

TEEKAY OFFSHORE PARTNERS

First Quarter 2007 Earnings Presentation

May 11, 2007



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; the offers of shuttle tankers, FSOs and FPSOs and associated contracts from Teekay to Teekay Offshore; the potential for Teekay to offer two 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 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; 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, 2006. 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.

First Quarter Highlights

- ▶ Generated distributable cash flow of \$9.0 million during the first quarter of 2007
- ▶ Declared a cash distribution of \$0.35 (\$1.40 annualized) for the quarter
 - ▶ Record date: May 1st
 - ▶ Payment date: May 14th
- ▶ Vessels to be offered by Teekay to Teekay Offshore:
 - ▶ One shuttle tanker delivered to Petrobras in April '07
 - ▶ Expect second shuttle tanker to be delivered to Petrobras by end of q2'07
 - ▶ Expect FSO unit to be delivered to Apache in June '07



Distributable Cash Flow and Cash Distribution

In thousands of U.S. dollars	Three Months Ended <u>March 31, 2007</u> <u>(unaudited)</u>
Net income	\$ 6,832
Add:	
Depreciation and amortization	28,591
Non-controlling interest	22,379
Non-cash expenses	149
Foreign exchange loss	4,160
Public partnership expenses	529
Less:	
Estimated maintenance capital expenditures	(18,480)
Income tax recovery	(3,906)
Distributable Cash Flow before Non-Controlling Interest	40,254
Non-controlling interest's share of DCF	(30,750)
Public partnership expenses	(529)
Distributable Cash Flow ⁽¹⁾	\$ 8,975 A

Minimum Quarterly Distribution (19,600,000 units x \$0.35 / unit)	\$ 6,860
General Partner 2% Distribution	140
Total Distribution	<u>\$ 7,000 B</u>
Coverage Ratio	1.28x =A/B

⁽¹⁾ Please refer to the 1st Quarter of 2007 Earnings Release for a description of Distributable Cash Flow and a reconciliation to its most directly comparable GAAP financial measure.

Segment Operating Results

(in thousands of U.S. dollars)	<u>Three Months Ended March 31, 2007</u>			
	<u>(unaudited)</u>			
	Shuttle Tanker Segment	Conventional Tanker Segment	FSO Segment	Total
Net voyage revenues	121,325	29,425	5,467	156,217
Vessel operating expenses	22,743	6,002	1,474	30,219
Time-charter hire expense	38,115	-	-	38,115
Depreciation & amortization	20,695	5,585	2,311	28,591
Cash flow from vessel operations*	47,654	21,400	3,550	72,604

(in thousands of U.S. dollars)	<u>Three Months Ended December 31, 2006</u>			
	<u>(unaudited)</u>			
	Shuttle Tanker Segment	Conventional Tanker Segment	FSO Segment	Total
Net voyage revenues	118,819	23,577	4,973	147,369
Vessel operating expenses	22,801	4,419	1,704	28,924
Time-charter hire expense	39,811	-	-	39,811
Depreciation & amortization	18,272	4,994	2,466	25,732
Cash flow from vessel operations*	42,911	17,593	2,927	63,431

* Cash flow from vessel operations represents income from vessel operations before depreciation and amortization expense and vessel write-downs/(gain) loss on sale of vessels. Cash flow from vessel operations is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. See the Company'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.

Q1 2007 vs. Forecast

Teekay Offshore Partners L.P.
Consolidated Income Statement (Unaudited)
 In thousands of U.S. dollars

	Jan 1 - Mar 31, 2007		Variance
	Actual	Forecast (1)	
Net Voyage Revenues (2)	156,217	150,643	5,574
Operating Expenses			
Vessel operating expenses	30,219	31,010	(791)
Time-charter hire expense	38,115	36,605	1,510
Depreciation and amortization	28,591	28,912	(321)
General and administrative expenses	15,174	16,154	(980)
	112,099	112,681	(582)
Income from Vessel Operations	44,118	37,962	6,156
Other Items			
Interest expense	(18,509)	(18,311)	(198)
Interest income	1,137	900	237
Foreign exchange loss	(4,160)	-	(4,160)
Income tax recovery	3,906	1,000	2,906
Other - net	2,719	2,729	(10)
Income before non-controlling interest	29,211	24,280	4,931
Non-controlling interest	(22,379)	(18,749)	(3,630)
Net income	6,832	5,531	1,301

(1) Based on the forecast for the year ending Dec. 31, 2007 included in the Partnership's Prospectus dated December 13, 2006, prorated for the 3 months ended March 31, 2007.

(2) 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 not required by accounting principles generally accepted in the United States and should not be considered as an alternative to voyage revenues or any other indicator of the Partnership's performance required by accounting principles generally accepted in the United States. Please refer to the the Partnership's website at www.teekayoffshore.com for a reconciliation of this non-GAAP measure to the most directly comparable GAAP financial measure.

Balance Sheet

In thousands of U.S. dollars	<u>As at Mar 31</u> <u>2007</u>	<u>As at Dec 31</u> <u>2006</u>
	(unaudited)	(unaudited)
ASSETS		
Cash and cash equivalents	114,343	113,986
Other current assets	96,045	78,739
Vessels and equipment	1,502,354	1,524,842
Other assets	120,705	130,216
Intangible assets	63,406	66,425
Goodwill	127,113	127,113
Total Assets	2,023,966	2,041,321
LIABILITIES AND PARTNERS' EQUITY		
Accounts payable and accrued liabilities	33,301	50,353
Current portion of long-term debt	18,980	17,656
Advances from affiliate	10,713	16,951
Long-term debt	1,268,711	1,285,696
Other long-term liabilities	101,004	103,746
Non-controlling interest	446,685	427,977
Partners' equity	144,572	138,942
Total Liabilities and Partners' Equity	2,023,966	2,041,321
Total Liquidity	442,300	

Net Debt to EBITDA = 4.25x

Please refer to Appendix B for the calculation of Net Debt to EBITDA



TEEKAY OFFSHORE PARTNERS L.P.



Appendix A

Teekay Offshore Partners L.P. Reconciliation of non-GAAP Financial Measure

in thousands of USD

	Three Months Ended Mar. 31, 2007	Three Month Period Pro rata from Forecast
Voyage Revenues	190,752	187,328
Voyage Expenses	34,535	36,685
Net Voyage Revenues	156,217	150,643

Appendix B

Reconciliation of Net Debt to EBITDA

As at Mar 31, 2007
(unaudited)

In thousands of U.S. dollars

Cash and cash equivalents	114,343	A
Current portion of long-term debt	18,980	
Advances from affiliates	10,713	
Long-term debt	<u>1,268,711</u>	
Total debt	1,298,404	B
Net debt	1,184,061	C=B-A
EBITDA*	278,420	D
Net Debt to EBITDA	4.25x	=C/D

* Based on the forecast for the year ending Dec. 31, 2007 included in the Partnership's Prospectus dated December 13, 2006.