TEEKAY OFFSHORE PARTNERS L.P.
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EARNINGS RELEASE

TEEKAY OFFSHORE PARTNERS
REPORTS THIRD QUARTER RESULTS

Highlights

- Generated distributable cash flow of $12.9 million in the third quarter of 2009, up from $9.0 million in the previous quarter.
- Declared and paid cash distribution of $0.45 per unit for the third quarter of 2009.
- Acquired the *Petrojarl Varg* FPSO unit from Teekay Corporation on September 10, 2009.
- Completed $260 million revolving credit facility secured by the *Petrojarl Varg* FPSO.

Hamilton, Bermuda, November 13, 2009 - Teekay Offshore GP LLC, the general partner of Teekay Offshore Partners L.P. *(Teekay Offshore* or *the Partnership)* (NYSE: TOO), today reported the Partnership's results for the quarter ended September 30, 2009. During the third quarter, the Partnership generated distributable cash flow(1) of $12.9 million, an increase from $9.0 million in the quarter ended June 30, 2009, primarily as a result of the acquisition of the *Petrojarl Varg* FPSO, and decreases in operating and time-charter hire expenses compared to the previous quarter.

On October 20, 2009, the Partnership declared a cash distribution of $0.45 per unit for the quarter ended September 30, 2009. The cash distribution will be paid on November 13, 2009, to all unitholders of record on October 27, 2009.

"Distributable cashflow increased by over 40 percent from the low level of the previous quarter as we made good progress this quarter on both increasing the profitability of our existing operations and realizing our ambition to expand into the ownership and operation of FPSOs," commented Peter Evensen, Chief Executive Officer of Teekay Offshore GP LLC. "Operating costs in our shuttle tanker segment declined by approximately 6 percent from the previous quarter and we hope to achieve more savings in future quarters. Because we completed our follow-on equity offering in July and did not complete an acquisition until relatively late in the quarter, the full benefits of the *Petrojarl Varg* FPSO acquisition won't be seen until the fourth quarter. In addition, the Partnership's financial position was strengthened as a result of the recently completed $260 million external bank facility secured by the *Petrojarl Varg* FPSO, which increased the Partnership's liquidity by approximately $100 million."

Teekay Offshore's Fleet

The following table summarizes Teekay Offshore's fleet as of November 1, 2009, including vessels owned by Teekay Offshore Operating L.P. (or *OPCO*), of which the Partnership owns a 51 percent interest:

	Number of Vessels		
	Owned Vessels	Chartered-in Vessels	Total
Shuttle Tanker Segment	27*	9	36
Conventional Tanker Segment	11	-	11
FSO Segment	5	-	5
FPSO Segment	1	-	1
Total	44	9	**53**

* 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.

OPCO's fleet includes 34 shuttle tankers (including nine chartered-in vessels), four FSO units, nine conventional oil tankers and two lightering vessels.

(1) 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 financial measure under United States generally accepted accounting principles (*GAAP*).

Future Growth Opportunities

Pursuant to an Omnibus Agreement that Teekay Offshore entered into in connection with its initial public offering in December 2006, Teekay Corporation (*Teekay*) is obligated to offer to the Partnership its interest in certain shuttle tankers, Floating Storage and Offloading units (*FSO*) and Floating Production Storage and Offloading *(FPSO)* units and joint ventures it may acquire in the future, provided the vessels are servicing contracts in excess of three years in length. Teekay Offshore also may acquire additional limited partner interests in OPCO or vessels that Teekay may offer the Partnership from time to time in the future.

Shuttle Tankers

Teekay has ordered four Aframax shuttle tanker newbuildings that are scheduled to deliver in 2010 and 2011, for a total cost of approximately $460 million. Teekay Offshore anticipates that these vessels will be offered to the Partnership pursuant to the Omnibus Agreement and will be used to service either new long-term, fixed-rate contracts Teekay may be awarded prior to the vessel deliveries or OPCO's contracts-of-affreightment in the North Sea.

FSO Unit

Teekay has recently entered into a fixed-rate FSO contract with a major oil company, which will involve converting one of its existing shuttle tankers to a FSO unit. The conversion is progressing as anticipated and is expected to be completed in December 2009, at which time it will commence operating in the Qatar offshore region under a 7.5 year fixed-rate charter (plus extension options). Under the Omnibus Agreement, Teekay is obligated to offer its interest in this FSO project to the Partnership within one year after the commencement of the charter.

FPSO Units

Teekay Petrojarl, a wholly-owned subsidiary of Teekay, is a leading operator of FPSO units with four units operating in the North Sea and one unit operating in Brazil. In September 2009, Teekay Petrojarl sold one of the FPSO units, the *Petrojarl Varg* FPSO, to Teekay Offshore for $320 million.

Teekay Offshore has the right to acquire Teekay Petrojarl's other FPSO units that are servicing contracts in excess of three years in length.

Teekay's Remaining Interest in OPCO

Teekay may offer to Teekay Offshore additional limited partner interests in OPCO. Teekay currently owns 49 percent of OPCO and Teekay Offshore owns the remaining 51 percent, including a general partner interest.

Financial Summary

The Partnership reported adjusted net income attributable to the partners[1] (as detailed in *Appendix A* to this release) of $8.0 million for the quarter ended September 30, 2009, compared to $7.0 million for the previous quarter. Adjusted net income attributable to the partners excludes a number of specific items that had the net effect of decreasing net income by $19.0 million and increasing net income by $26.5 million for the quarters ended September 30 and June 30, 2009, respectively, as detailed in *Appendix A*. Including these items, the Partnership reported a net loss attributable to the partners of $11.0 million (as detailed in Appendix A to this release) on a GAAP basis, for the third quarter of 2009, compared to net income of $33.5 million[2], for the previous quarter. Net voyage revenues[3] for the third quarter of 2009 increased to $176.7 million from $173.7 million for the previous quarter.

For accounting purposes, the Partnership is required to recognize the changes in the fair value of certain derivative instruments as unrealized gains or losses, through the statements of income. This revaluation does not affect the economics of any hedging transactions or have any impact on the Partnership's actual cash flows or the calculation of its distributable cash flow.

In accordance with GAAP, business acquisitions of entities under common control that have begun operations are required to be accounted for in a manner whereby the Partnership's financial statements are retroactively adjusted to include the historical results of the acquired vessels from the date the vessels were originally under the control of Teekay. The Partnership has recast its historical financial results to include the results of the *Petrojarl Varg* FPSO relating to the periods prior to its acquisition by the Partnership from Teekay, which pre-acquisition results are referred to in this release as the *Dropdown Predecessor*.

Teekay Offshore's annual results on Form 20-F for the year ended December 31, 2008, as filed with the United States Securities and Exchange Commission, can be found on the Partnership's website www.teekayoffshore.com or alternatively can be requested free of charge by contacting Teekay Offshore Investor Relations.

(1) Adjusted net income attributable to the partners is a non-GAAP financial measure. Please refer to *Appendix A* included in this release for a reconciliation of this non-GAAP measure to the most directly comparable financial measure under GAAP and information about specific items affecting net income which are typically excluded by securities analysts in their published estimates of the Partnership's financial results.

(2) Commencing in 2009 and applied retroactively, the Partnership's net income (loss) is presented including non-controlling interest on the Consolidated Statements of Income (Loss). Net income (loss) attributable to Partners represents the net income (loss) attributable to the limited partners and general partner of Teekay Offshore.

(3) 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.

Operating Results

The following table highlights certain financial information for Teekay Offshore's four main segments: the shuttle tanker segment, the conventional tanker segment, the FSO segment, and the FPSO segment (please refer to the "Teekay Offshore's Fleet" section of this release above and *Appendix C* for further details).

(in thousands of U.S. dollars)	Three Months Ended September 30, 2009 (unaudited) Shuttle Tanker Segment	Conventional Tanker Segment	FSO Segment	FPSO Segment[3]	Total
Net voyage revenues	109,413	24,799	14,509	27,954	176,675
Vessel operating expenses[1]	31,751	6,210	6,876	10,020	54,857
Time-charter hire expense	27,772	-	-	-	27,772
Depreciation and amortization	23,670	6,208	5,470	5,633	40,981
Cash flow from vessel operations[2]	36,192	17,465	6,741	3,398	63,796

(in thousands of U.S. dollars)	Three Months Ended June 30, 2009 (unaudited) Shuttle Tanker Segment	Conventional Tanker Segment	FSO Segment	FPSO Segment[3]	Total
Net voyage revenues	109,860	25,043	15,888	22,879	173,670
Vessel operating expenses[1]	34,737	5,942	6,257	9,887	56,823
Time-charter hire expense	29,144	-	-	-	29,144
Depreciation and amortization	23,185	5,984	5,419	5,633	40,221
Cash flow from vessel operations[2]	31,833	17,818	8,611	-	58,262

(1) Commencing in 2009 and applied retroactively, the gains and losses related to non-designated derivative instruments have been reclassified to a separate line item in the Consolidated Statements of Income (Loss) and are no longer included in the amounts above.

(2) Cash flow from vessel operations represents income from vessel operations before depreciation and amortization expense and amortization of deferred gains, and includes the realized gains (losses) on the settlements of foreign currency exchange forward contracts. 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.

(3) Cash flow from vessel operations for the FPSO segment reflects only the cash flows generated by the *Petrojarl Varg FPSO* subsequent to its acquisition by the Partnership on September 10, 2009. Results for the *Petrojarl Varg* FPSO for the periods prior to its acquisition by the Partnership when it was owned and operated by Teekay Corporation, are referred to as the Dropdown Predecessor. The amounts included in this release related to the Dropdown Predecessor are preliminary, and will be finalized for inclusion in the Partnership's Form 6-K for the third quarter of 2009. Any revisions to the preliminary Dropdown Predecessor figures are only expected to impact the accounting for periods prior to the date the *Petrojarl Varg* FPSO was acquired by the Partnership, and therefore will have no effect on the adjusted net income attributable to the partners or distributable cash flow of the Partnership for any period, including the third quarter of 2009.

Shuttle Tanker Segment

Cash flow from vessel operations from the Partnership's shuttle tanker segment increased to $36.2 million for the third quarter of 2009, compared to $31.8 million for the previous quarter, primarily due to decreases in vessel operating expenses, restructuring costs, and reduced in-chartering of spot vessels.

Conventional Tanker Segment

Cash flow from vessel operations from the Partnership's conventional tanker segment remained consistent with the prior quarter.

FSO Segment

Cash flow from vessel operations from the Partnership's FSO segment decreased to $6.7 million in the third quarter of 2009 from $8.6 million in the second quarter of 2009, primarily due to the scheduled drydocking of one FSO.

FPSO Segment

With the acquisition of the *Petrojarl Varg* FPSO on September 10, 2009, the Partnership has added a new FPSO reporting segment. Cash flow from vessel operations from the Partnership's FPSO segment was $3.4 million for the 21 days the unit was owned by the Partnership in the third quarter of 2009.

Liquidity

As of September 30, 2009, the Partnership had total liquidity of $258.7 million, which consisted of $143.7 million in cash and cash equivalents and $115.0 million in undrawn revolving credit facilities. Liquidity is expected to increase by approximately $100 million as a result of the Partnership's entering into a $260 million revolving credit facility in November 2009 in connection with its acquisition of the *Petrojarl Varg*.

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 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 conventional oil tankers and two lightering vessels. In addition, Teekay Offshore has direct ownership interests in two shuttle tankers, one FSO unit, and one FPSO unit. Teekay Offshore also has rights to participate in certain other FPSO and FSO opportunities.

Teekay Offshore's 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, 2009 (unaudited)	June 30, 2009 (unaudited)	September 30, 2008 (unaudited)	September 30, 2009 (unaudited)	September 30, 2008 (unaudited)
VOYAGE REVENUES	206,938	195,899	252,232	608,460	728,416
OPERATING EXPENSES					
Voyage expenses	30,263	22,229	62,548	77,305	173,736
Vessel operating expenses(1)	54,857	56,823	57,358	171,619	165,998
Time-charter hire expense	27,772	29,144	31,474	89,061	97,382
Depreciation and amortization	40,981	40,221	39,675	121,366	117,864
General and administrative(1)	13,820	14,949	14,537	42,140	49,640
Restructuring charge(2)	371	1,481	0	4,053	0
	168,064	164,847	205,592	505,544	604,620
Income from vessel operations	38,874	31,052	46,640	102,916	123,796
OTHER ITEMS					
Interest expense	(9,176)	(10,904)	(19,359)	(32,957)	(63,910)
Interest income	141	129	913	1,098	3,265
Realized and unrealized (loss) gain on derivative instruments (3)	(37,302)	54,000	(26,120)	37,716	(33,019)
Foreign exchange (loss) gain (1)	(4,485)	(1,954)	2,330	(8,400)	(1,371)
Income tax (expense) recovery	(13,804)	3,037	33,323	(14,905)	39,236
Other income – net	2,068	1,910	3,067	7,055	9,436
Net (loss) income	(23,684)	77,270	40,794	92,523	77,433
Net (loss) income attributable to:					
Non-controlling interests (4)	(10,298)	30,715	19,048	35,093	41,857
Dropdown Predecessor(5)	(2,363)	13,090	1,121	18,048	3,808
Partners	(11,023)	33,465	20,625	39,382	31,768
Limited partners' units outstanding:					
Weighted-average number of common units outstanding - Basic and diluted	25,056,250	20,425,000	20,359,783	21,985,714	13,794,526
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	34,856,250	30,225,000	30,159,783	31,785,714	23,594,526

(1) The Partnership has entered into foreign exchange forward contracts, which are economic hedges for certain vessel operating expenses and general and administrative expenses. Certain of these forward contracts have been designated as cash flow hedges pursuant to GAAP. Unrealized gains and losses arising from hedge ineffectiveness from such forward contracts, including forward contracts relating to the Dropdown Predecessor, are reflected in vessel operating expenses, general and administrative expenses, and foreign exchange gains (losses) in the above Consolidated Statements of Income (Loss) as detailed in the table below:

	Three Months Ended			Nine Months Ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Vessel operating expenses	1,404	697	1,474	2,871	1,275
General and administrative	1,382	757	772	3,484	632
Foreign exchange loss	-	-	-	-	8

(2) Restructuring charges were incurred in connection with the re-flagging of certain of the Partnership's vessels, which will result in lower future crewing costs. The Partnership expects to incur an additional $0.3 million in similar restructuring charges in the fourth quarter of 2009.

(3) Commencing in 2009 and applied retroactively, the realized and unrealized gains and losses related to derivative instruments that are not designated as hedges for accounting purposes, including non-designated derivatives relating to the Dropdown Predecessor, have been reclassified to a separate line item in the Consolidated Statements of Income (Loss). The realized gains (losses) relate to the amounts the Partnership actually paid or received to settle such derivative instruments and the unrealized gains (losses) relate to the change in fair value of such derivative instruments as detailed in the table below:

	Three Months Ended			Nine Months Ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Realized (losses) gains relating to:					
Interest rate swaps	(12,743)	(11,915)	(8,048)	(34,621)	(13,752)
Foreign currency forward contract	(93)	(830)	730	(4,071)	2,415
	(12,836)	(12,745)	(7,318)	(38,692)	(11,337)
Unrealized (losses) gains relating to:					
Interest rate swaps	(24,942)	65,244	(13,830)	71,538	(17,326)
Foreign currency forward contracts	476	1,501	(4,972)	4,870	(4,356)
	(24,466)	66,745	(18,802)	76,408	(21,682)
Total realized and unrealized (losses) gains on non-designated derivative instruments	(37,302)	54,000	(26,120)	37,716	(33,019)

(4) Commencing in 2009 and applied retroactively, net (loss) income includes the net (loss) income attributable to non-controlling interests.

(5) Results for the *Petrojarl Varg* FPSO for the periods prior to its acquisition by the Partnership when it was owned and operated by Teekay Corporation, are referred to as the Dropdown Predecessor. The amounts included in this release related to the Dropdown Predecessor are preliminary, and will be finalized for inclusion in the Partnership's Form 6-K for the third quarter of 2009. Any revisions to the preliminary Dropdown Predecessor figures are only expected to impact the accounting for periods prior to the date the Petrojarl Varg FPSO was acquired by the Partnership, and therefore will have no effect on the adjusted net (loss) income or distributable cash flow of the Partnership for any period, including the third quarter of 2009.

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

	As at September 30, 2009 (unaudited)	As at June 30, 2009(1) (unaudited)	As at December 31, 2008(1) (unaudited)
ASSETS			
Cash and cash equivalents	143,746	98,986	132,348
Other current assets	123,810	112,673	114,071
Vessels and equipment	1,952,912	1,967,007	2,028,150
Other assets	58,955	56,518	68,107
Intangible assets	39,164	41,444	46,004
Goodwill	127,113	127,113	127,113
Total Assets	2,445,700	2,403,741	2,515,793
LIABILITIES AND EQUITY			
Accounts payable and accrued liabilities	71,285	58,833	65,535
Other current liabilities	37,633	51,479	29,734
Current portion of long-term debt	77,322	85,417	125,503
Current portion of derivative instruments	31,203	53,798	66,135
Long-term debt	1,694,116	1,547,241	1,711,711
Other long-term liabilities	113,587	102,771	212,319
Equity:			
Non-controlling interest	213,770	228,520	201,383
Partners' equity	206,784	275,682	103,473
Total Liabilities and Equity	2,445,700	2,403,741	2,515,793

(1) In accordance with GAAP, the balance sheets at June 30, 2009 and December 31, 2008 include the Dropdown Predecessor for the *Petrojarl Varg* FPSO, which was acquired by the Partnership on September 10, 2009, to reflect ownership of the vessel from the time it was acquired by Teekay Corporation on October 1, 2006. The amounts included in this release related to the Dropdown Predecessor are preliminary, and will be finalized for inclusion in the Partnership's Form 6-K for the third quarter of 2009. Any revisions to the preliminary Dropdown Predecessor figures would only impact the accounting for periods prior to the date the *Petrojarl Varg* FPSO was acquired by the Partnership, and therefore will have no effect on the adjusted net (loss) income or distributable cash flow of the Partnership for any period, including the third quarter of 2009.

TEEKAY OFFSHORE PARTNERS L.P.
SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	Nine Months Ended September 30,	
	2009[(1)]	2008[(1)]
	(unaudited)	(unaudited)
Cash and cash equivalents provided by (used for)		
OPERATING ACTIVITIES		
Net operating cash flow	141,180	181,062
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	339,575	259,262
Scheduled repayments of long-term debt	(24,124)	(24,923)
Prepayments of long-term debt	(241,090)	(138,085)
Net advances to affiliates	-	(46,544)
Prepayments of joint venture partner advances	(20,775)	-
Net proceeds from equity offering	104,282	210,666
Equity contribution by joint venture partner	4,772	-
(Return of capital to) contribution of capital from Teekay Corporation relating to purchase of Petrojarl Varg by the Partnership	(210,188)	64,339
Distribution to Teekay Corporation relating to purchase of SPT Explorer L.L.C. and SPT Navigator L.L.C.	-	(16,661)
Excess of purchase price over the contributed basis of a 25% interest in Teekay Offshore Operating L.P.	-	(94,882)
Cash distributions paid by the Partnership	(42,788)	(28,337)
Cash distributions paid by subsidiaries to non-controlling interest	(44,093)	(58,641)
Other	(640)	(1,538)
Net financing cash flow	(135,069)	124,656
INVESTING ACTIVITIES		
Expenditures for vessels and equipment	(11,726)	(52,990)
Purchase of 35% of Petrojarl Varg by Teekay Corporation	-	(126,202)
Investment in direct financing lease assets	-	(537)
Direct financing lease payments received	17,013	16,956
Purchase of 25% interest in Teekay Offshore Operating L.P.	-	(111,746)
Net investing cash flow	5,287	(274,519)
Increase in cash and cash equivalents	11,398	31,199
Cash and cash equivalents, beginning of the period	132,348	128,859
Cash and cash equivalents, end of the period	143,746	160,058

(1) In accordance with GAAP, the Consolidated Statements of Cash Flows includes the cash flows relating to the Dropdown Predecessor for the *Petrojarl Varg* FPSO, for the period from October 1, 2006 to September 10, 2009, when the vessel was under the common control of Teekay Corporation, but prior to its acquisition by the Partnership. The amounts included in this release related to the Dropdown Predecessor are preliminary, and will be finalized for inclusion in the Partnership's Form 6-K for the third quarter of 2009. Any revisions to the preliminary Dropdown Predecessor figures are only expected to impact the accounting for periods prior to the date the *Petrojarl Varg* FPSO was acquired by the Partnership, and therefore will have no effect on the adjusted net (loss) income or distributable cash flow of the Partnership for any period, including the third quarter of 2009.

TEEKAY OFFSHORE PARTNERS L.P.

APPENDIX A – SPECIFIC ITEMS AFFECTING NET (LOSS) INCOME

(in thousands of U.S. dollars)

Set forth below is a reconciliation of the Partnership's unaudited adjusted net income attributable to the partners, a non-GAAP financial measure, to net income as determined in accordance with GAAP, adjusted for some of the significant items of income and expense that affected the Partnership's net income for the three months ended September 30 and June 30, 2009, all of which items are typically excluded by securities analysts in their published estimates of the Partnership's financial results. Also set forth below is a reconciliation of the Partnership's unaudited net income (loss) attributable to partners to net income as determined in accordance with GAAP:

	Three Months Ended September 30, 2009 (unaudited)	**Three Months Ended June 30, 2009 (unaudited)**
Net (loss) income – GAAP basis	(23,684)	77,270
Adjustments:		
Net (loss) income attributable to non-controlling interests	(10,298)	30,715
Net (loss) income attributable to Dropdown Predecessor	(2,363)	13,090
Net (loss) income attributable to the partners	**(11,023)**	**33,465**
Add (subtract) specific items affecting net income:		
Restructuring charges (1)	371	1,481
Foreign exchange losses (2)	3,414	1,353
Foreign currency exchange gains resulting from hedging ineffectiveness (3)	(2,630)	(1,232)
Deferred income tax expense relating to unrealized foreign exchange gains (4)	14,586	1,904
Unrealized losses (gains) on derivative instruments (5)	19,778	(54,131)
Non-controlling interests' share of items above (6)	(16,533)	24,116
Total adjustments	18,986	(26,509)
Adjusted net income attributable to the partners	**7,963**	**6,956**

(1) Restructuring charges were incurred in connection with the re-flagging of certain of the Partnership's vessels, which are expected to result in lower future crewing costs.

(2) Foreign exchange 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, excluding $1.1 million and $0.6 million relating to the Dropdown Predecessor for the three months ended September 30 and June 30, 2009, respectively.

(3) Foreign currency exchange gains resulting from hedging ineffectiveness includes the unrealized gains arising from hedge ineffectiveness from foreign exchange forward contracts that are or have been designated as hedges for accounting purposes. This excludes foreign currency exchange gains resulting from hedging ineffectiveness of $0.2 million and $0.3 million, respectively, relating to the Dropdown Predecessor for the three months ended September 30 and June 30, 2009, respectively.

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

(5) Reflects the unrealized gain or loss due to changes in the mark-to-market value of derivative instruments that are not designated as hedges for accounting purposes, excluding unrealized (losses) gains of ($4.7) million and $12.6 million relating to the Dropdown Predecessor for the three months ended September 30 and June 30, 2009, respectively.

(6) 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, unrealized gains and losses from derivatives, non-cash income taxes, unrealized foreign exchange related items and income (loss) attributable to Dropdown Predecessor. 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 defined by GAAP and should not be considered as an alternative to net income or any other indicator of the Partnership's performance required by GAAP. The table below reconciles distributable cash flow to net income.

	Three Months Ended September 30, 2009 (unaudited)
Net loss	(23,684)
Add:	
Depreciation and amortization	40,981
Income tax expense	13,338
Foreign exchange and other, net	2,325
Unrealized losses on non-designated derivative instruments	24,466
Less:	
Other non-cash items attributable to Dropdown Predecessor	(10,505)
Estimated maintenance capital expenditures	(20,776)
Distributable Cash Flow before Non-Controlling Interest	**26,145**
Non-controlling interests' share of DCF	(13,254)
Distributable Cash Flow	**12,891**

TEEKAY OFFSHORE PARTNERS L.P.

APPENDIX C –SUPPLEMENTAL SEGMENT INFORMATION

(in thousands of U.S. dollars)

	Three Months Ended September 30, 2009 (unaudited)				
	Shuttle Tanker Segment	**Conventional Tanker Segment**	**FSO Segment**	**FPSO Segment[3]**	**Total**
Net voyage revenues [1]	109,413	24,799	14,509	27,954	176,675
Vessel operating expenses[2]	31,751	6,210	6,876	10,020	54,857
Time-charter hire expense	27,772	-	-	-	27,772
Depreciation and amortization	23,670	6,208	5,470	5,633	40,981
General and administrative[2]	11,173	1,124	892	631	13,820
Restructuring charges	371	-	-	-	371
Income from vessel operations	14,676	11,257	1,271	11,670	38,874

	Three Months Ended June 30, 2009 (unaudited)				
	Shuttle Tanker Segment	**Conventional Tanker Segment**	**FSO Segment**	**FPSO Segment[3]**	**Total**
Net voyage revenues [1]	109,860	25,043	15,888	22,879	173,670
Vessel operating expenses[2]	34,737	5,942	6,257	9,887	56,823
Time-charter hire expense	29,144	-	-	-	29,144
Depreciation and amortization	23,185	5,984	5,419	5,633	40,221
General and administrative[2]	11,048	1,283	1,020	1,598	14,949
Restructuring charges	1,481	-	-	-	1,481
Income from vessel operations	10,265	11,834	3,192	5,761	31,052

(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) Commencing in 2009 and applied retroactively, the gains and losses related to derivative instruments that are not designated as hedges for accounting purposes have been reclassified to a separate line item in the Consolidated Statements of Income (Loss) and are no longer included in the amounts above.

(3) Income from operations for the *Petrojarl Varg* FPSO for the periods prior to its acquisition by the Partnership when it was owned and operated by Teekay Corporation, are referred to as the Dropdown Predecessor. The amounts included in this release related to the Dropdown Predecessor are preliminary, and will be finalized for inclusion in the Partnership's Form 6-K for the third quarter of 2009. Any revisions to the preliminary Dropdown Predecessor figures are only expected to impact the accounting for periods prior to the date the *Petrojarl Varg* FPSO was acquired by the Partnership, and therefore will have no effect on the adjusted net (loss) income or distributable cash flow of the Partnership for any period, including the third quarter of 2009.

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 expected increase in the Partnership's distributable cash flow in the fourth quarter of 2009; the impact on the Partnership's operating expenses due to cost management initiatives; the Partnership's future growth prospects; the potential for Teekay to offer additional vessels to the Partnership, and the Partnership's acquisitions of any such vessels; the potential for Teekay to offer to the Partnership additional limited partner interests in OPCO; the Partnership's exposure to foreign currency fluctuations; increases in the Partnership's liquidity; and conversion dates for an FSO unit and commencement dates under the related charter. 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 production volumes of the *Petrojarl Varg* FPSO; failure of Teekay to offer to the Partnership additional vessels or ownership interests in OPCO; required approvals by the Conflicts Committee of Teekay Offshore's general partner to acquire from Teekay vessels or ownership 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; any delays in the conversion of the FSO unit; 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, 2008. 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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