



TEEKAY OFFSHORE PARTNERS L.P.

Q3 2011 Earnings Presentation

November 11, 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 timing of delivery of the four newbuilding shuttle tankers and expected future increase in the Partnership's distributable cash flow as a result of the new long-term contract with BG in Brazil; the industry fundamentals for deepwater offshore oil production, storage and transportation; the potential for Teekay to offer additional vessels to the Partnership and the Partnership's acquisition of any such vessels, including the *Petrojarl Foinaven*, the *Petrojarl Cidade de Itajai*, the *Sevan Voyageur*, the *Sevan Hummingbird* and the newbuilding FPSO unit that will service the Knarr field under contract with BG Norge Limited; the Partnership's intent to acquire from Sevan the *Piranema* FPSO unit and related cost and results to the Partnership; financing for the proposed *Piranema* FPSO, including the equity private placement transaction; 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 to obtain required approvals by the Conflicts Committee of Teekay Offshore's general partner to acquire other vessels or offshore projects from Teekay or third parties; the Partnership's ability to raise financing for the BG newbuilding shuttle tankers or to purchase additional assets; negotiation and finalization of definitive agreements for the proposed transactions with Sevan and any failure to satisfy related closing conditions, including obtaining approvals from Sevan's shareholders, Sevan's bondholders, regulatory authorities, Sevan FPSO charterers, and Sevan's syndicate of banks relating to the *Voyageur* FPSO; 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

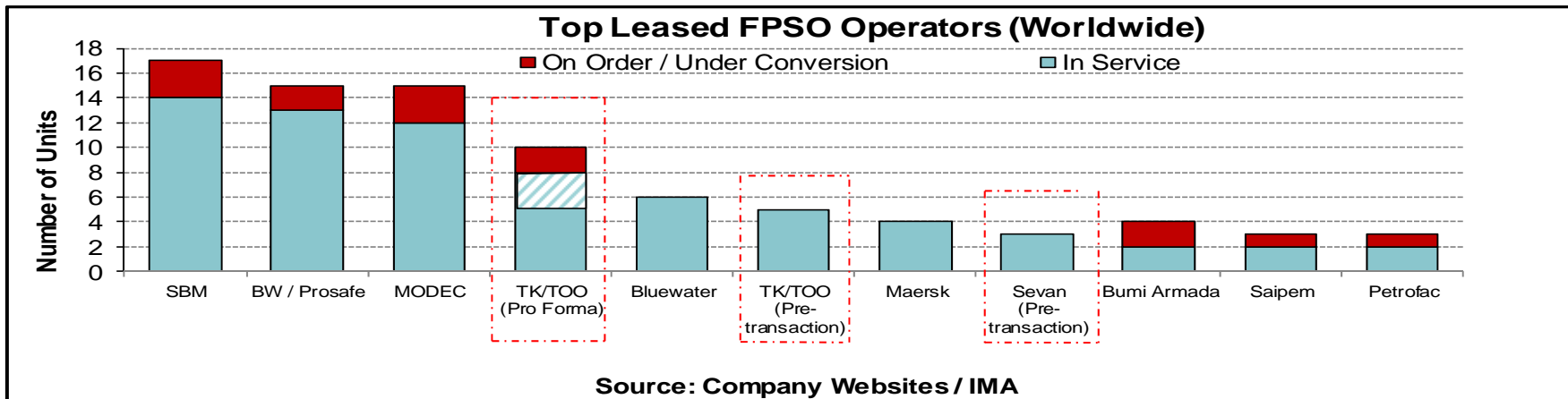
- » Generated distributable cash flow of \$52.1 million in Q3-11, up approximately 150% from \$20.8 million in Q3-10
- » Declared a cash distribution of \$0.50 per unit for Q3-11, to be paid on November 14th
- » Completed acquisition of newbuilding shuttle tankers *Peary Spirit* on August 2, 2011 and *Scott Spirit* on October 1, 2011
- » Teekay Offshore intends to acquire the *Piranema* FPSO from Sevan Marine for \$165 million
 - To initially be financed with recently signed \$170 million equity private placement and working to complete a \$130 million credit facility by late 2011/early 2012
 - Intend to recommend a distribution increase to the Board for Q1 2012 distribution
- » In addition, sponsor, Teekay Corporation expects to acquire two additional FPSOs from Sevan
 - Eligible to be acquired by Teekay Offshore when completed/recontracted

Overview of Teekay and Teekay Offshore's Transaction with Sevan

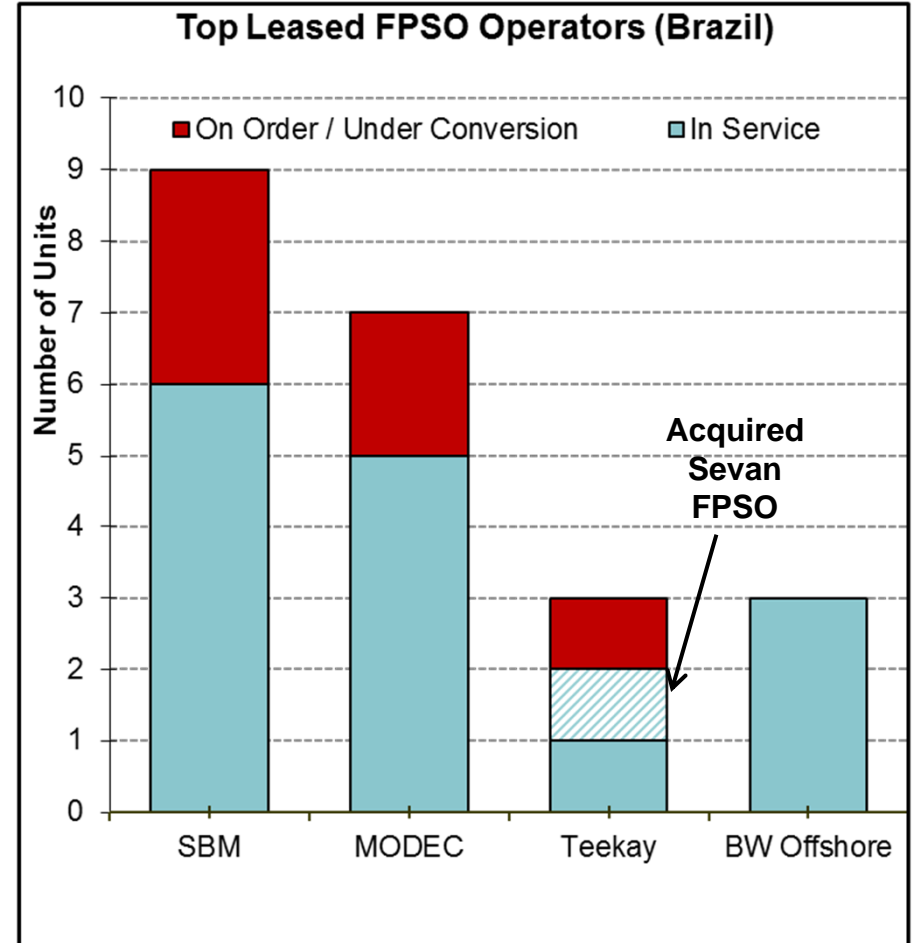
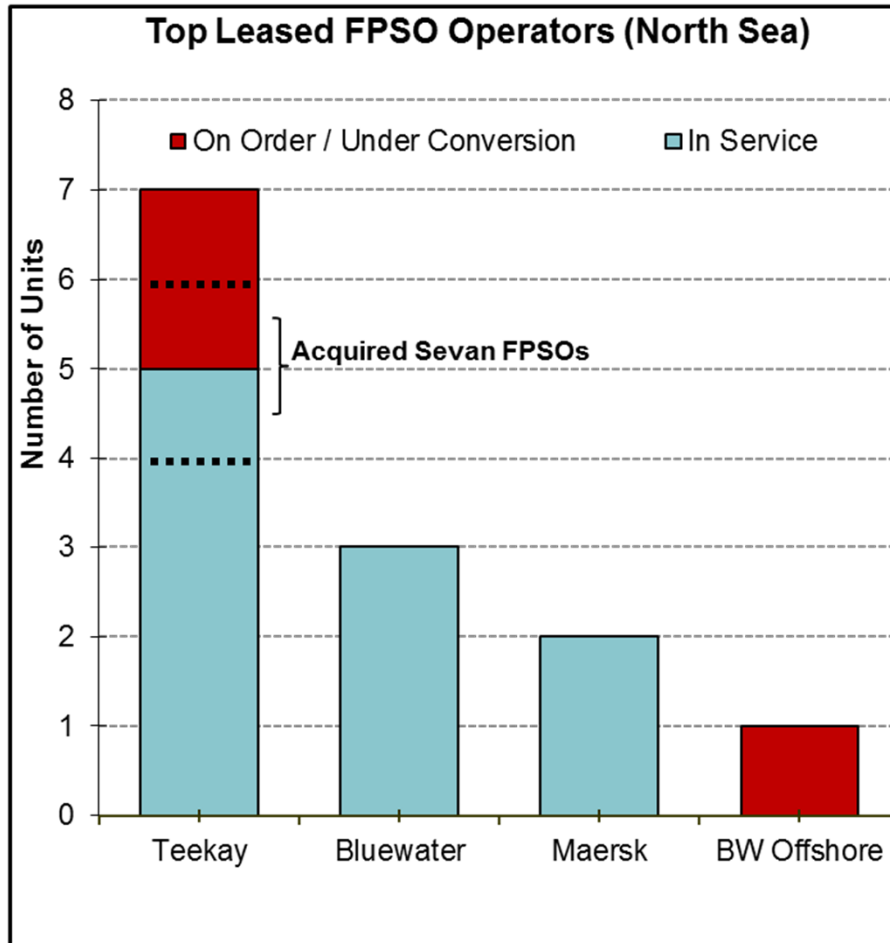
- » Teekay Offshore will acquire the Piranema FPSO and charter contract for \$165 million.
 - » On long-term charter to Petrobras in Brazil through March 2018 plus extension options
 - » Expected to generate ~\$22 - \$27 million in annual cash flow from vessel operations
- » Teekay Corporation will acquire 2 Sevan FPSO units (Hummingbird and Voyageur) and charter contracts and will fund the remaining cost to complete the upgrade of the Voyageur
- » Teekay Corporation will invest \$25 million to subscribe for a 40% ownership interest in a recapitalized Sevan
- » Teekay Corporation will enter into a cooperation agreement with Sevan that will obligate Sevan to offer new offshore projects to Teekay Offshore at fair market value
 - » Provides Teekay Offshore with another avenue for growth

Sevan Transaction Rationale

- » Teekay/Teekay Offshore become Top-4 global owner/operator of leased FPSOs
- » Combines Sevan's FPSO engineering and design capabilities with Teekay's operations expertise and balance sheet strength
- » Modern fleet acquired at attractive price
- » Cooperation agreement enhances pipeline of future FPSO project growth opportunities and access to Sevan's patents, intellectual property
- » Further strengthens leading market position in core markets of North Sea and Brazil



Further Strengthens Position in Our Core FPSO Markets



FPSO Units to be Acquired by Teekay Offshore and Teekay



	<i>Piranema</i>	<i>Hummingbird</i>	<i>Voyageur</i>
Year built	2007	2008	2009
Charterer	Petrobras	Centrica	E.ON
Location	Brazil	North Sea	North Sea
Firm period	Ending March 2018	Ending September 2012	5 year from contract start (est. Q3-12)
Option Periods	11 x one-year	1 x six-month, 1 three-year, 1 x two-year ⁽³⁾	Evergreen

(1) Includes \$230m assumed ING facility; Excludes remaining upgrade costs estimated to be \$110-130m

(2) Annualized run-rate

(3) Option periods are consecutive with increasing rates

Significant Visible Growth Opportunities for Teekay Offshore

Near-term

Medium-term

Longer-term



**Piranema
(Petrobras)**



**50% of Tiro &
Sidon (Petrobras)**

**Under
Construction**

**Knarr FPSO
(BG)**



**Hummingbird
(Centrica)**



**Petrojarl Banff
(CNR)**



**Petrojarl
Foinaven (BP)**



Voyageur (E.ON)

**Under
Construction**

**4 BG Shuttle
Tankers**



**Petrojarl I
(Statoil)**

**Omnibus Agreement
with Sevan Expected
to Provide Additional
Growth Opportunities**

Adjusted Operating Results for Q3 2011 vs. Q2 2011

Teekay Offshore Partners L.P.						
Adjustment to Net Income per Appendix A						
	Three Months Ended				Three Months Ended	
	September 30, 2011				June 30, 2011	
UNAUDITED (in thousands of US dollars)	As Reported	NI Attributable to VIE - Peary	Appendix A Items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	TOO Adjusted Income Statement	TOO Adjusted Income Statement
NET REVENUES						
Revenues	239,900		(2,100)	-	237,800	234,145
Voyage expenses	31,096	(258)	-	-	30,838	30,915
Net revenues	208,804	258	(2,100)	-	206,962	203,230
OPERATING EXPENSES						
Vessel operating expense	71,641	(637)	(33)	(1,803)	69,168	72,991
Time charter hire expense	18,620		-	-	18,620	18,182
Depreciation and amortization	46,903	(413)	-	-	46,490	45,649
General and administrative	17,643		(109)	(147)	17,387	18,192
Write-down of vessel	23,961		(23,961)	-	-	-
Total operating expenses	178,768	(1,050)	(24,102)	(1,950)	151,665	155,014
Income from vessel operations	30,036	1,308	22,002	1,950	55,297	48,216
OTHER ITEMS						
Interest expense	(9,271)	133	-	(14,113)	(23,251)	(21,789)
Interest income	181		-	-	181	150
Realized and unrealized (loss) gain on non-designated derivatives	(100,499)		87,560	12,939	-	-
Foreign exchange gain (loss)	(316)		1,092	(776)	-	-
Income taxes (expense) recovery	3,528		(3,138)	-	390	540
Other - net	966		-	-	966	1,159
Total other items	(105,411)	133	85,514	(1,950)	(21,714)	(19,940)
Net (Loss) Income	(75,375)	1,441	107,517	-	33,583	28,276
Less: Net income (loss) attributable to non- controlling interest	296	(1,441)	(808)	-	(1,954)	(2,089)
ADJUSTED NET (LOSS) INCOME ATTRIBUTABLE TO THE PARTNERSHIP	(75,079)	-	106,708	-	31,629	26,187

(1) See Appendix A to the Partnership's Q3-11 earnings release for description of Appendix A items.

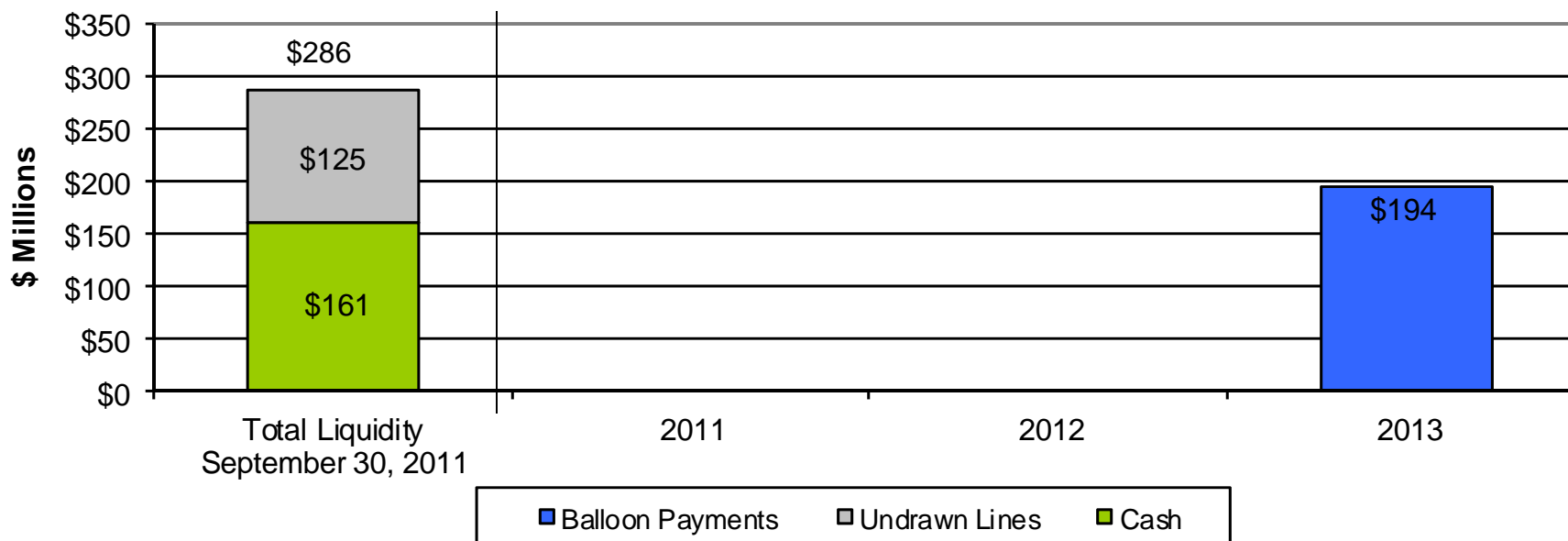
(2) Reallocating the realized gains/losses to their respective line as if hedge accounting had applied. Please refer to footnote (5) to the Summary Consolidated Statements of Income in the Q3-11 earnings release.

Distributable Cash Flow and Cash Distribution

	<u>Three Months Ended</u> <u>September 30, 2011</u> (unaudited)	
Net loss	(75,375)	
Add (subtract):		
Depreciation and amortization	46,903	
Write-down of vessels	23,961	
Foreign exchange and other, net	3,775	
Deferred income tax recovery	(3,920)	
Estimated maintenance capital expenditures	(26,121)	
Unrealized losses on non-designated derivative instruments	87,560	
Distributable Cash Flow before Non-Controlling Interest	56,783	
Non-controlling interests' share of DCF	(4,634)	
Distributable Cash Flow	52,149	A
Total distributions	33,994	B
Coverage ratio	1.53X	A / B

Teekay Offshore has a Strong Financial Profile

- » September 30, 2011 total liquidity (cash and undrawn lines): ~\$286 million
- » No material near-term refinancing requirements
- » Signed \$170 million equity private placement to acquire *Piranema* FPSO
 - Expect to complete dedicated \$130 million debt facility in late 2011-early 2012 which will add to Teekay Offshore's liquidity



Note: Future balloon payments are based on amounts drawn as at Sept. 30, 2011