TEEKAY OFFSHORE PARTNERS L.P.
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EARNINGS RELEASE

TEEKAY OFFSHORE PARTNERS REPORTS THIRD QUARTER RESULTS

Highlights

- Declared a cash distribution of $0.45 per unit for the third quarter, an increase of 12.5 percent from the previous quarter.
- Generated distributable cash flow of $17.5 million, up from $10.5 million in the previous quarter.

Hamilton, Bermuda, February 12, 2009 - Teekay Offshore Partners L.P. *(Teekay Offshore* or *the Partnership)* (NYSE: TOO) today reported net income of $20.6 million for the quarter ended September 30, 2008, compared to a net loss of $9.0 million for the same period last year. The results for the quarters ended September 30, 2008 and 2007 included a number of specific non-cash items which had the net effect of increasing net income by $2.3 million and decreasing net income by $17.3 million, respectively, as detailed in *Appendix A* to this release. Net voyage revenues(1) for the third quarter of 2008 increased to $164.4 million from $159.3 million for the same period last year.

Net income for the nine months ended September 30, 2008 was $33.1 million, compared to net income of $10.0 million for the same period last year. The results for the nine months ended September 30, 2008 and 2007 included a number of specific items which had the net effect of decreasing net income by $0.4 million and $13.0 million, respectively, as detailed in *Appendix A* to this release. Net voyage revenues(1) for the nine months ended September 30, 2008 increased to $482.6 million from $473.4 million for the same period last year.

For accounting purposes, the Partnership is required to recognize the changes in the fair value of derivative instruments through the statement of income (loss). This revaluation does not affect the Partnership's cash flows or the calculation of distributable cash flow, but results in the recognition of unrealized gains or losses on the statement of income (loss).

During the three months ended September 30, 2008, the Partnership generated $17.5 million of distributable cash flow(2), up from $10.5 million for the second quarter of 2008, primarily as a result of the acquisition of an additional 25 percent interest in Teekay Offshore Operating Partners L.P. (*OPCO*) on June 18, 2008.

On November 3, 2008, the Partnership declared a cash distribution of $0.45 per unit for the quarter ended September 30, 2008, an increase of $0.05 per unit, or 12.5 percent, from the previous quarter. This distribution increase reflects the acquisition of an additional 25 percent interest in OPCO and OPCO's acquisition of two Aframax lightering vessels, on June 18, 2008. The cash distribution was paid on November 14, 2008 to all unitholders of record on November 7, 2008.

On February 2, 2009, the Partnership declared a cash distribution of $0.45 per unit for quarter ended December 31, 2008. The cash distribution is payable on February 13, 2009, to all unitholders of record on February 6, 2009.

(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 a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. Please see the Partnership's web site 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) Distributable cash flow is a non-GAAP financial measure used by certain investors to measure the financial performance of the Partnership and other master limited partnerships. Please see *Appendix B* for a reconciliation of this non-GAAP measure to the most directly comparable GAAP financial measure.

Operating Results

The following table highlights certain financial information for Teekay Offshore's three main segments: the shuttle tanker segment, the conventional tanker segment, and the FSO segment (please refer to the "Teekay Offshore's Fleet" section of this release below and *Appendix C* for further details). The Partnership's financial statements for prior periods include historical results of vessels acquired by the Partnership from Teekay, referred to herein as the *Dropdown Predecessor*, for the period when these vessels were owned and operated by Teekay.

	Three Months Ended September 30, 2008 (unaudited)				**Three Months Ended June 30, 2008 (unaudited)**			
(in thousands of U.S. dollars)	**Shuttle Tanker Segment**	**Conventional Tanker Segment**	**FSO Segment**	**Total**	**Shuttle Tanker Segment**	**Conventional Tanker Segment (1)**	**FSO Segment**	**Total**
Net voyage revenues	121,052	25,939	17,408	164,399	121,624	24,982	18,067	164,673
Vessel operating expenses	33,970	6,433	7,045	47,448	31,975	6,152	7,380	45,507
Time-charter hire expense	31,474	-	-	31,474	32,262	-	-	32,262
Depreciation & amortization	22,880	5,636	5,526	34,042	23,168	5,718	7,561	36,447
Cash flow from vessel operations (2)	45,436	17,048	9,559	72,043	44,319	16,961	9,474	70,754

(1) Includes the results of the Dropdown Predecessor for two vessels, the *SPT Explorer* and the *SPT Navigator*, from April 1, 2008 to June 17, 2008, when these vessels were operating and under the common control of Teekay prior to their acquisition by Teekay Offshore. As a result of the inclusion of the Dropdown Predecessor for the two vessels, cash flow from vessel operations increased by $2.2 million for the three months ended June 30, 2008.

(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 web site 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.

The Partnerships' total cash flow from vessel operations from in third quarter of 2008 remained virtually unchanged from the previous quarter. Utilization of the shuttle tanker fleet remained strong offsetting the marginal operating cost increase experienced during the quarter.

Teekay Offshore's Fleet

The following table summarizes Teekay Offshore's fleet, including vessels owned by OPCO, as of December 31, 2008:

	Number of Vessels		
	Owned Vessels	Chartered-in Vessels	Total
Shuttle Tanker Segment	27(1)	9	36
Conventional Tanker Segment	11	-	11
FSO Segment	5	-	5
Total	**43**	**9**	**52**

(1) Includes five shuttle tankers in which OPCO's ownership interest is 50%, and two shuttle tankers directly owned by Teekay Offshore, of which one is 50% owned.

Future Growth Opportunities

Teekay Corporation (*Teekay*) is obligated to offer Teekay Offshore shuttle tankers, FSO units, and Floating Production Storage and Offloading *(FPSO)* units it may acquire in the future, provided the vessels are servicing fixed-rate contracts of three or more years in length.

Shuttle Tankers

Teekay has four Aframax shuttle tanker newbuildings on order that are scheduled to deliver between the third quarter of 2010 and the third quarter of 2011. It is anticipated that these vessels will be offered to the Partnership and will be used to service either new long-term, fixed-rate contracts Teekay may be awarded prior to their delivery or OPCO's contracts-of-affreightment in the North Sea.

FPSO Units

On July 9, 2008, Teekay completed the acquisition of the remaining 35.3 percent of Teekay Petrojarl ASA it did not previously own. Teekay Petrojarl is a leading operator of FPSO units, with four units operating in the North Sea and one unit operating in Brazil.

Based on a pre-existing agreement, Teekay is obligated to offer Teekay Offshore, within one year after having acquired 100 percent of Teekay Petrojarl, its interests in Teekay Petrojarl's existing FPSO units that operate under charter contracts with remaining terms greater than three years. Teekay is also obligated to offer Teekay Offshore its interest in future FPSO projects with charter contracts greater than three years.

Teekay's Remaining Interest in OPCO

Teekay may offer to Teekay Offshore additional limited partner interests in OPCO that Teekay owns. Teekay currently owns 49 percent of OPCO and Teekay Offshore owns the remaining 51 percent.

Liquidity

As of September 30, 2008, the Partnership had total liquidity of $304.0 million, comprised of $159.2 million in cash and cash equivalents and $144.8 million in undrawn revolving credit facilities.

About Teekay Offshore Partners L.P.

Teekay Offshore Partners L.P., a publicly-traded master limited partnership formed by Teekay Corporation (NYSE: TK), is an international provider of marine transportation and storage services to the offshore oil industry. Teekay Offshore Partners owns a 51 percent interest in and controls Teekay Offshore Operating L.P., a Marshall Islands limited partnership with a fleet of 34 shuttle tankers (including nine chartered-in vessels), four FSO units, nine double-hull conventional oil tankers and two lightering vessels. In addition, Teekay Offshore Partners L.P. has direct ownership interests in two shuttle tankers and one FSO unit. Teekay Offshore Partners also has rights to participate in certain FPSO opportunities.

Teekay Offshore Partners' common units trade on the New York Stock Exchange under the symbol "TOO".

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TEEKAY OFFSHORE PARTNERS L.P.
SUMMARY CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands of U.S. dollars, except unit data)

	Three Months Ended			Nine Months Ended	
	September 30, 2008 (unaudited)	June 30, 2008 (1) (unaudited)	September 30, 2007 (2) (unaudited)	September 30, 2008 (3) (unaudited)	September 30, 2007 (4) (unaudited)
VOYAGE REVENUES	226,947	224,484	195,711	656,363	581,225
OPERATING EXPENSES					
Voyage expenses	62,548	59,811	36,458	173,736	107,852
Vessel operating expenses(5)	47,448	45,507	37,745	134,886	105,239
Time-charter hire expense	31,474	32,262	37,161	97,382	111,749
Depreciation and amortization	34,042	36,447	31,945	103,401	90,897
General and administrative(5)	14,087	15,684	16,008	45,089	48,067
	189,599	189,711	159,317	554,494	463,804
Income from vessel operations	37,348	34,773	36,394	101,869	117,421
OTHER ITEMS					
Interest (expense) gain (6)	(32,592)	23,153	(60,418)	(76,628)	(69,839)
Interest income	901	1,051	1,784	3,201	4,365
Income tax recovery (expense)	29,485	7,542	(6,119)	36,830	(1,491)
Foreign exchange gain (loss) (5)	2,179	(1,110)	(4,715)	(1,394)	(13,265)
Other income – net	2,352	2,314	2,965	7,292	8,266
Net income before non-controlling interest	39,673	67,723	(30,109)	71,170	45,457
Non-controlling interest	(19,048)	(42,498)	21,103	(38,069)	(35,475)
Net income (loss)	20,625	25,225	(9,006)	33,101	9,982
Limited partners' units outstanding:					
Weighted-average number of common units outstanding					
- Basic and diluted	20,359,783	11,151,648	9,800,000	13,794,526	9,800,000
Weighted-average number of subordinated units outstanding					
- Basic and diluted	9,800,000	9,800,000	9,800,000	9,800,000	9,800,000
Weighted-average number of total units outstanding					
- Basic and diluted	30,159,783	20,951,648	19,600,000	23,594,526	19,600,000

(1) Includes the results of the Dropdown Predecessor for two vessels, the *SPT Explorer* and the *SPT Navigator*, from April 1, 2008 to June 17, 2008, when these vessels were operating and under the common control of Teekay prior to their acquisition by Teekay Offshore. As a result of the inclusion of the Dropdown Predecessor for the two vessels, net income increased by $0.8 million for the three months ended June 30, 2008.

(2) Includes the results of the Dropdown Predecessor for the *Dampier Spirit*, from July 1, 2007, when this vessel was operating and under the common control of Teekay prior to its acquisition by Teekay Offshore. As a result of the inclusion of the Dropdown Predecessor for the *Dampier Spirit*, net income increased by $0.1 million for the three months ended September 30, 2007.

(3) Includes the results of the Dropdown Predecessor for two vessels, the *SPT Explorer* and the *SPT Navigator*, from January 7, 2008 and March 28, 2008, respectively, to June 17, 2008, when these vessels were operating and under the common control of Teekay prior to their acquisition by Teekay Offshore. As a result of the inclusion of the Dropdown Predecessor for these two vessels, net income increased by $1.3 million for the nine months ended September 30, 2008.

(4) Includes the results of the Dropdown Predecessor for two vessels, the *Dampier Spirit* and the *Navion Bergen*, from January 1, 2007 and April 16, 2007, respectively, to June 30, 2007 and September 30, 2007, respectively, when these vessels were operating and under the common control of Teekay prior to their acquisition by Teekay Offshore. As a result of the inclusion of the Dropdown Predecessor for the two vessels, net income increased by $1.3 million for the nine months ended September 30, 2007.

(5) Vessel operating expenses, general and administrative and foreign exchange gain (loss) include unrealized losses of $0.6 million and $0.2 million for the three months ended September 30, 2008 and September 30, 2007, respectively, and an unrealized gain of $0.2 million for the three months ended June 30, 2008, from the change in fair value of certain foreign exchange forward contracts that do not qualify as effective hedges for accounting purposes and from hedging ineffectiveness of certain foreign exchange forward contracts that qualify as effective hedges for accounting purposes. Vessel operating expenses, general and administrative, and foreign exchange gain (loss) include unrealized losses of $0.1 million and $0.2 million for the nine months ended September 30, 2008 and 2007, respectively, from the change in fair value of certain foreign exchange forward contracts that do not qualify as effective hedges for accounting purposes and from hedging ineffectiveness of certain foreign exchange forward contracts that qualify as effective hedges for accounting purposes. These amounts are non-cash items and hence, do not affect the Partnership's cash flows or the calculation of distributable cash flow.

(6) Interest (expense) gain includes unrealized losses of $11.8 million and $39.0 million, for the three months ended September 30, 2008 and September 30, 2007, respectively, and an unrealized gain of $41.9 million for the three months ended June 30, 2008, from interest rate swaps. Interest (expense) gain includes unrealized losses of $15.1 million and $10.4 million, respectively, for the nine months ended September 30, 2008 and September 30, 2007 from the change in fair value of interest rate swaps that do not qualify as effective hedges for accounting purposes. These amounts are non-cash items and hence, do not affect the Partnership's cash flows or the calculation of distributable cash flow.

TEEKAY OFFSHORE PARTNERS L.P.
SUMMARY CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars)

	As at September 30, 2008 (unaudited)	As at December 31, 2007 (unaudited)
ASSETS		
Cash and cash equivalents	159,204	121,224
Other current assets	106,906	107,172
Vessels and equipment	1,731,709	1,662,865
Other assets	73,660	92,622
Intangible assets	47,806	55,355
Goodwill	127,113	127,113
Total Assets	2,246,398	2,166,351
LIABILITIES AND PARTNERS' EQUITY		
Accounts payable and accrued liabilities	55,401	50,540
Advances from affiliates	37,925	-
Current portion of long-term debt	74,766	64,060
Current portion of derivative instruments	18,616	5,277
Long-term debt	1,535,308	1,453,407
Other long-term liabilities	97,748	123,053
Non-controlling interest	245,829	392,613
Partners' equity	180,805	77,401
Total Liabilities and Partners' Equity	2,246,398	2,166,351

TEEKAY OFFSHORE PARTNERS L.P.

SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

	Nine Months Ended September 30,	
	2008 (unaudited)	2007 (unaudited)
Cash and cash equivalents provided by (used for)		
OPERATING ACTIVITIES		
Net operating cash flow	115,986	48,657
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	191,000	188,200
Scheduled repayments of long-term debt	(24,393)	(12,151)
Prepayments of long-term debt	(119,000)	(115,000)
Net advances to affiliate	(46,544)	(42,935)
Equity distribution from Teekay Corporation	-	1,819
Proceeds from issuance of common units	216,837	-
Expenses from issuance of common units	(6,171)	(2,793)
Distribution to Teekay Corporation relating to purchase of SPT Explorer LLC and SPT Navigator LLC	(16,661)	-
Excess of purchase price over the contributed basis of a 25% interest in Teekay Offshore Operating LP	(94,882)	-
Distribution to Teekay Corporation relating to purchase of Navion Bergen LLC	-	(48,800)
Excess of purchase price over the contributed basis of a 50% interest in Navion Gothenburg LLC	-	(6,358)
Cash distributions paid	(28,337)	(15,000)
Other	(1,538)	-
Net financing cash flow	70,311	(53,018)
INVESTING ACTIVITIES		
Expenditures for vessels and equipment	(52,990)	(13,341)
Proceeds from sale of vessels and equipment	-	3,225
Purchase of a 25% interest in Teekay Offshore Operating LP	(111,746)	-
Purchase of a 50% interest in Navion Gothenburg LLC	-	(10,231)
Investment in direct financing lease assets	(537)	(8,332)
Direct financing lease payments received	16,956	15,882
Net investing cash flow	(148,317)	(12,797)
Increase (decrease) in cash and cash equivalents	37,980	(17,158)
Cash and cash equivalents, beginning of the period	121,224	113,986
Cash and cash equivalents, end of the period	159,204	96,828

TEEKAY OFFSHORE PARTNERS L.P.

APPENDIX A – SPECIFIC ITEMS AFFECTING NET INCOME

(in thousands of U.S. dollars)

Set forth below are some of the significant items of income and expense that affected the Partnership's net income for the three and nine months ended September 30, 2008 and 2007, all of which items are typically excluded by securities analysts in their published estimates of the Partnership's financial results:

	Three Months Ended September 30, 2008 (unaudited)	Nine Months Ended September 30, 2008 (unaudited)
Foreign currency exchange gains (losses) (1)	1,635	(888)
Deferred income tax recovery on unrealized foreign exchange losses (2)	16,900	8,200
Unrealized losses from interest rate swaps (3)	(11,783)	(15,122)
Non-controlling interests' share of above items (4)	(4,452)	7,405
Total	2,300	(405)

	Three Months Ended September 30, 2007 (unaudited) (restated)	Nine Months Ended September 30, 2007 (unaudited) (restated)
Foreign currency exchange losses (1)	(4,652)	(12,949)
Deferred income tax expense on unrealized foreign exchange gains (2)	(12,000)	(19,700)
Unrealized losses from interest rate swaps (3)	(39,008)	(10,399)
Non-controlling interests' share of above items (4)	38,329	30,054
Total	(17,331)	(12,994)

(1) Foreign currency exchange gains (losses) primarily relate to the Partnership's revaluation of all foreign currency-denominated monetary assets and liabilities based on the prevailing exchange rate at the end of each reporting period and also reflects the unrealized gains and losses from the change in fair value of certain foreign exchange forward contracts that do not qualify as effective hedges for accounting purposes.

(2) Portion of deferred income tax related to unrealized foreign exchange gains and losses.

(3) Reflects the unrealized gains (losses) due to changes in the mark-to-market value of non-designated interest rate swaps.

(4) Primarily relates to Teekay's non-controlling interest share of the items noted above.

TEEKAY OFFSHORE PARTNERS L.P.
APPENDIX B –RECONCILIATION OF NON-GAAP FINANCIAL MEASURE

(in thousands of U.S. dollars)

Description of Non-GAAP Financial Measure – Distributable Cash Flow (*DCF*)

Distributable cash flow represents net income adjusted for depreciation and amortization expense, non-controlling interest, non-cash items, estimated maintenance capital expenditures, gains and losses on vessel sales, change in fair value of interest rate swaps not qualifying for hedge accounting, income taxes and foreign exchange related items. Maintenance capital expenditures represent those capital expenditures required to maintain over the long-term the operating capacity of, or the revenue generated by, the Partnership's capital assets. Distributable cash flow is a quantitative standard used in the publicly-traded partnership investment community to assist in evaluating a partnership's ability to make quarterly cash distributions. Distributable cash flow is not required by United States generally accepted accounting principles and should not be considered as an alternative to net income or any other indicator of the Partnership's performance required by United States generally accepted accounting principles. The table below reconciles distributable cash flow to net income.

	Three Months Ended September 30, 2008 (unaudited)
Net Income	20,625
Add:	
Depreciation and amortization	34,042
Non-controlling interest	19,048
Change in fair value of interest rate swaps	11,783
Less:	
Foreign exchange and other, net	(732)
Income tax recovery	(29,485)
Estimated maintenance capital expenditures	(20,288)
Distributable Cash Flow before Non-Controlling Interest	**34,993**
Non-controlling interests' share of DCF	(17,487)
Distributable Cash Flow	**17,506**

TEEKAY OFFSHORE PARTNERS L.P.
APPENDIX C –SUPPLEMENTAL SEGMENT INFORMATION

(in thousands of U.S. dollars)

Three Months Ended September 30, 2008
(unaudited)

	Shuttle Tanker Segment	Conventional Tanker Segment	FSO Segment	Total
Net voyage revenues [1]	121,052	25,939	17,408	164,399
Vessel operating expenses	33,970	6,433	7,045	47,448
Time-charter hire expense	31,474	-	-	31,474
Depreciation and amortization	22,880	5,636	5,526	34,042
General and administrative	10,825	2,458	804	14,087
Income from vessel operations	21,903	11,412	4,033	37,348

Three Months Ended June 30, 2008
(unaudited)

	Shuttle Tanker Segment	Conventional Tanker Segment [2]	FSO Segment	Total
Net voyage revenues [1]	121,624	24,982	18,067	164,673
Vessel operating expenses	31,975	6,152	7,380	45,507
Time-charter hire expense	32,262	-	-	32,262
Depreciation and amortization	23,168	5,718	7,561	36,447
General and administrative	12,602	1,869	1,213	15,684
Income from vessel operations	21,617	11,243	1,913	34,773

(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 a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. Please see the Partnership's web site 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) Includes the results of the Dropdown Predecessor for two vessels, the SPT Explorer and the SPT Navigator, from April 1, 2008 to June 17, 2008, when these vessels were operating and under the common control of Teekay prior to their acquisition by Teekay Offshore. As a result of the inclusion of the Dropdown Predecessor for the two vessels, income from vessel operations increased by $1.5 million for the three months ended June 30, 2008.

FORWARD LOOKING STATEMENTS

This release 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 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 Teekay Petrojarl's existing FPSO units; the potential for Teekay to secure future FPSO projects through its wholly-owned subsidiary, Teekay Petrojarl ASA; 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; required approvals by the board of directors of Teekay and Teekay Offshore, as well as the conflicts committee of Teekay Offshore to acquire additional interests in OPCO; 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, 2007. 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.

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