TEEKAY OFFSHORE PARTNERS L.P.

Q1 2011 Earnings Presentation

May 13, 2011

NYSE : **TOO**

www.teekayoffshore.com

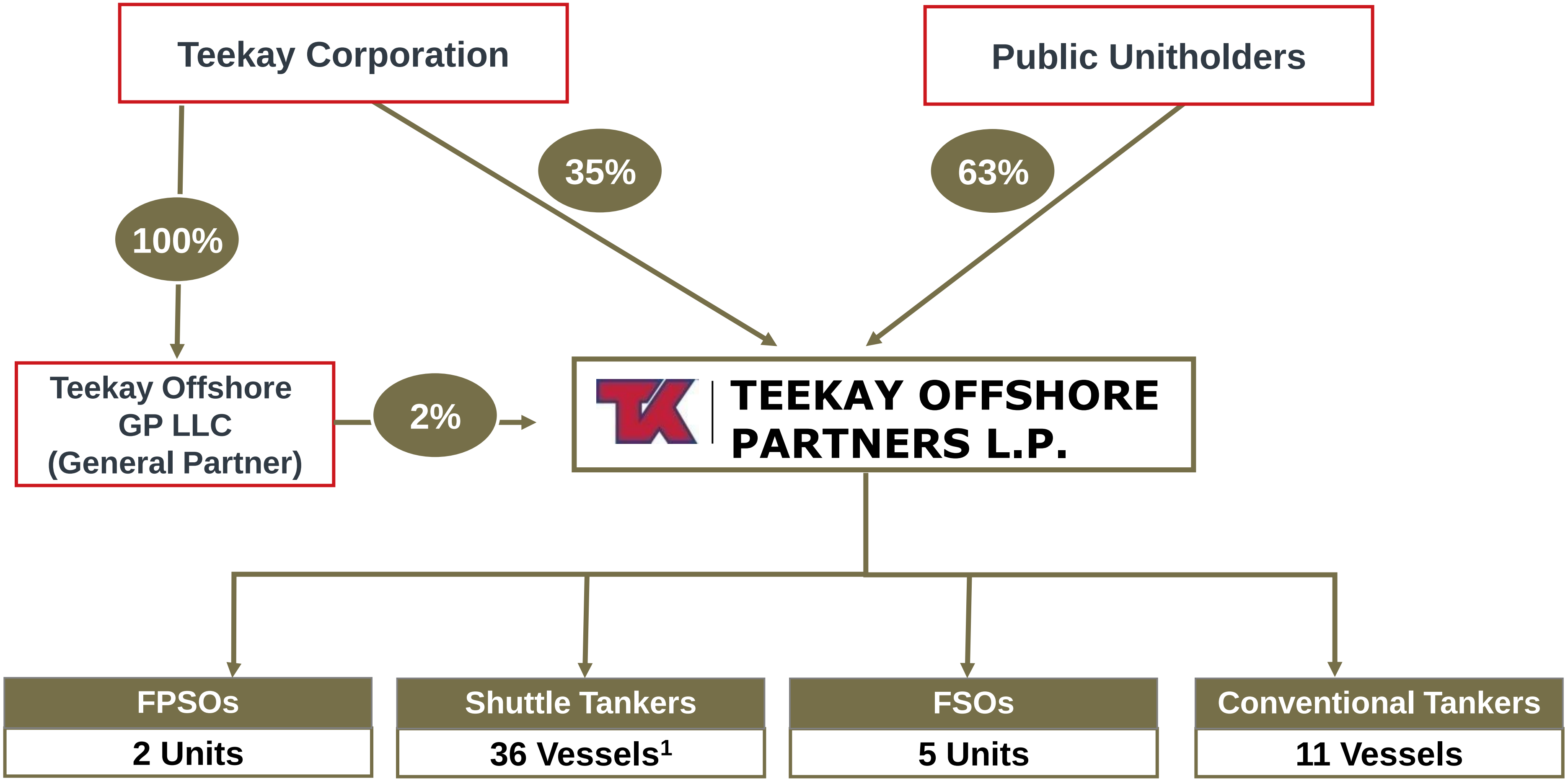
Forward Looking Statements

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, cash flows and distributions to unitholders; the expected increase in distributable cash flow in the second quarter of 2011 as a result of the acquisition of the remaining 49 percent interest in OPCO in March 2011; the industry fundamentals for deepwater offshore oil production; the potential for Teekay to offer additional vessels to the Partnership and the Partnership's acquisition of any such vessels, including the *Petrojarl Foinaven* FPSO unit, the *Petrojarl Cidade de Itajai* FPSO unit, and the *Scott Spirit* newbuilding Aframax shuttle tanker; the potential for taxation changes that affect MLPs and the related impact on Teekay Offshore; and the potential for the Partnership to acquire other vessels or offshore projects from Teekay or third parties. 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: vessel operations and oil production volumes; significant changes in oil prices; variations in expected levels of field maintenance; increased operating expenses; variability in shuttle tanker tonnage requirements under the Statoil Master Agreement; different-than-expected levels of oil production in the North Sea offshore fields; potential early termination of contracts, including the *Rio das Ostras* FPSO time-charter contract and the Statoil Master Agreement; failure of Teekay to offer to the Partnership additional vessels; the inability of the joint venture between Teekay and Odebrecht to secure new Brazil FPSO projects that may be offered for sale to the Partnership; failure of Teekay to win a new long-term fixed-rate contract in the North Sea with a major oil and gas company; failure to obtain required approvals by the Conflicts Committee of Teekay Offshore's general partner to acquire to acquire other vessels or offshore projects from from Teekay or third parties; the Partnership's ability to raise financing to purchase additional assets; failure to secure a new contract in excess of three years for Teekay's fourth Aframax shuttle tanker newbuilding; the form of any potential taxation changes is substantially different than currently anticipated; 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, 2010. 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.

Recent Highlights

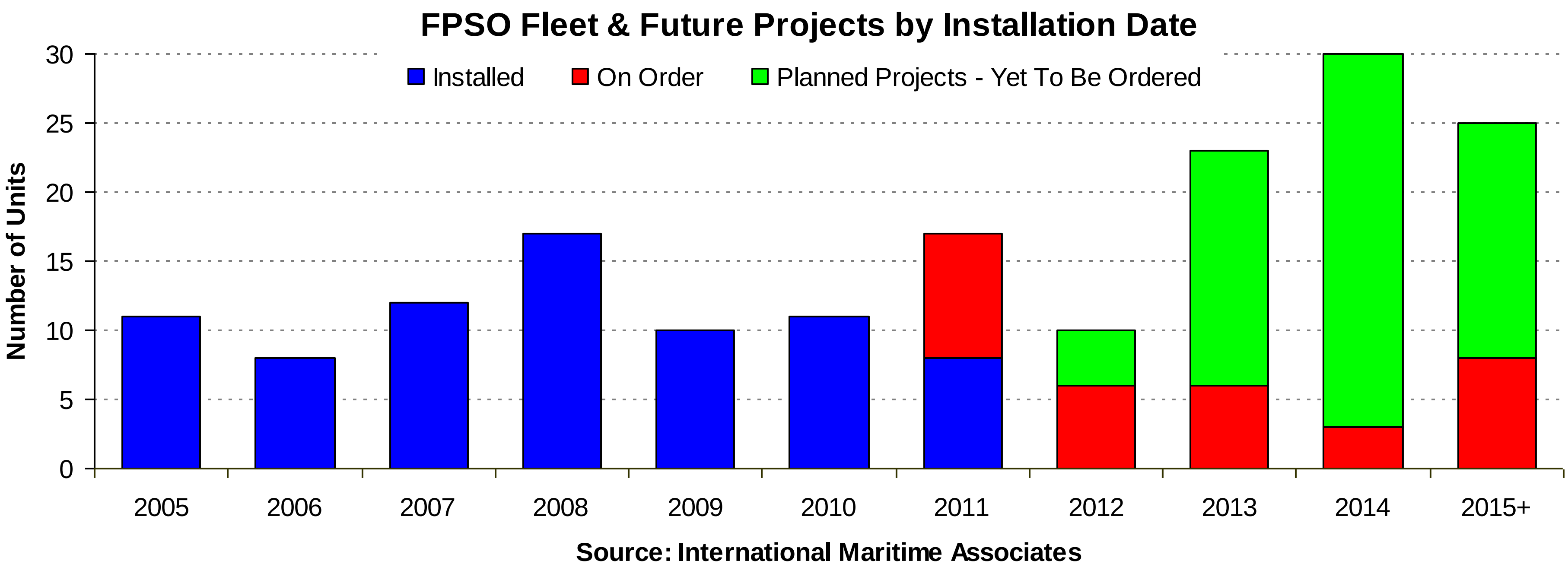
- Generated distributable cash flow of $29.2 million, up approximately 6% from $27.6 million in Q1’10
- Completed acquisition of remaining 49 percent interest in OPCO for $390 million
  - Financed with $175 million cash and 7.6 million TOO units issued to Teekay Corp.
- Raised quarterly distribution to $0.50 per unit, an increase of 5.3%
- Strong liquidity at Mar. 31, 2011 of $381.9 million
- Our Sponsor, Teekay Corp. has been active in FPSO space
  - Entered into JV with Odebrecht to jointly pursue FPSO projects in Brazil
  - Ordered FPSO from Samsung conditional on finalizing a long-term charter contract in the North Sea
- Tendering activity in core FPSO and shuttle tanker markets increasing
  - Teekay currently involved in multiple FPSO FEED studies
  - Rising demand for shuttle tankers from international oil companies operating in Brazil

Teekay Offshore Partners LP – Ownership Structure Now Simpler



[1] Includes one newbuilding agreed to be acquired in July 2011.

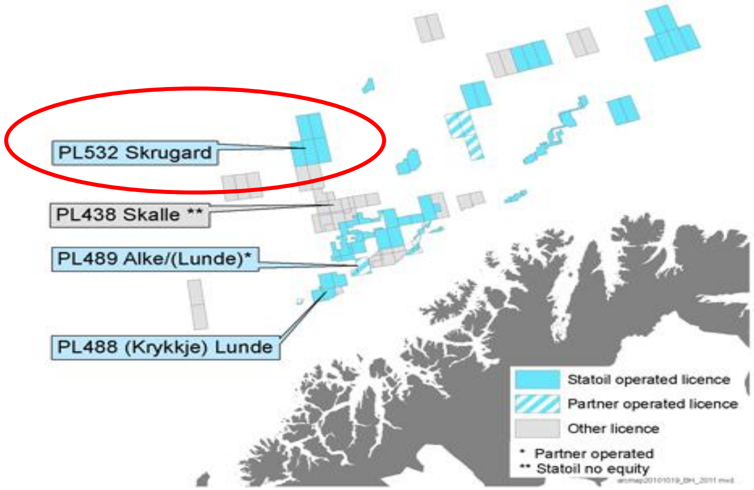
Large Upcoming Requirement For New FPSOs



- The number of offshore oil projects requiring an FPSO solution is growing
  - 100 visible FPSO projects as of May'11, up from 78 in 2009
- Half of these projects are in Teekay's core regions of Brazil and the North Sea
- ~80% of new FPSO requirement will require a newbuild or conversion unit
  - Remainder to be met by redeployments

Strong Shuttle Tanker Outlook in North Sea & Brazil

Statoil Makes Biggest N. Sea Find in a Decade



- » Skrugard find in the Barents Sea estimated to hold up to 500 mb of oil equivalent
- » Push into harsher climates requires highly skilled and experienced operators
- » Starting to see renewed shuttle tanker tender activity in the North Sea / Barents Sea

Brazilian Requirement Growing; Not Limited to Petrobras

- » Petrobras expects to double domestic oil production to 4 mb/d by 2020
  - Estimated requirement for 30+ shuttle tankers
- » IOCs will also have a requirement for shuttle tankers to lift from offshore fields
  - Estimated requirement for 10+ shuttle tankers
- » Tender activity has increased in recent months

Adjusted Operating Results for Q1 2011 vs. Q4 2010

UNAUDITED (in thousands of US dollars)	Three Months Ended March 31, 2011				Three Months Ended December 31, 2010
	As Reported	Appendix A Items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	TOO Adjusted Income Statement	TOO Adjusted Income Statement
NET REVENUES					
Revenues	233,771	-	-	233,771	227,488
Voyage expenses	25,465	-	-	25,465	23,932
Net revenues	208,306	-	-	208,306	203,556
OPERATING EXPENSES					
Vessel operating expense	75,130	(184)	(418)	74,528	76,358
Time charter hire expense	20,270	-	-	20,270	20,981
Depreciation and amortization	45,570	-	-	45,570	49,248
General and administrative	18,730	(819)		17,911	16,093
Loss on sale of vessel	171	(171)	-	-	-
Write-down of vessel	900	(900)	-	-	-
Restructuring charge	3,924	(3,924)	-	-	-
Total operating expenses	164,695	(5,998)	(418)	158,279	162,680
Income from vessel operations	43,611	5,998	418	50,027	40,876
OTHER ITEMS					
Interest expense	(8,469)	-	(13,037)	(21,506)	(21,167)
Interest income	129	-	-	129	200
Realized and unrealized gain (loss) on non-designated derivatives	10,840	(24,124)	13,284	-	-
Foreign exchange (loss) gain	(799)	1,464	(665)	-	-
Income taxes (expense) recovery	(2,653)	6,519	-	3,866	2,311
Other - net	1,310	-	-	1,310	1,296
Total other items	358	(16,141)	(418)	(16,201)	(17,360)
Net Income (Loss)	43,969	(10,143)	-	33,826	23,516
Less: Net income (loss) attributable to non-controlling interest	(20,593)	8,849	-	(11,744)	(9,756)
NET INCOME ATTRIBUTABLE TO THE PARTNERSHIP	23,376	(1,294)	-	22,082	13,760

(1) See Appendix A to the Partnership's Q1-11 earnings release for description of Appendix A items.

(2) Reallocating the realized gains/losses to their respective line as if hedge accounting had applied . Please refer to footnote (5) to the Summary Consolidated Statements of Income in the Q1-11 earnings release.

Distributable Cash Flow and Cash Distribution

	Three Months Ended March 31, 2011 (unaudited)	
Net income	43,969	
Add (subtract):		
Depreciation and amortization	45,570	
Loss on sale of vessel	171	
Write-down of vessel	900	
Foreign exchange and other, net	3,154	
Deferred income tax expense	1,169	
Estimated maintenance capital expenditures	(25,610)	
Unrealized gains on non-designated derivative instruments	(24,124)	
Distributable Cash Flow before Non-Controlling Interest	**45,199**	
Non-controlling interests' share of DCF	(15,983)	
Distributable Cash Flow	**29,216**	(A)
Total Distributions	**33,612**	(B)
Coverage Ratio	**0.87 X**	(A) / (B)

Note: If OPCO had been acquired on Jan. 1, 2011, the Q1-11 coverage ratio would have been 1.14x

Potential Taxation of MLPs Unlikely to Impact TOO

» TOO currently structured as a MLP

HOWEVER

» TOO does not generally generate income in the U.S.

THEREFORE

» TOO has ‘checked the box’ to be taxed as a U.S. Corporation

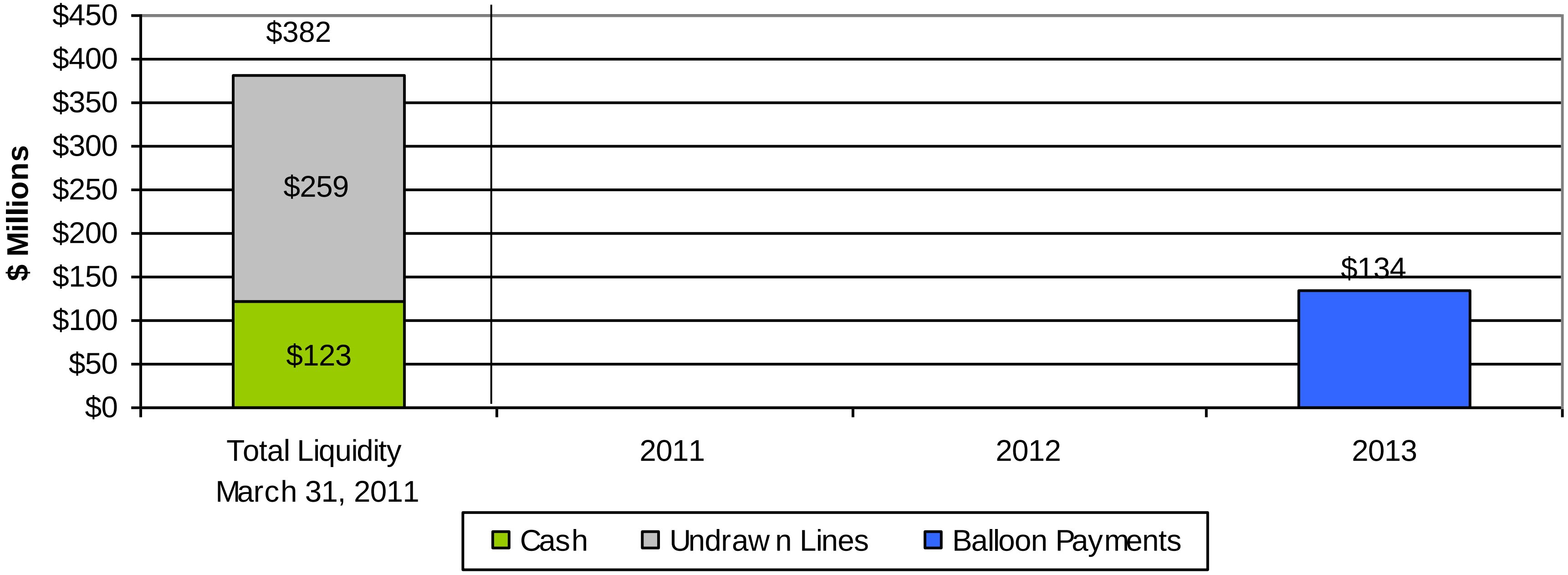
- Unitholders receive 1099s, not K-1s

THEREFORE

» Unitholders and Partnership not disadvantaged by possible future changes to taxation of MLPs

Teekay Offshore has a Strong Financial Profile

- March 31, 2011 total liquidity (cash and undrawn lines): ~$380 million
- No unfunded CAPEX commitments
- No material near-term refinancing requirements



Note: Future balloon payments are based on amounts drawn as at March 31, 2011