

TEEKAY OFFSHORE PARTNERS

Second Quarter 2007 Earnings Presentation

August 3, 2007



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; the Partnership's estimated results from the acquisition of two shuttle tankers in July 2007, and potential acquisition of an FSO and corresponding increases in cash distributions to unitholders; the offers of shuttle tankers, FSOs and FPSOs and associated contracts from Teekay to Teekay Offshore; 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 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: failure of Teekay Offshore GP L.L.C. to authorize the proposed increase to the Partnership's distributions or the acquisition of the *Dampier Spirit*; 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.



Second Quarter Highlights

- ▶ Generated distributable cash flow of \$7.6 million during the second quarter of 2007
- ▶ Declared a cash distribution of \$0.35 (\$1.40 annualized) for the quarter
 - ▶ Record date: Aug. 9th
 - ▶ Payment date: Aug. 14th
- ▶ Acquired two shuttle tankers in July 2007
 - ▶ Management to recommend 10% distribution increase in third quarter to \$0.385 (\$1.54 annualized)
- ▶ Offered one FSO from Teekay Corporation



Distributable Cash Flow and Cash Distribution

In thousands of U.S. dollars	Three Months Ended <u>June 30, 2007</u> <u>(unaudited)</u>
Net income	\$ 3,714
Add:	
Depreciation and amortization	29,033
Non-controlling interest	13,404
Non-cash expenses	147
Foreign exchange loss	5,797
Public partnership expenses	460
Income tax expense	532
Less:	
Estimated maintenance capital expenditures	(18,480)
Distributable Cash Flow before Non-Controlling Interest	34,607
Non-controlling interest's share of DCF	(26,512)
Public partnership expenses	(460)
<u>Distributable Cash Flow ⁽¹⁾</u>	<u>\$ 7,635</u> A

Minimum Quarterly Distribution (19,600,000 units x \$0.35 / unit)	\$ 6,860
General Partner 2% Distribution	140
Total Distribution	<u>\$ 7,000</u> B
Coverage Ratio	1.09x =A/B

⁽¹⁾ Please refer to the 2nd 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 June 30, 2007</u>			
	<u>(unaudited)</u>			
	Shuttle Tanker Segment	Conventional Tanker Segment	FSO Segment	Total
Net voyage revenues	117,398	24,070	10,916	152,384
Vessel operating expenses	24,885	5,060	3,614	33,559
Time-charter hire expense	36,473	-	-	36,473
Depreciation & amortization	19,825	5,110	4,098	29,033
Cash flow from vessel operations*	42,199	17,175	6,625	65,999

(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

* 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. 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.



Q2 '07 vs. Q1 '07

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

	Three Months Ended		Variance
	June 30, 2007	March 31, 2007	
Net Voyage Revenues ⁽¹⁾	152,384	156,217	(3,833)
Operating Expenses			
Vessel operating expenses	33,559	30,219	3,340
Time-charter hire expense	36,473	38,115	(1,642)
Depreciation and amortization	29,033	28,591	442
General and administrative expenses	16,248	15,174	1,074
	115,313	112,099	3,214
Income from Vessel Operations	37,071	44,118	(7,047)
Other Items			
Interest expense	(17,553)	(18,509)	956
Interest income	1,347	1,137	210
Foreign exchange loss	(5,797)	(4,160)	(1,637)
Income tax (expense) recovery	(532)	3,906	(4,438)
Other - net	2,582	2,719	(137)
Income before non-controlling interest	17,118	29,211	(12,093)
Non-controlling interest	(13,404)	(22,379)	8,975
Net income	3,714	6,832	(3,118)

(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 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 Appendix A 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 Jun 30</u> <u>2007</u>	<u>As at Mar 31</u> <u>2007</u>
	(unaudited)	(unaudited)
ASSETS		
Cash and cash equivalents	100,718	114,343
Other current assets	108,115	96,045
Vessels and equipment	1,492,019	1,502,354
Other assets	152,855	120,705
Intangible assets	60,890	63,406
Goodwill	127,113	127,113
Total Assets	2,041,710	2,023,966
LIABILITIES AND PARTNERS' EQUITY		
Accounts payable and accrued liabilities	48,036	44,014
Current portion of long-term debt	18,980	18,980
Long-term debt	1,262,011	1,268,711
Other long-term liabilities	103,409	101,004
Non-controlling interest	460,603	446,685
Partners' equity	148,671	144,572
Total Liabilities and Partners' Equity	2,041,710	2,023,966
Total Liquidity	386,600	442,300

Net Debt to EBITDA = 4.2x

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





TEEKAY OFFSHORE PARTNERS L.P.



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Appendix A

Teekay Offshore Partners L.P.
Reconciliation of Non-GAAP Financial Measure
In thousands of U.S. dollars

	Three Months Ended	
	June 30, 2007	March 31, 2007
Voyage Revenues	189,189	190,752
Voyage Expenses	36,805	34,535
Net Voyage Revenues	152,384	156,217

Appendix B

Reconciliation of Net Debt to EBITDA

As at Jun 30, 2007
(unaudited)

In thousands of U.S. dollars

Cash and cash equivalents	100,718	A
Current portion of long-term debt	18,980	
Long-term debt	<u>1,262,011</u>	
Total debt	1,280,991	B
Net debt	1,180,273	C=B-A
EBITDA*	278,420	D
Net Debt to EBITDA	4.2x	=C/D

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