



TEEKAY OFFSHORE PARTNERS L.P.

# Q2 2011 Earnings Presentation

August 12, 2011



NYSE : **TOO**

[www.teekayoffshore.com](http://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* FPSO unit, the *Petrojarl Cidade de Itajai* FPSO unit, the *Scott Spirit* newbuilding Aframax shuttle tanker, 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 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 to acquire other vessels or offshore projects from from Teekay or third parties; the Partnership's ability to raise financing for the BG newbuilding shuttle tankers and/or to purchase additional assets; failure to secure a new contract in excess of three years for the Scott Spirit shuttle tanker newbuilding; 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 \$42.6 million in Q2-11, up approximately 52% from \$28.1 million in Q2-10
- » Declared and today paid a cash distribution of \$0.50 per unit for Q2-11
- » As previously announced, awarded contract to charter 4 shuttle tankers to BG in Brazil
  - Expected to deliver in mid- to late-2013
  - 10-year fixed-rate contract plus options to extend
  - Financing of shipyard installments will not impact Distributable Cash Flow
- » Completed \$20 million private placement to partially finance BG newbuildings
- » Our Sponsor, Teekay Corp. has been active in the FPSO space
- » Strong Shuttle tanker demand in North Sea and Brazil

# FPSO Outlook & Business Update



## FPSO Market Outlook

- » High level of FPSO tender activity in the first half of 2011
  - 10 contract awards in 2011 year-to-date
  - Additional 5-8 awards expected this year
- » 123 visible projects which potentially require an FPSO solution
  - ~50% in Brazil and North Sea

## Teekay Corporation's Recent FPSO Activity

- » Entered into new long-term FPSO contract with BG to service the Knarr field in the North Sea
  - 6 or 10-year firm period plus extension options for a total period of up to 20 years
  - Expected to deliver in Q1-14
- » Tiro Sidon FPSO expected to deliver in mid-2012
- » Selectively bidding on additional FPSO project and acquisition opportunities

# Shuttle Tanker Business Update



## Shuttle Tanker Market Outlook

- » Steady requirement for shuttle tankers in the North Sea as enhanced oil recovery and production from new fields offsets mature field decline
- » Growing shuttle demand in Brazil which may require up to 10 additional units to service new offshore oil installations
- » Potential to employ older shuttle tankers as commercial windfarm installation vessels and as floating storage units

## Recent Shuttle Tanker Activity

- » Teekay Offshore was awarded contract for 4 newbuildings by BG
- » Teekay Offshore took delivery of the Peary Spirit in August, the third shuttle tanker newbuilding of 'Explorer' Class
- » Teekay Corporation entered into an agreement with A2SEA to jointly develop offshore windfarm installation vessel design

# Adjusted Operating Results for Q2 2011 vs. Q1 2011

	Three Months Ended June 30, 2011				Three Months Ended March 31, 2011	
	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
<b>UNAUDITED</b> (in thousands of US dollars)						
<b>NET REVENUES</b>						
Revenues	234,145		-	-	234,145	233,771
Voyage expenses	32,572	(1,657)	-	-	30,915	25,465
Net revenues	201,573	1,657	-	-	203,230	208,306
<b>OPERATING EXPENSES</b>						
Vessel operating expense	75,197	(944)	(83)	(1,179)	72,991	74,528
Time charter hire expense	18,182		-	-	18,182	20,270
Depreciation and amortization	46,163	(514)	-	-	45,649	45,570
General and administrative	18,157	(9)	69	(25)	18,192	17,911
Write-down of vessel	8,194		(8,194)	-	-	-
Total operating expenses	165,893	(1,467)	(8,208)	(1,204)	155,014	158,279
Income from vessel operations	35,680	3,124	8,208	1,204	48,216	50,027
<b>OTHER ITEMS</b>						
Interest expense	(8,890)	92	-	(12,991)	(21,789)	(21,506)
Interest income	150		-	-	150	129
Realized and unrealized gain (loss) on non-designated derivatives	(38,720)		26,155	12,565	-	-
Foreign exchange (loss) gain	367		411	(778)	-	-
Income taxes (expense) recovery	(3,037)		3,577	-	540	3,866
Other - net	1,159		-	-	1,159	1,310
Total other items	(48,971)	92	30,143	(1,204)	(19,940)	(16,201)
<b>Net Income (Loss)</b>	(13,291)	3,216	38,351	-	28,276	33,826
Less: Net (loss) income attributable to non-controlling interest	1,937	(3,216)	(810)	-	(2,089)	(11,744)
<b>NET INCOME ATTRIBUTABLE TO THE PARTNERSHIP</b>	(11,354)	-	37,541	-	26,187	22,082

(1) See Appendix A to the Partnership's Q2-11 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 Q2-11 earnings release.

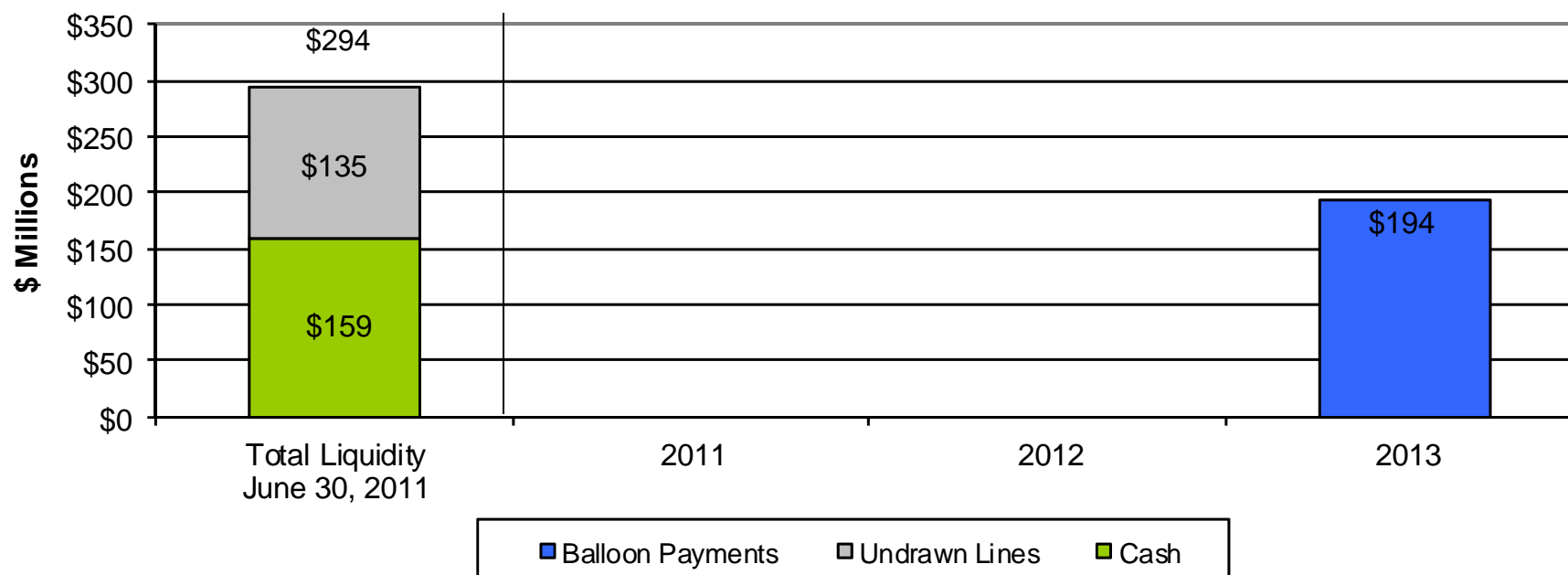
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## Distributable Cash Flow and Cash Distribution

	<b><u>Three Months Ended</u></b> <b><u>June 30, 2011</u></b> <b>(unaudited)</b>
Net loss	(13,291)
Add (subtract):	
Depreciation and amortization	46,163
Write-down of vessel	8,194
Foreign exchange and other, net	1,579
Deferred income tax expense	2,680
Estimated maintenance capital expenditures	(25,793)
Unrealized losses on non-designated derivative instruments	26,155
<b>Distributable Cash Flow before Non-Controlling Interest</b>	<b>45,687</b>
Non-controlling interests' share of DCF	(3,097)
<b>Distributable Cash Flow</b>	<b>42,590</b> A
<b>Total Distributions</b>	<b>33,994</b> B
<b>Coverage Ratio</b>	<b>1.25X</b> A / B

## Teekay Offshore has a Strong Financial Profile

- » June 30, 2011 total liquidity (cash and undrawn lines): ~\$294 million
- » No material near-term refinancing requirements
- » Have received indicative financing proposal to finance BG shuttle tanker newbuildings
  - » Anticipate signing term sheet in near future



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