



TEEKAY OFFSHORE PARTNERS L.P.

Fourth Quarter and Fiscal 2011 Earnings Presentation

February 24, 2012



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 vessels under construction or conversion; 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 *Voyageur Spirit*, the *Hummingbird Spirit* and the newbuilding FPSO unit that will service the Knarr field under contract with BG Norge Limited; 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 and Brazil 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 to purchase additional assets; 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 \$41.6 million in Q4-11, up approximately 55% from \$26.9 million in Q4-10
- » Declared a cash distribution of \$0.50 per unit for Q4-11, paid on February 14th, 2012
- » Summary of recent transactions:
 - Completed acquisition of *Piranema Spirit* FPSO on November 30, 2011 for \$165 million
 - Financed initially with proceeds from \$170 million equity private placement completed in November 2011
 - Completed new \$130 million debt facility secured by Piranema Spirit FPSO in February 2012, increasing TOO's liquidity
 - Completed acquisition of *Scott Spirit* shuttle tanker newbuilding for \$116 million
 - Financed with assumption of \$93.3 million of debt and existing cash
- » Intend to recommend a distribution increase to the Board for Q1 2012 distribution
- » In January 2012, completed 5-year, \$100 million, unsecured Norwegian Bond bearing fixed interest rate of 7.49%
- » Pro forma for recent financings, current liquidity of ~\$430 million

FY2011 Highlights

- » Acquired remaining 49% of OPCO for \$390 million, simplifying Partnership structure while providing significant distributable cash flow
- » Increased the quarterly distribution by 5.3% to \$0.50 per unit in Q1-11
- » Awarded a contract to supply 4 shuttle tanker newbuildings to BG in Brazil onto 10-year charters
 - Expected to commence mid- to-late 2013
- » Completed acquisition of Peary Spirit shuttle tanker newbuilding on August 2, 2011
- » Annual coverage ratio = 1.19x



Teekay's Strategic Sevan Transaction Completed

Transaction Recap:

- » *Piranema Spirit* FPSO acquired by Teekay Offshore for \$165 million, currently operating in Brazil
 - Annual Cash Flow from Vessel Operations: \$23-\$27m
- » *Hummingbird* FPSO acquired by Teekay Corp., currently operating in the North Sea
- » Teekay financing the upgrade of the *Voyageur* FPSO
 - Teekay or Teekay Offshore will purchase the unit when it starts generating cash flow in early Q4-12
- » Teekay Corp. invested \$25 million for a 40% ownership interest in Sevan Marine (NYSE:SEVAN)

Strategic Benefits of Sevan Transactions:

- » Industry consolidation in the harsh environment FPSO space
- » Broadens Teekay FPSO offering to include both ship-shape and cylindrical FPSO solutions
- » Additional source of growth for Teekay Offshore
- » Sevan Marine continues to generate revenue as an engineering house with proprietary technology



Potential Applications of Sevan Technology

FPSO
Floating
Production
Storage
Offloading



GTW
Gas
to
Wire
(Offshore
powerplant)



MODU
Mobile
Offshore
Drilling
Unit



FDPSO
Floating
Drilling
Production
Storage
Offloading



MSV
Multipurpose
Support
Vessel



FLNG
Floating
Liquefied
Natural
Gas
Production

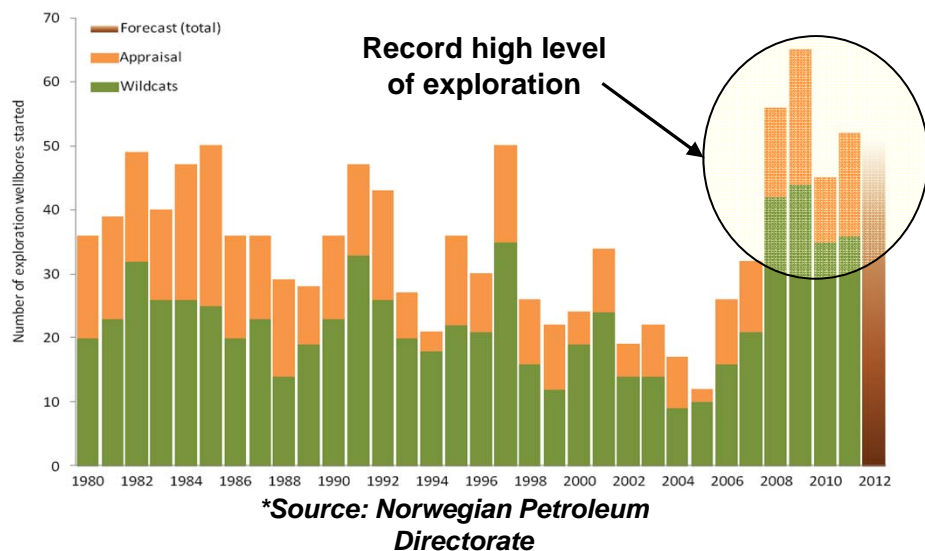


FAU
Floating
Accommodation
Unit



Positive Shuttle Tanker and FPSO Fundamentals in the North Sea

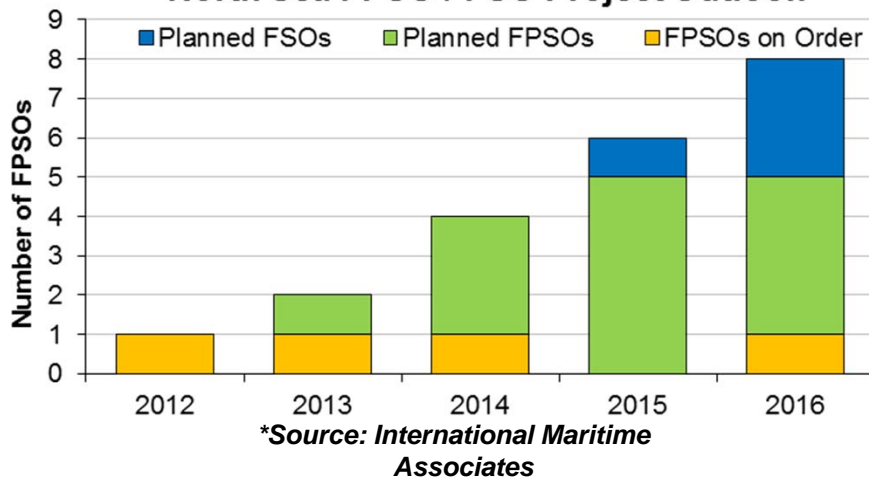
Norwegian Exploration Wells Drilled



Exploration Is Yielding Significant Results

- » Johan Sverdrup discovery off Norway estimated at 1.7-3.3 billion barrels
 - World's largest oil discovery in 2011
 - Higher end of estimate would make it the 3rd largest Norwegian oilfield
- » Skrugard / Havis discovery in Barents Sea estimated at 400-600 million barrels

North Sea FPSO / FSO Project Outlook



Several Fields Progressing Towards Development

- » Norway approved 11 PDOs (Plan for Development and Operation) in 2011
 - 9 potential PDOs in 2012 / 13
- » 15 North Sea oil projects currently in the planning phase may utilize an FPSO
 - Expected to come online 2013-18

Significant Visible Growth Opportunities for Teekay Offshore

Near-term

Medium-term

Longer-term

Recently Acquired



**Piranema
(Petrobras)**



**Tiro & Sidon (50%)
(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 Q4 2011 vs. Q3 2011

Teekay Offshore Partners L.P. Adjustment to Net Income per Appendix A

UNAUDITED (in thousands of US dollars)	Three Months Ended December 31, 2011			Three Months Ended September 30, 2011	
	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	238,122	-	-	238,122	237,800
Voyage expenses	33,011	-	-	33,011	30,838
Net revenues	205,111	-	-	205,111	206,962
OPERATING EXPENSES					
Vessel operating expense	69,065	-	(1,037)	68,028	69,168
Time charter hire expense	17,406	-	-	17,406	18,620
Depreciation and amortization	48,194	-	-	48,194	46,490
General and administrative	18,780	(1,746)	(95)	16,939	17,387
Write-down of vessel	57,882	(57,882)	-	-	-
Total operating expenses	211,327	(59,628)	(1,132)	150,567	151,665
Income from vessel operations	(6,216)	59,628	1,132	54,544	55,297
OTHER ITEMS					
Interest expense	(9,804)	-	(15,455)	(25,259)	(23,251)
Interest income	199	-	-	199	181
Realized and unrealized (loss) gain on non-designated derivatives	(19,179)	4,196	14,983	-	-
Foreign exchange gain (loss)	2,247	(1,587)	(660)	-	-
Income taxes (expense) recovery	(4,517)	-	-	(4,517)	390
Other - net	171	813	-	984	966
Total other items	(30,883)	3,422	(1,132)	(28,593)	(21,714)
Net (Loss) Income	(37,099)	63,050	-	25,951	33,583
Less: Net income (loss) attributable to non- controlling interest	(4,094)	431	-	(3,663)	(1,954)
ADJUSTED NET (LOSS) INCOME ATTRIBUTABLE TO THE PARTNERSHIP	(41,193)	63,481	-	22,288	31,629

(1) See Appendix A to the Partnership's Q4-11 earnings release for description of Appendix A items.

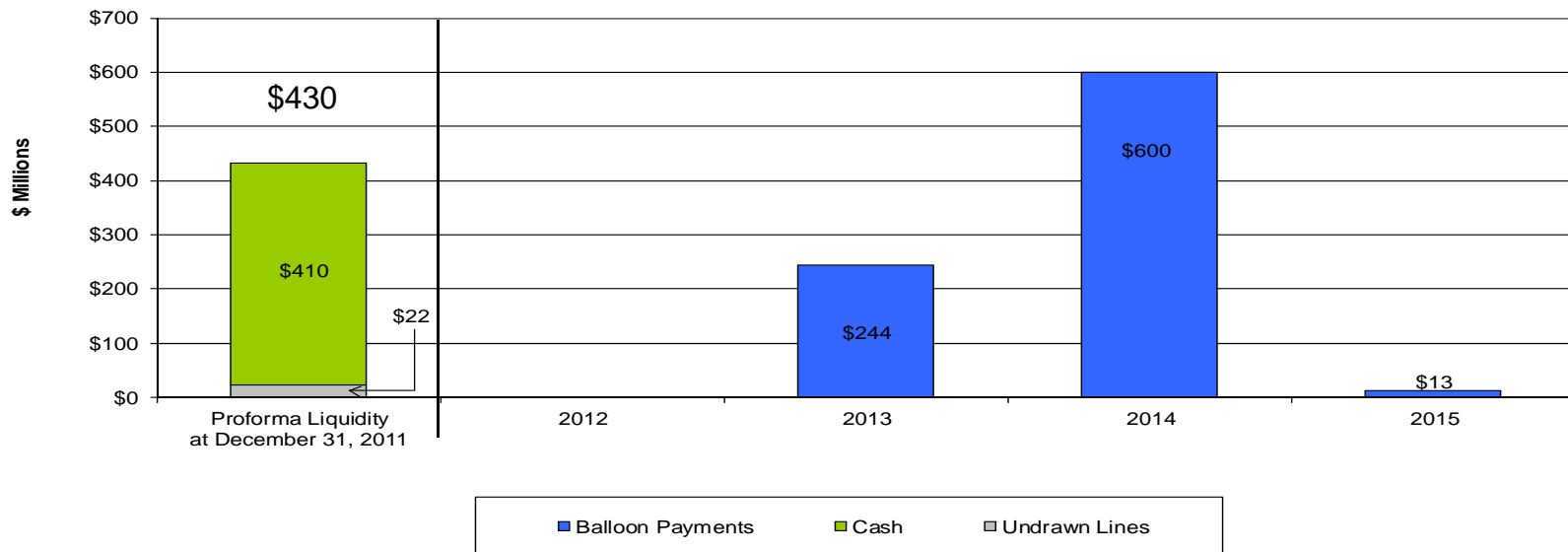
(2) Reallocating the realized gains/losses to their respective line as if hedge accounting had applied. Please refer to footnote (5) to the Summary Consolidated Statements of Income in the Q4-11 earnings release.

Distributable Cash Flow and Cash Distribution

	<u>Three Months Ended</u> <u>December 31, 2011</u> (unaudited)	
Net loss	(37,099)	
Add (subtract):		
Write-down of vessels	57,882	
Depreciation and amortization	48,194	
Unrealized losses on non-designated derivative instruments	4,196	
Foreign exchange and other, net	2,444	
Distributions relating to equity financing of newbuilding instalments	914	
Estimated maintenance capital expenditures	(26,970)	
Deferred income tax recovery	(541)	
Distributable Cash Flow before Non-Controlling Interest	49,020	
Non-controlling interests' share of DCF	(7,464)	
Distributable Cash Flow	41,556	A
Total Distributions	37,801	B
Coverage Ratio	1.10X	A / B

Teekay Offshore has a Strong Financial Profile

- » December 31, 2011 total liquidity (cash and undrawn lines): ~\$202 million
 - Expected to increase by ~\$230 million to \$430 million as a result of:
 - \$100 million Norwegian Bond issue in January 2012
 - \$130 million Piranema debt financing completed in February 2012
- » No material refinancing requirements in 2012
 - Working to address 2013 and 2014 balloon payments now



Note: Future balloon payments are based on amounts drawn as at Feb. 29, 2012