

# Teekay Offshore Partners and Teekay LNG Partners

NAPTP Conference-May 25&26, 2011



# Teekay's MLPs



TEEKAY LNG  
PARTNERS L.P.

NYSE: TGP

- ▶ **Market Cap: \$2.0bn\***
- ▶ **Strong Sponsor**
  - ▶ **Teekay Corp Ownership: 43.6% (incl. 2% GP interest)**
- ▶ **Core Focus: LNG & LPG projects**
- ▶ **Contracts: 10 – 25 year fixed-rate**
- ▶ **Built-in Growth:**
  - ▶ **3 newbuild LPG carriers delivering in 2011/12**
  - ▶ **4 newbuilding LNG carriers (33% interest) scheduled for in 2011/12**
- ▶ **Tax Treatment: K1 filer**
- ▶ **Current Quarterly Distribution: \$0.63/unit**
  - ▶ **Q4 distribution increased by 5.0%**
- ▶ **Current Yield: 7.2%\***



TEEKAY OFFSHORE  
PARTNERS L.P.

NYSE: TOO

- ▶ **Market Cap: \$1.8bn\***
- ▶ **Strong Sponsor**
  - ▶ **Teekay Corp Ownership: 36.9% (incl. 2% GP interest)**
- ▶ **Core Focus: Deep water offshore production and transport projects**
- ▶ **Contracts: 3 – 10 year fixed-rate**
- ▶ **Available Growth From Sponsor:**
  - ▶ **4+1 FPSO units**
  - ▶ **1 shuttle tanker newbuilding scheduled for delivery in later 2011**
- ▶ **Tax Treatment: 1099 filer**
- ▶ **Current Quarterly Distribution: \$0.50/unit**
  - ▶ **Q1 distribution increased by 5.3%**
- ▶ **Current Yield: 7.0%\***

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# Teekay's MLPs Not Impacted by Potential Tax Changes



TEEKAY LNG  
PARTNERS L.P.

- » TGP currently structured and taxed as a MLP
  - Investors receive K-1
- HOWEVER
- » TGP does not generate income in U.S.
  - Assets owned and trade 'offshore'
- THEREFORE
- » Were the Partnership to be taxed as a Corporation, no additional Corporate tax would be due
  - Could also elect to become a 1099-filer without owing any additional U.S. Corporate tax
- THEREFORE
- » Unitholders and Partnership not disadvantaged by possible future changes to taxation of MLPs



TEEKAY OFFSHORE  
PARTNERS L.P.

- » TOO currently structured as a MLP
- HOWEVER
- » TOO does not generally generate income in the U.S.
- THEREFORE
- » TOO has 'checked the box' to be taxed as a U.S. Corporation
  - Unitholders receive 1099s, not K-1s
- THEREFORE
- » Unitholders and Partnership not disadvantaged by possible future changes to taxation of MLPs

# Teekay Offshore Partners

NYSE: TOO

IPO Date: Dec. 13, 2006

Current Unit Price: \$28.56\*

Current Yield: 7%\*\*



\*As at May 10, 2010

\*\*Based on an annualized dividend of \$1.90 per unit

\*As at May 20, 2011

\*\*Based on an annualized dividend of \$2.00 per unit

[www.teekay.com](http://www.teekay.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 expected increase in distributable cash flow in the second quarter of 2011 as a result of the acquisition of the remaining 49 percent interest in OPCO in March 2011; the industry fundamentals for deepwater offshore oil production; 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, and the *Scott Spirit* newbuilding Aframax shuttle tanker; the potential for taxation changes that affect MLPs and the related impact on Teekay Offshore; 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 of Teekay to win a new long-term fixed-rate contract in the North Sea with a major oil and gas company; failure to obtain required approvals by the Conflicts Committee of Teekay Offshore's general partner to acquire other vessels or offshore projects from Teekay or third parties; the Partnership's ability to raise financing to purchase additional assets; failure to secure a new contract in excess of three years for Teekay's fourth Aframax shuttle tanker newbuilding; the form of any potential taxation changes is substantially different than currently anticipated; 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.

# Investment Highlights

## » **Stable Operating Model**

- Revenues generated from diversified portfolio of fixed-rate contracts with major oil companies

## » **Leading Market Positions**

- Teekay is a market leader in harsh weather FPSO operations
- World's largest owner and operator of shuttle tankers with a market leading position in the North Sea and Brazil

## » **Partnership growth through accretive acquisitions of assets from Sponsor**

- Four+one FPSO units available for purchase from Sponsor, Teekay Corporation
- One additional advanced shuttle tanker scheduled for delivery in later 2011

## » **Industry in Growth Mode**

- Offshore oil production and shuttle transportation remains an area of growth
  - Expect substantial new projects under all oil price scenarios
  - New offshore projects developed must be offered at cost by Sponsor

## » **Advantageous Tax Structure**

- Teekay Offshore is a 1099 filer – no K-1 reporting requirements

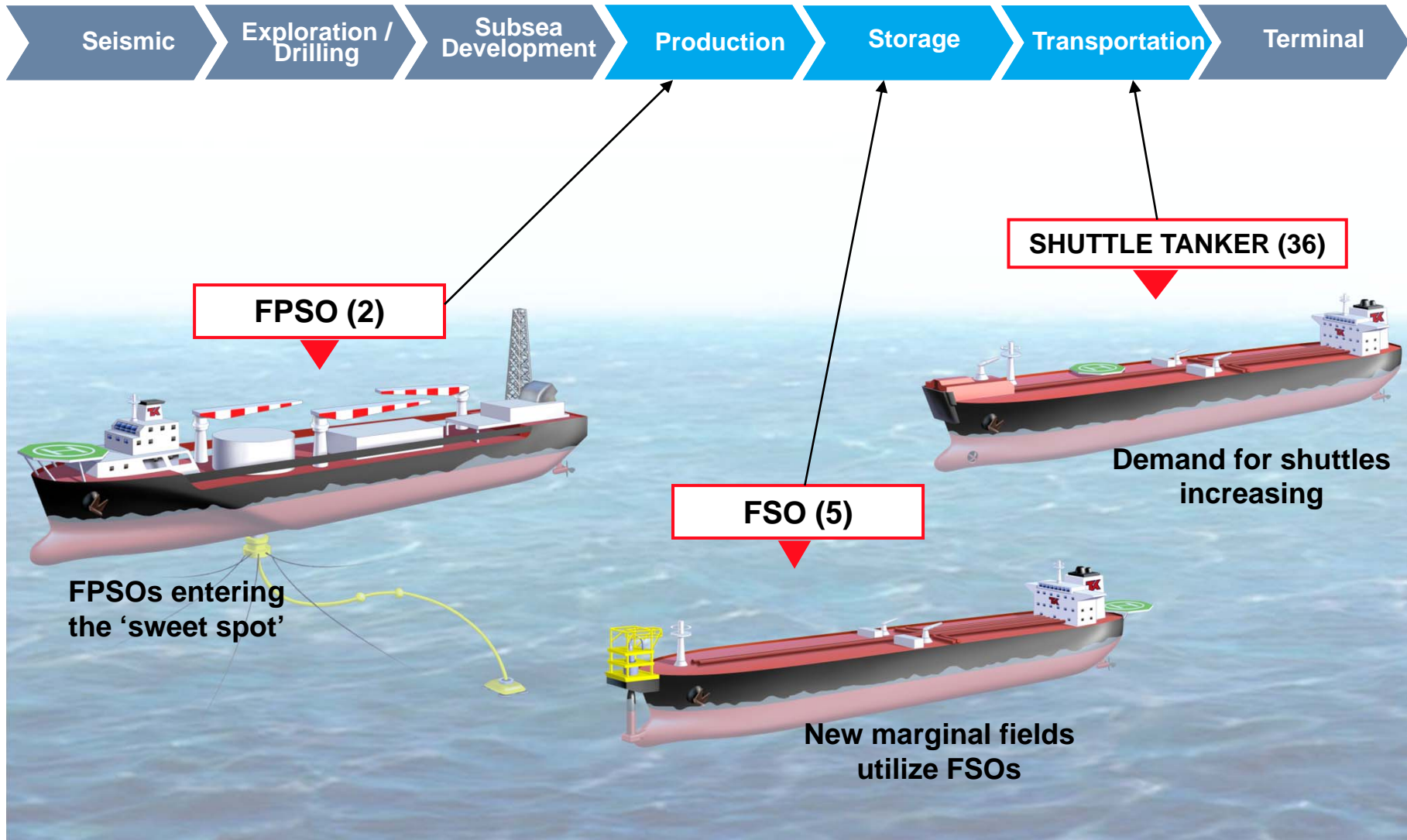
## Original Strategy Still Drives Management

### **Teekay Offshore's business objective hasn't changed since IPO in 2006:**

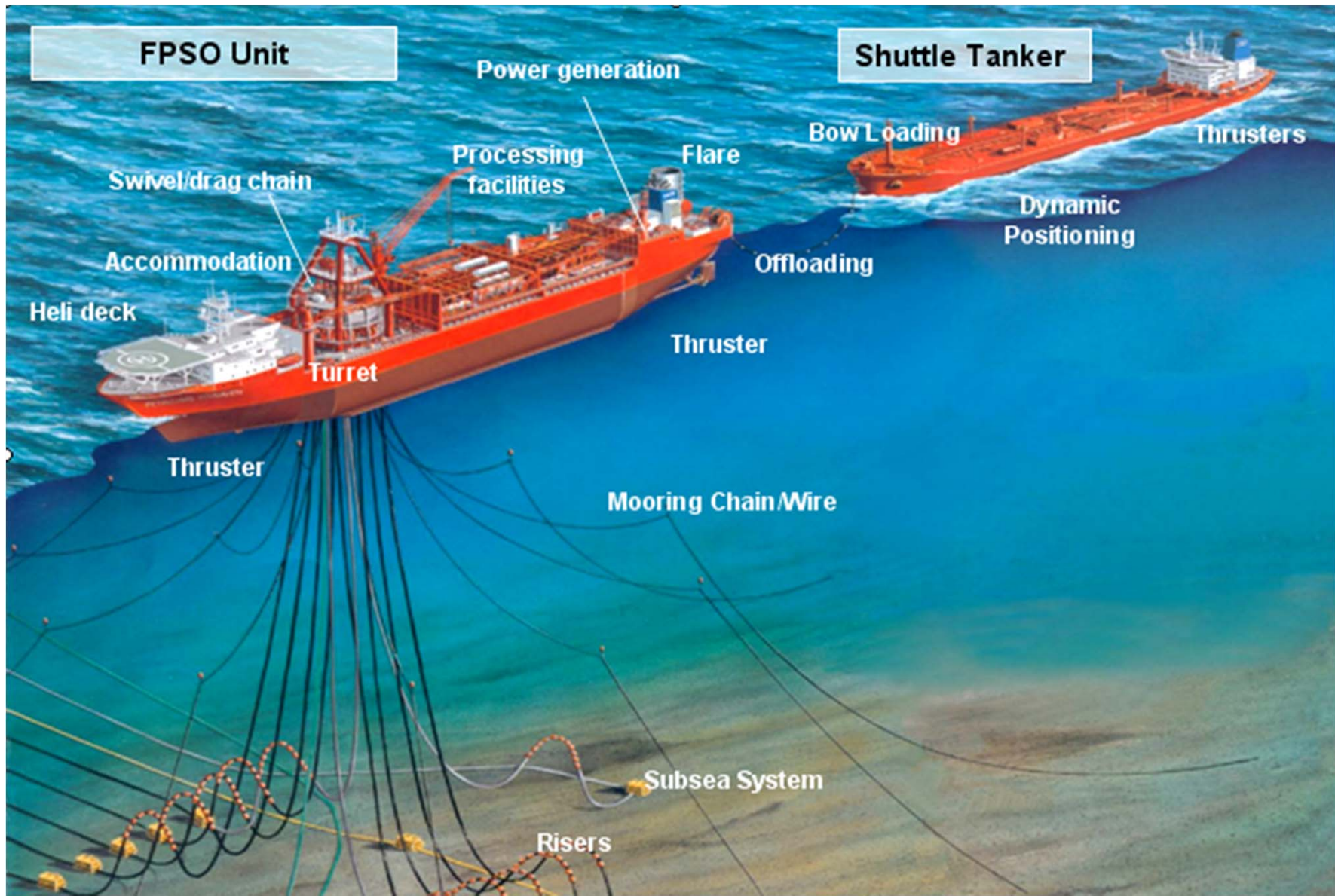
***Increase distributions per unit by executing on the following strategies:***

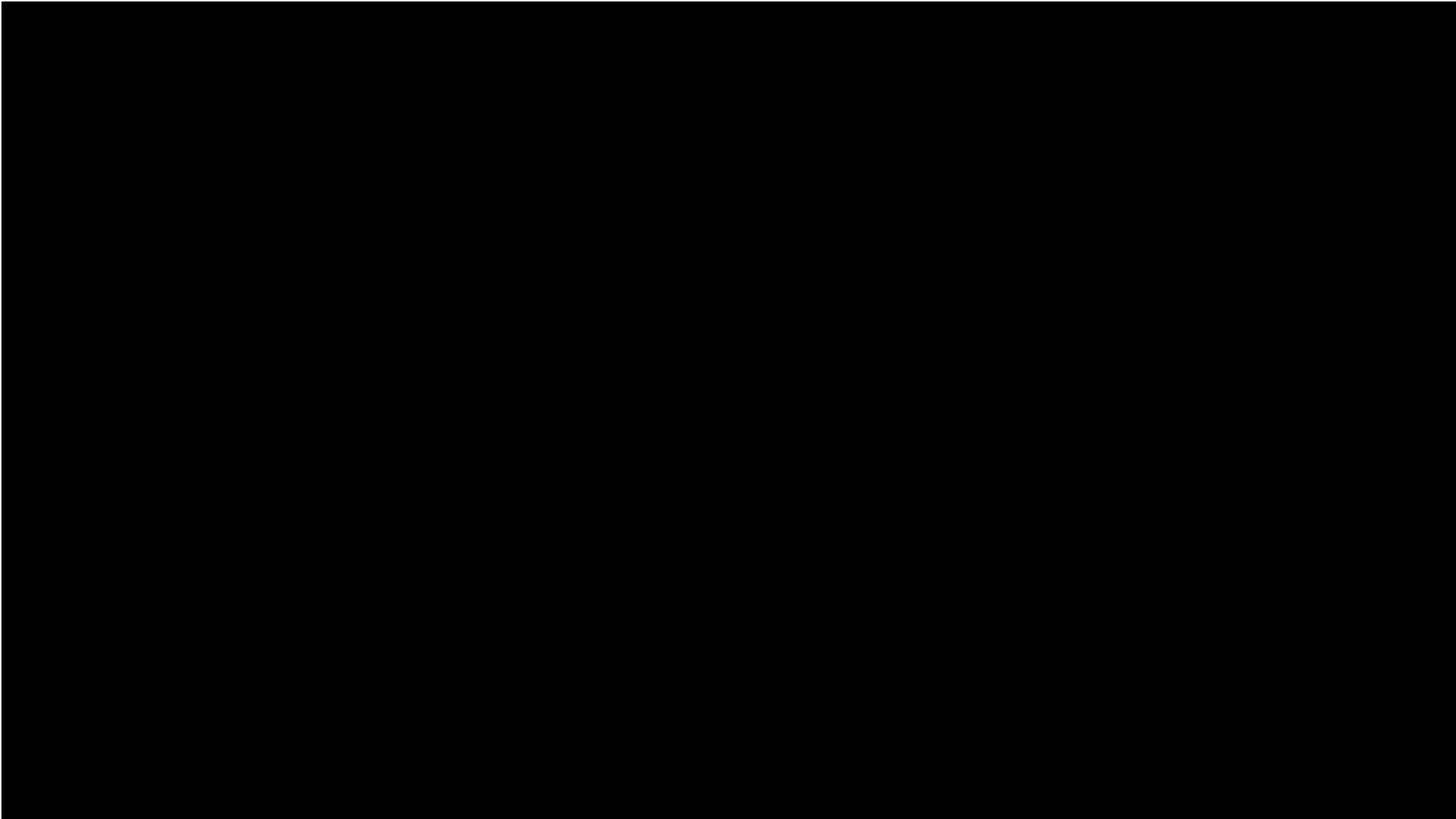
- » **Expand global operations in high growth regions**
  - Focus on Brazil and new fields in the North Sea
- » **Pursue additional opportunities in the FPSO sector**
  - FPSO sector expanding again, in addition to 4+1 FPSOs at Sponsor
- » **Acquire additional vessels on long-term fixed-rate contracts**
  - All vessels acquired will be servicing contracts – no speculative ordering
- » **Provide superior customer service by maintaining high reliability, safety, environmental and quality standards**
  - Operational expertise is a competitive advantage

# TOO: Strategic Assets in the Offshore Value Chain

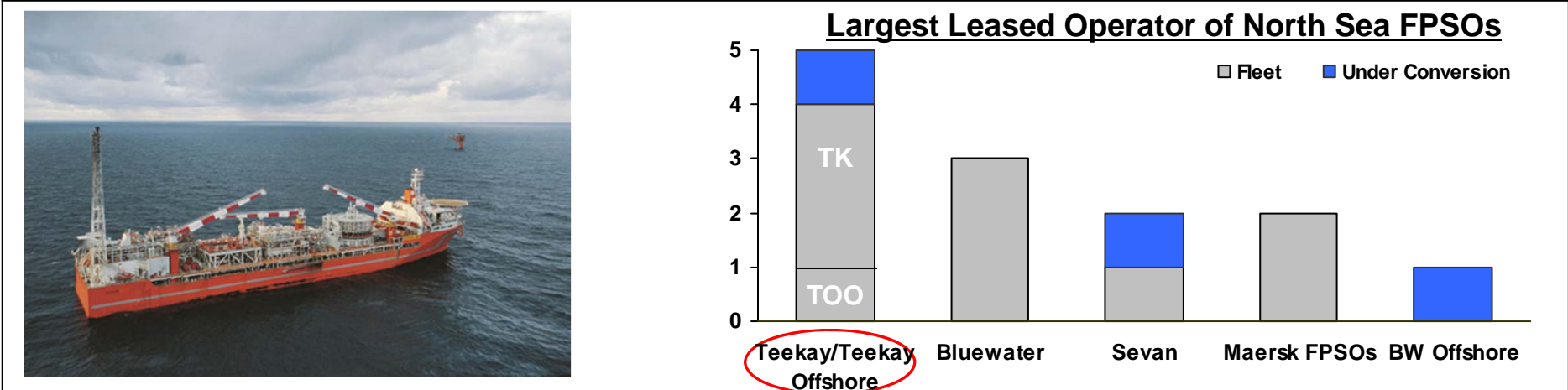
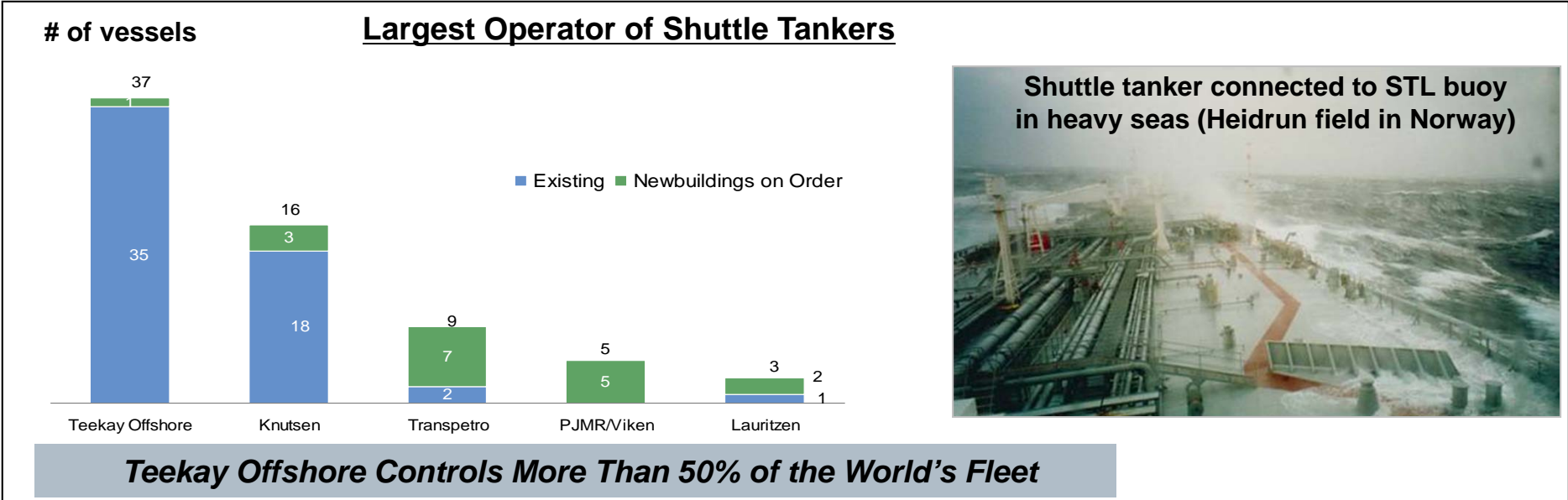


# Example of Teekay Offshore's Bundled Service Offering





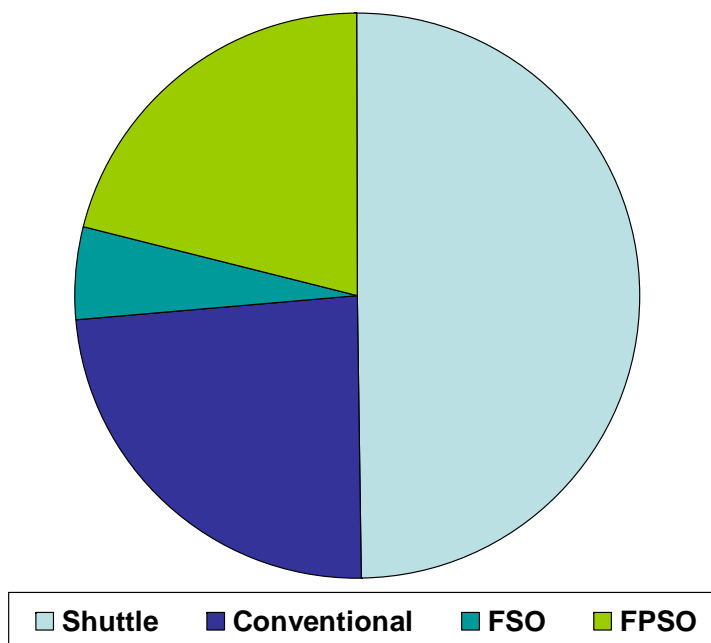
# Teekay Offshore is a Market Leader in its Core Segments



Source: Clarkson Research Services, Platou, Company Websites, Industry Sources.

# Diversified Operations from Four Business Segments














**Percentage of TOO Q1'11  
CFVO**





	<b>Cash Flow Characteristics</b>
<b>Shuttle Tanker Segment (49.6%)</b>	▶ Mix of CoAs (volume based, fixed-rate) and time-charter/bareboat contracts
<b>Conventional Tanker Segment (24.0%)</b>	▶ Long-term fixed-rate time-charter contracts
<b>FSO Segment (5.2%)</b>	▶ Long-term fixed-rate time-charter contracts
<b>FPSO Segment (21.2%)</b>	▶ Long-term fixed-rate time-charter with upside based on amount of oil production

**Cash Flows Backed by High Credit Quality Customers**

# Long-Term Contract Portfolio With Strong Counterparties

	Shuttle Tankers	FPSO Units	FSO Units	Conventional Tankers	
Average Contract Life	▶ 5.1 years	▶ 4.7 years	▶ 3.7 years	▶ 4.4 years	
Forward Revenues	▶ \$2.4 bn	▶ \$0.7 bn	▶ \$0.3 bn	▶ \$0.4 bn	
High Quality Customers	  	  	  <b>PETROBRAS</b>	  	 

## 2011 Priorities

- » Complete the acquisition of remaining 49% of OPCO, subject to recommendation by the Conflicts Committee & accepted by the Board 
- » Deliver the Cidade de Rio das Ostras FPSO to the Aurana field – March 2011 
- » Take delivery of third newbuilding shuttle tanker, Peary Spirit – July 2011 **On-track**
- » Re-contract certain shuttle tankers coming off contract in 2011 **Ongoing**
  - Most have extension options we believe will be exercised at rates similar to current rates
- » Support customer in enhancing Petrojarl Varg FPSO production **Ongoing**
- » Look for value-added projects for older tonnage (e.g. FSO projects) **Ongoing**
- » Pursue new shuttle tanker contracts in core focus areas of North Sea and Brazil **Ongoing**

# Near-term Growth Opportunities Available from Teekay Corp.

## 4 FPSOs



**Petrojarl Foinaven  
(BP)**



**50% of Tiro &  
Sidon (Petrobras)**



**Petrojarl I  
(Statoil)**



**Petrojarl Banff  
(CNR)**

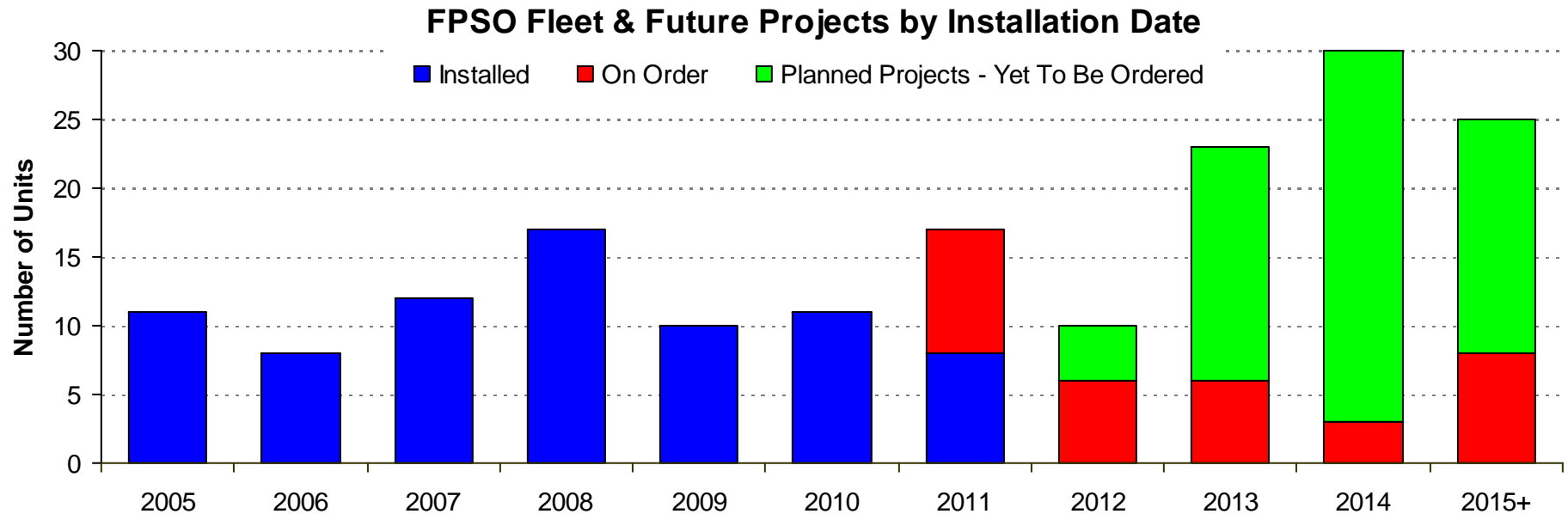


**One additional  
'Amundsen Class'  
shuttle tanker  
(once chartered)**

## 1 Contingent FPSO

FPSO unit ordered  
from Samsung –  
contingent on  
contract award

# Large Upcoming Requirement For New FPSOs

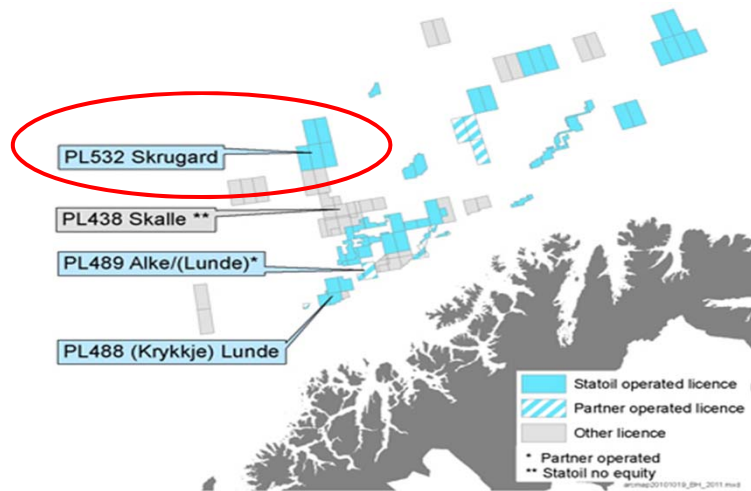


Source: International Maritime Associates

- » The number of offshore oil projects requiring an FPSO solution is growing
  - » 100 visible FPSO projects as of May'11, up from 78 in 2009
- » Half of these projects are in Teekay's core regions of Brazil and the North Sea
- » ~80% of new FPSO requirement will require a newbuild or conversion unit
  - » Remainder to be met by redeployments

# Strong Shuttle Tanker Outlook in North Sea & Brazil

## Statoil Makes Biggest N. Sea Find in a Decade



- » Skrugard find in the Barents Sea estimated to hold up to 500 mb of oil equivalent
- » Push into harsher climates requires highly skilled and experienced operators
- » Starting to see renewed shuttle tanker tender activity in the North Sea / Barents Sea

## Brazilian Requirement Growing; Not Limited to Petrobras



- » Petrobras expects to double domestic oil production to 4 mb/d by 2020
  - Estimated requirement for 30+ shuttle tankers
- » IOCs will also have a requirement for shuttle tankers to lift from offshore fields
  - Estimated requirement for 10+ shuttle tankers
- » Tender activity has increased in recent months

# Teekay LNG Partners

NYSE: TGP

IPO Date: May 4, 2005

Current Unit Price: \$35.10\*

Current Yield: 7.2%\*\*



\*As at May 20, 2011

\*\*Based on an annualized dividend of \$2.52 per unit

NYSE : TGP

[www.teekaylng.com](http://www.teekaylng.com)

# Forward Looking Statements

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# Teekay LNG Partners - Investment Highlights

## » **Stable operating model**

- Contracts are long-term (typically 10-25 years) fixed-rate and generate stable cash flows from strong counterparties

## » **Distribution growth comes from adding new contracts**

- Acquisition of Exmar ships fully reflected in first quarter results

## » **Existing growth CAPEX projects fully financed**

- Fully financed newbuilding program

## » **Sound long-term LNG industry dynamics**

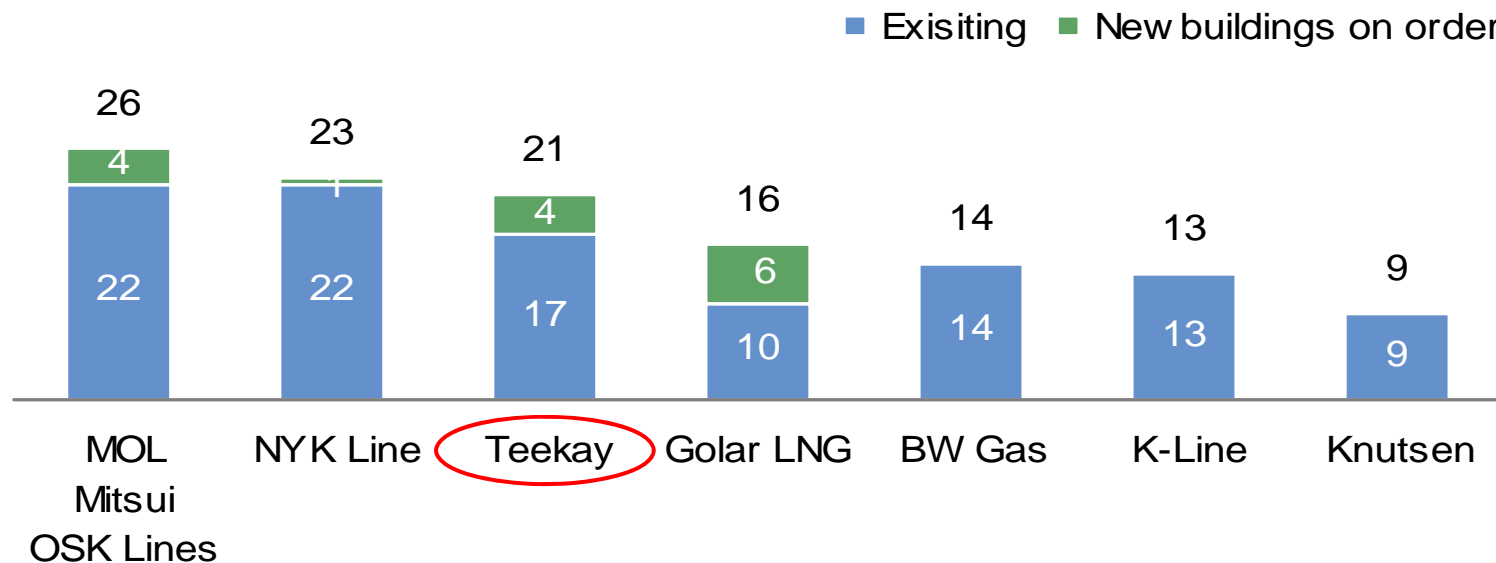
- Global demand for LNG is expected to increase by more than 50 percent by 2030

## » **New growth focused on organic value-added projects and third party acquisitions**

- Exmar – 50% J/V in one LNG carrier and one LNG carrier / FSRU
- Agreed to acquire 4 LNG carriers (33% interest) from Teekay Corp upon delivery in 2011/12
- 3 newbuilding LPG carriers delivering in 2011/12

## Major Independent LNG Operator

- ▶ **Teekay LNG has grown to become the third largest independent operator of LNG carriers**



## Our Business Strategy

- » Expand our LNG fleet on a build-to-suit basis
- » Focus on fixed-rate contracts in excess of 10 years
- » Pursue industry consolidation through accretive acquisitions
- » Leverage Teekay's customer and supplier relationships
- » Provide superior vessel operations
- » Pursue specialized LNG project business



**Objective: to increase distributable cash flow per unit**

# Stable Long-Term Cash Flows

» Attractive fixed-rate contracts “locking in” cash flows:

- 10 - 25 years initial length for LNG carriers
- High credit quality customers
- Cost escalation provisions

» Long remaining contract life for all vessels:

- LNGs: 17 years
- LPGs: 14 years
- Tankers: 9 years

» Liabilities are matched to contracts:

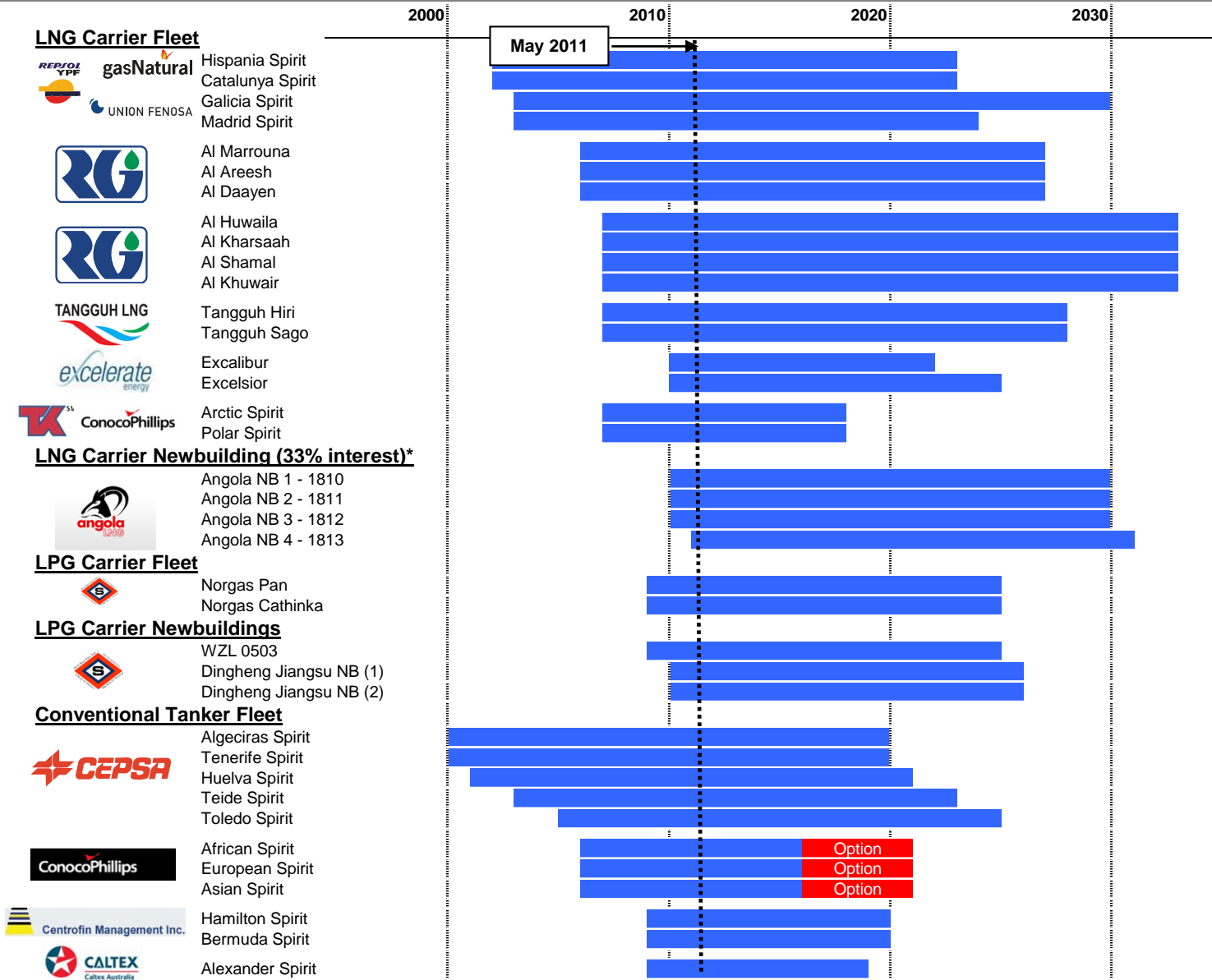
- Repayment profile of principal matches revenue stream
- Interest rates hedged for duration of contract



*Al Daayen*

Note: Weighted average remaining contract life calculations include newbuildings.

# Teekay LNG's Fleet Under Long-Term Contracts



## 2011 Priorities – Execute on Near-term Growth Opportunities

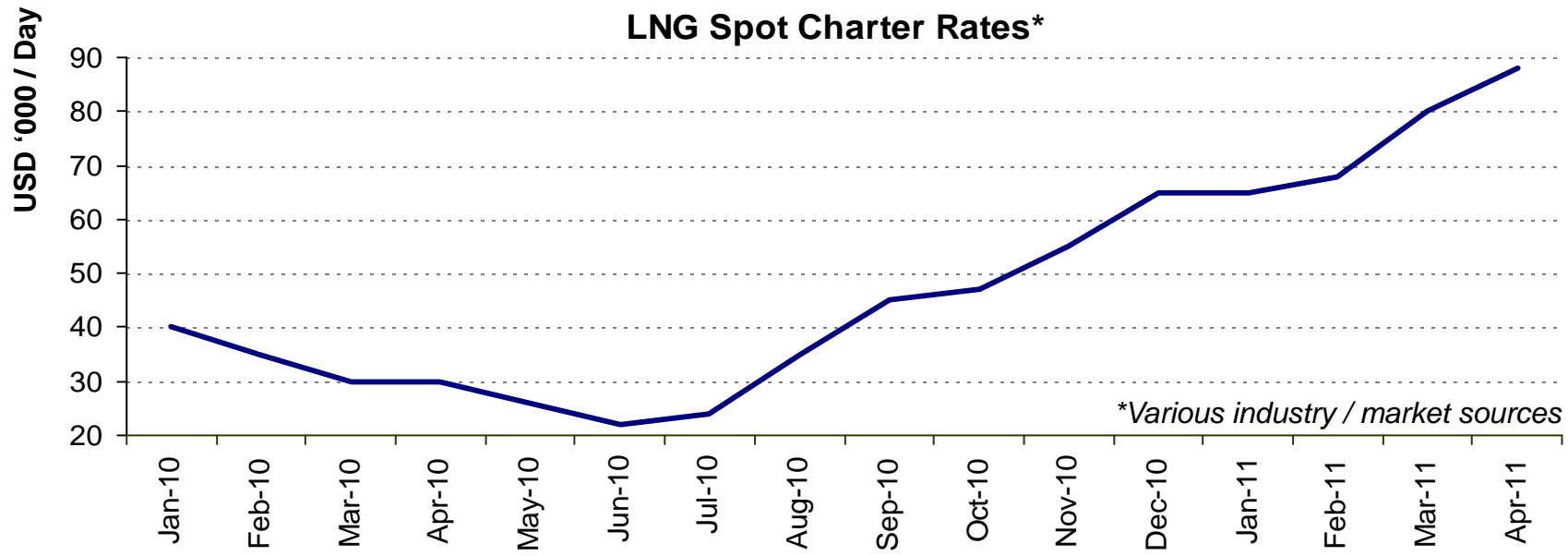
- » Projects being warehoused at Sponsor
  - 1/3 interest in 4 Angola LNGs
  - 3 Skaugen LPGs
- » ‘Point-to-point’ LNG transport market
  - ~57 vessels across 10 projects expected to tender over next 2-3 years
- » Industry consolidation of LNG transportation industry
  - 14% of fleet controlled by independent owners with small fleets of <5 units
  - 27% of fleet controlled by independent owners with fleets of <10 units
  - Oil majors / utilities could look to divest out of shipping
- » LNG Regasification projects
  - 10 Existing Floating Regas
  - 24 Proposed Projects

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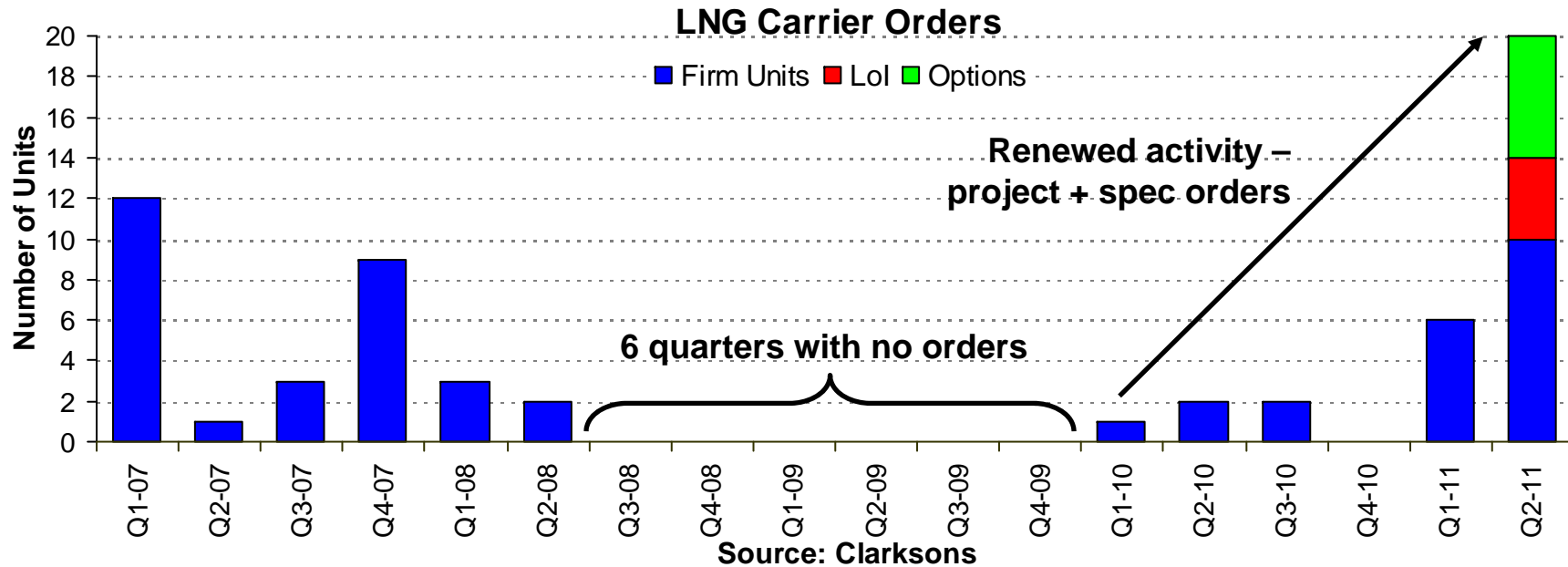
**With liquidity of \$600m at April 30, 2011 and fully funded CAPEX program, TGP has financial capacity to grow**

# LNG Shipping Market – Recent Developments

- » Increase in tender activity for both LNG transportation and floating regasification (FSRU) projects
  - » TGP actively bidding on new gas transportation and FSRU projects
- » Seeking additional fleet growth through third party acquisition opportunities
- » Recent increase in spot / short term activity and rates:
  - Increase in Japanese LNG demand due to power outages following the devastating March 11<sup>th</sup> earthquake
  - Attractiveness of spot LNG prices versus long-term contract prices
  - Availability of uncommitted LNG supply from the Middle East



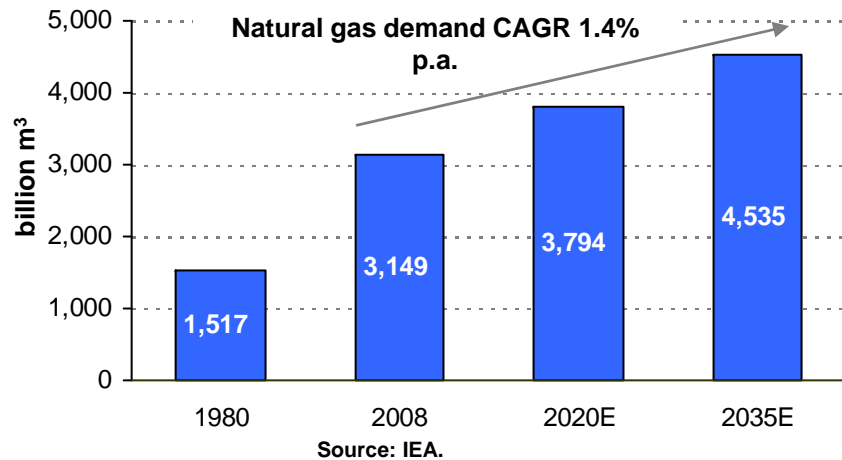
# Renewed LNG Newbuilding Activity



- » Recent uptick in newbuilding order activity for both conventional units and FSRUs
- » Renewal in LNG carrier ordering a result of several factors:
  - » Much tighter short term / spot LNG market
  - » Increased volume of FSRU / conventional LNG tender activity
  - » Perception that LNG carrier newbuilding prices have bottomed

# LNG Market – Sound Long-Term Fundamentals

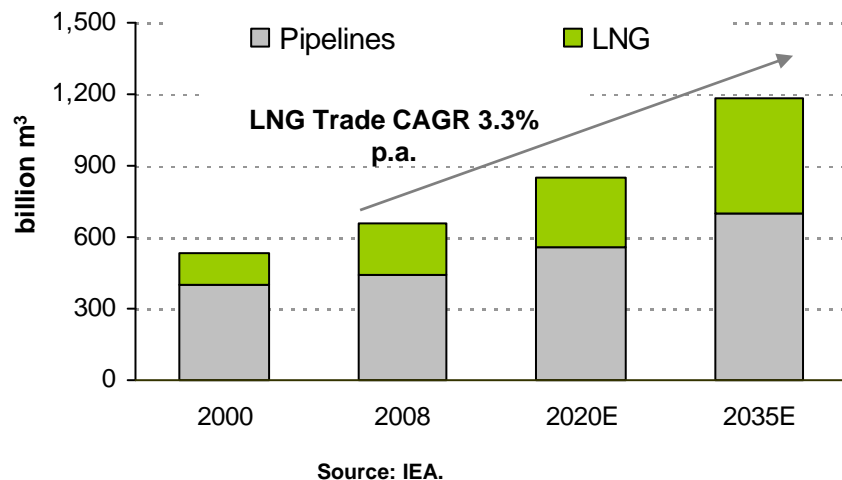
## Natural Gas Demand



» Demand for natural gas is set to grow faster than any other fossil fuel over the next 25 years

- Cleaner burning than oil & coal
- Abundant reserves – around 250 years at current production

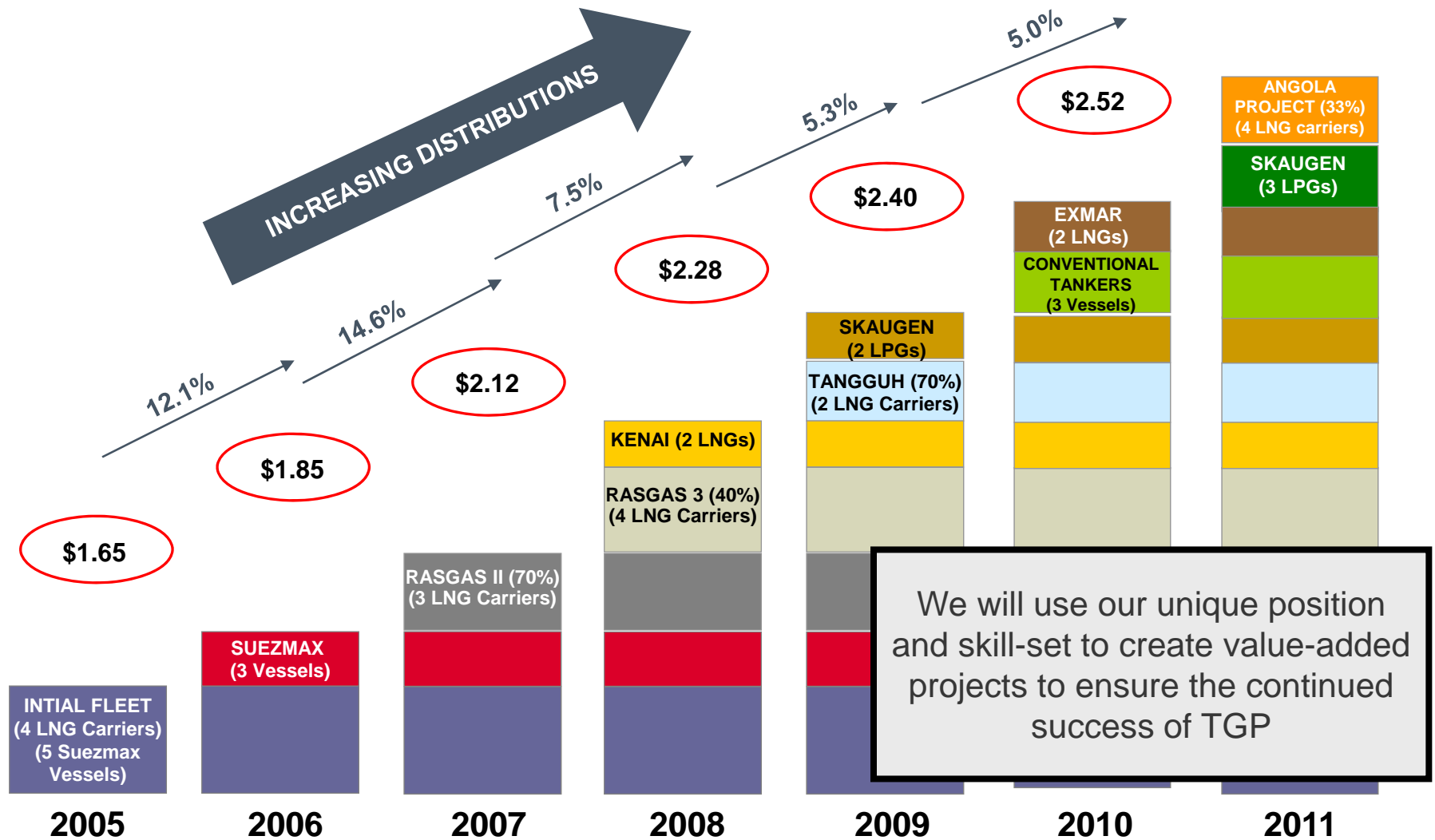
## Inter-Regional Gas Trade



» Trade in LNG expected to grow faster than the underlying demand for natural gas

- Increasing dislocation between sources of supply and demand
- Seaborne transportation of gas gains market share from pipelines

# TGP Has a Strong Record of Growing Distributions



# Appendix

# TGP: Adjusted Operating Results for Q1 2011 vs. Q4 2010

## Teekay LNG Partners L.P. Adjusted Net Income (unaudited)

(in thousands of US dollars)

	Three Months Ended			Three Months Ended	
	March 31, 2011			December 31, 2010	
	As Reported	Appendix A Items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	TGP Adjusted Income Statement	TGP Adjusted Income Statement
<b>NET VOYAGE REVENUES</b>					
Voyage revenues	93,219	-	-	93,219	95,597
Voyage expenses	370	-	-	370	685
Net voyage revenues	92,849	-	-	92,849	94,912
<b>OPERATING EXPENSES</b>					
Vessel operating expense	20,807	-	-	20,807	20,545
Depreciation and amortization	22,349	-	-	22,349	22,658
General and administrative	6,326	(949)	-	5,377	5,566
Total operating expenses	49,482	(949)	-	48,533	48,769
Income from vessel operations	43,367	949	-	44,316	46,143
<b>OTHER ITEMS</b>					
Interest expense	(11,754)	-	(15,582)	(27,336)	(28,045)
Interest income	1,578	-	5,345	6,923	7,239
Realized and unrealized gain on derivative instruments	10,769	(21,006)	10,237	-	-
Foreign exchange (loss) gain	(21,033)	21,033	-	-	-
Equity income	8,057	(2,554)	-	5,503	4,142
Other (expense) income - net	(1,247)	-	-	(1,247)	(1,435)
Total other items	(13,630)	(2,527)	-	(16,157)	(18,099)
Net income	29,737	(1,578)	-	28,159	28,044
Less: Net income attributable to Non-controlling interest	(4,757)	2,484	-	(2,273)	(1,877)
<b>NET INCOME ATTRIBUTABLE TO THE PARTNERS</b>	<b>24,980</b>	<b>906</b>	<b>-</b>	<b>25,886</b>	<b>26,167</b>

(1) See Appendix A to the Partnership's Q1-11 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 (2) to the Summary Consolidated Statements of Income in the Q1-11 earnings release.

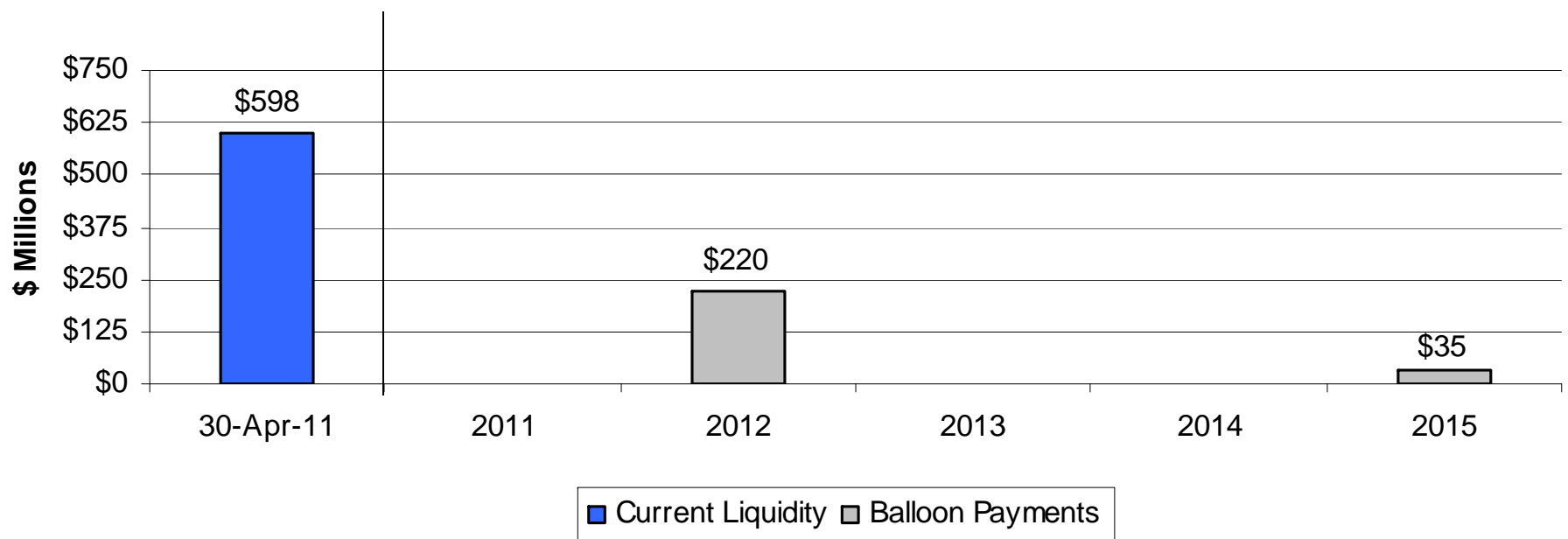
# TGP: Distributable Cash Flow and Cash Distribution

	<b><u>Three Months Ended March 31, 2011 (unaudited)</u></b>	
Net income	29,737	
Add:		
Depreciation and amortization	22,349	
Partnership's share of joint ventures' DCF before estimated maintenance capital expenditures	7,863	
Non-cash tax expense	617	
Unrealized foreign exchange loss	21,033	
Less:		
Unrealized gain from derivatives and other non-cash items	(19,427)	
Estimated maintenance capital expenditures	(11,168)	
Equity income from joint ventures	(8,057)	
<b>Distributable Cash Flow before Non-controlling interest</b>	<b>42,947</b>	
Non-controlling interests' share of DCF before estimated maintenance capital expenditures	(3,866)	
<b>Distributable Cash Flow</b>	<b>39,081</b>	<b>A</b>
<b>Total Distributions</b>	<b>40,572</b>	<b>B</b>
<b>Coverage Ratio</b>	<b>0.96x</b>	<b>A / B</b>

- » **Coverage ratio temporarily below 1.0x due to timing of equity offering in April and investment of proceeds (e.g. delivery of Angola LNG carriers & Skaugen LPG carriers)**

# Teekay LNG – Strong Credit Profile

- » April 30, 2011 total liquidity: ~\$600 million
- » No requirement to tap equity markets
- » No loan covenant concerns
- » Refinancing of 2012 balloon in the process of being finalized



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

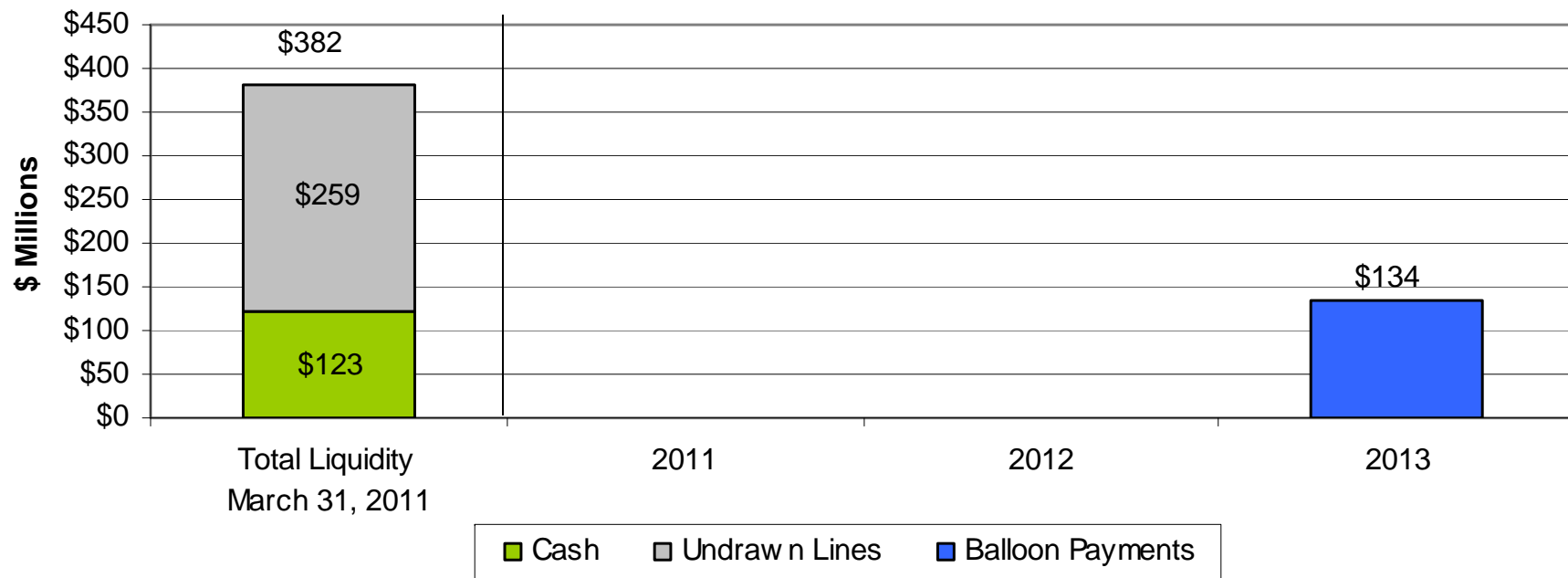
## TOO: Distributable Cash Flow and Cash Distribution

	<b><u>Three Months Ended</u></b> <b><u>March 31, 2011</u></b> <b>(unaudited)</b>	
Net income	43,969	
Add (subtract):		
Depreciation and amortization	45,570	
Loss on sale of vessel	171	
Write-down of vessel	900	
Foreign exchange and other, net	3,154	
Deferred income tax expense	1,169	
Estimated maintenance capital expenditures	(25,610)	
Unrealized gains on non-designated derivative instruments	(24,124)	
<b>Distributable Cash Flow before Non-Controlling Interest</b>	<b>45,199</b>	
Non-controlling interests' share of DCF	(15,983)	
<b>Distributable Cash Flow</b>	<b>29,216</b>	(A)
<b>Total Distributions</b>	<b>33,612</b>	(B)
<b>Coverage Ratio</b>	<b>0.87 X</b>	(A) / (B)

**Note: If OPCO had been acquired on Jan. 1, 2011, the Q1-11 coverage ratio would have been 1.14x**

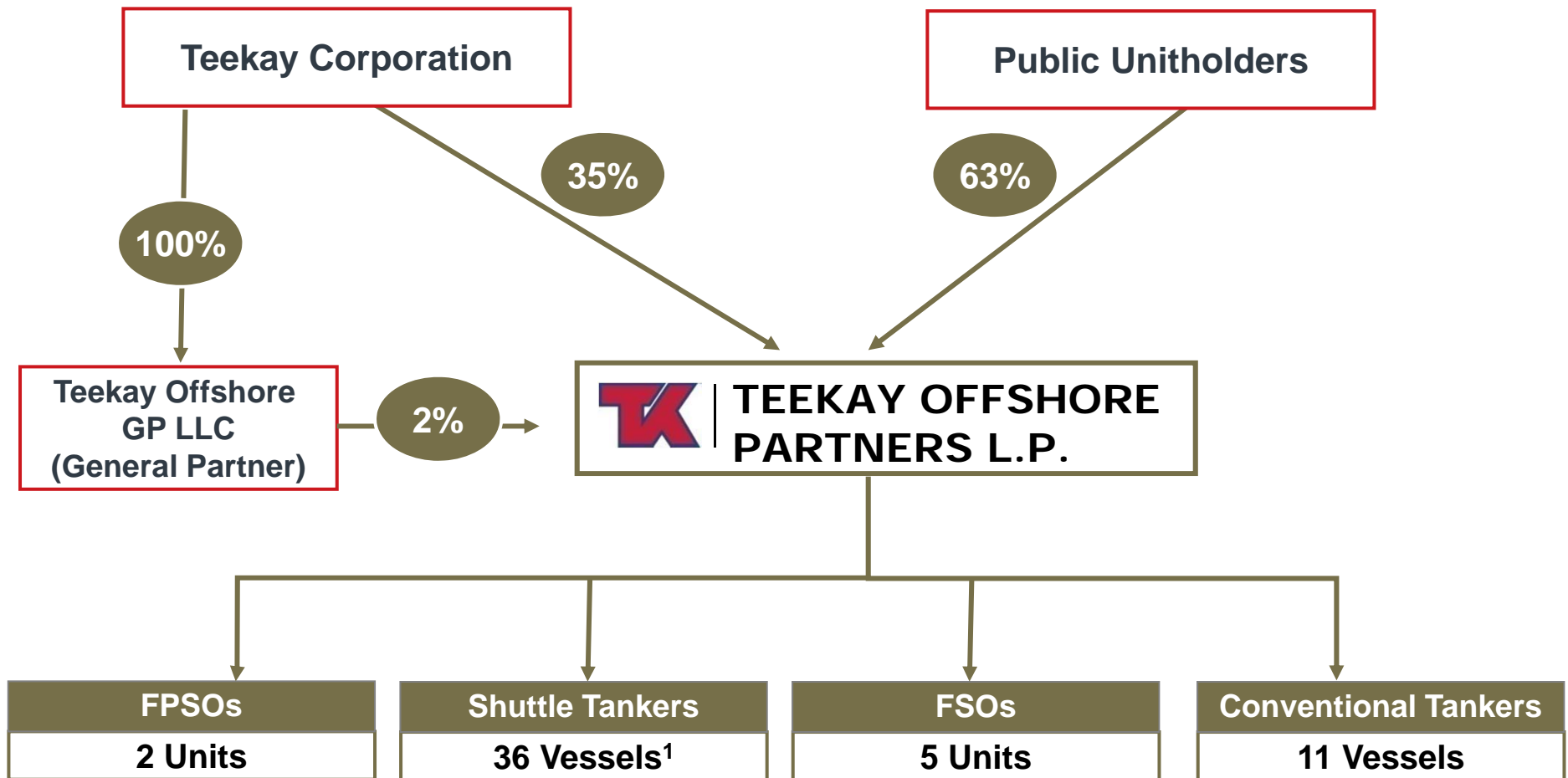
## TOO: Teekay Offshore has a Strong Financial Profile

- » March 31, 2011 total liquidity (cash and undrawn lines): ~\$380 million
- » No unfunded CAPEX commitments
- » No material near-term refinancing requirements



Note: Future balloon payments are based on amounts drawn as at March 31, 2011

# Teekay Offshore Partners LP – Ownership Structure Now Simpler



<sup>1</sup> Includes one newbuilding agreed to be acquired in July 2011.