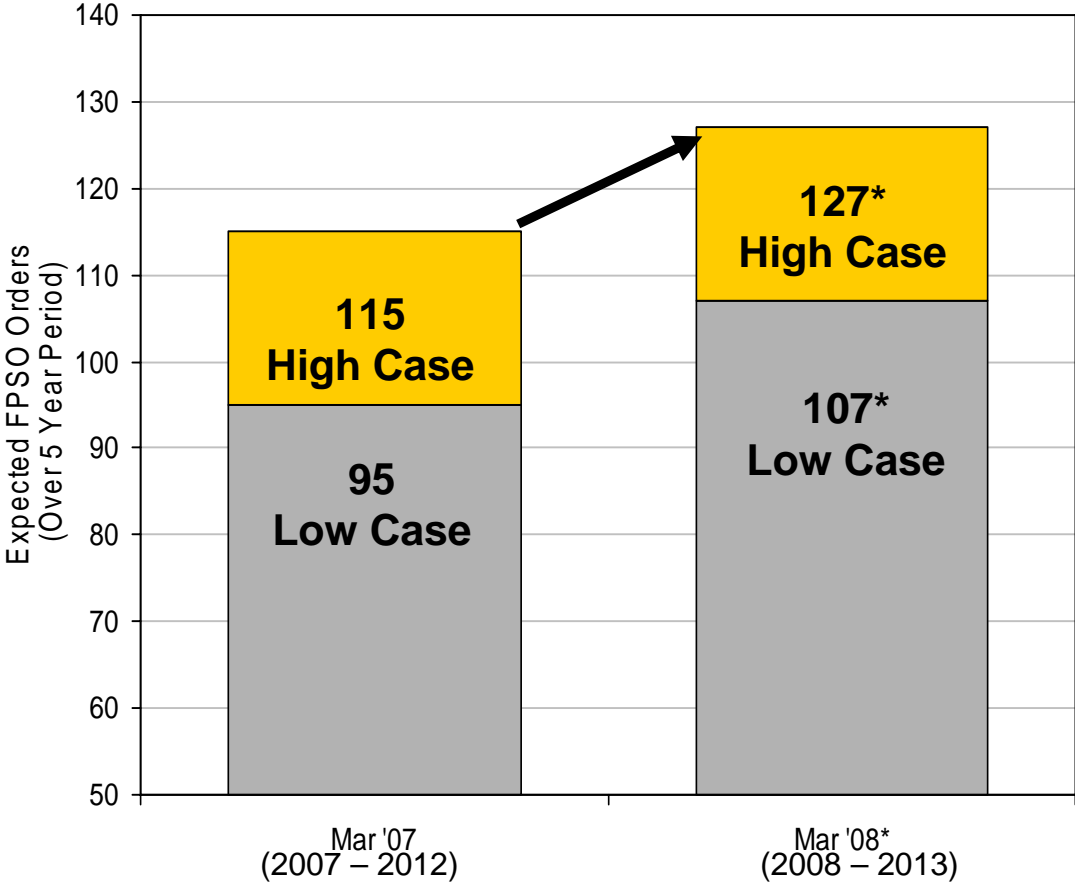
Balance Sheet

In thousands of U.S. dollars	<u>As at Dec 31</u> <u>2007</u>	<u>As at Sept 30</u> <u>2007</u>
	(unaudited)	(unaudited)
ASSETS		
Cash and cash equivalents	121,224	96,589
Other current assets	107,172	107,161
Vessels and equipment	1,662,865	1,659,079
Other assets	92,622	113,766
Intangible assets	55,355	58,122
Goodwill	127,113	127,113
Total Assets	2,166,351	2,161,830
LIABILITIES AND PARTNERS' EQUITY		
Accounts payable and accrued liabilities	50,540	48,614
Current portion of long-term debt	64,060	18,980
Advances from affiliate	-	10,378
Long-term debt	1,453,407	1,430,421
Other long-term liabilities	125,730	118,057
Non-controlling interest	391,645	429,041
Partners' equity	80,969	106,339
Total Liabilities and Partners' Equity	2,166,351	2,161,830
Total Liquidity	286,700	361,100

Offshore Market Update

- ▶ High oil prices are continuing to stimulate offshore oil activity
- ▶ Increased deepwater drilling sets stage for growing FPSO environment; average 25 FPSO projects per year expected over next 5 years
- ▶ Shuttle and FSO opportunities linked to high offshore activity

Demand for Floating Production Solutions Continues to Rise



Significant growth opportunities for Teekay Offshore





TEEKAY OFFSHORE PARTNERS L.P.

