TEEKAY

TEEKAY OFFSHORE PARTNERS Q2-2016 EARNINGS PRESENTATION

August 4, 2016

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 results and benefits of the Partnership's financing initiatives, including the Partnership's ability to meet medium-term liquidity requirements and finance its committed growth projects; and the expected impact of the delivery of the Partnership's existing growth projects on its cash flows. 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 to achieve or the delay in achieving expected benefits of such financing initiatives; vessel operations and oil production volumes; significant changes in oil prices; variations in expected levels of field maintenance; increased operating expenses; different-than expected levels of oil production in the North Sea, Brazil and East Coast of Canada offshore fields; potential early termination of contracts; shipyard delivery or vessel conversion and upgrade delays and cost overruns; changes in exploration, production and storage of offshore oil and gas, either generally or in particular regions that would impact expected future growth; delays in the commencement of charter contracts; 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, 2015. 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.

Recent Highlights

- Generated Q2-16 DCF* of $45.9 million and CFVO* of $144.2 million
  - DCF per common unit of $0.42
- Declared Q2-16 cash distribution of $0.11 per unit
- In June 2016 completed $600 million of financing and other initiatives
  - Debt financing now in place for all of TOO's growth projects and addresses upcoming debt maturities
  - Total liquidity of $421 million as of June 30, 2016
- Logitel subsidiary cancelled shipyard contract for 2 remaining UMS newbuildings
- Arendal Spirit UMS back on-hire in early July 2016

*Distributable Cash Flow (DCF) and Cash Flow from Vessel Operations are non-GAAP measures. Please see Teekay Offshore's Q2-16 earnings release for descriptions and reconciliations of these non-GAAP measures.

TOO CFVO is Stable and Growing

Growth has more than offset recent asset sales and redeployments

FPSO

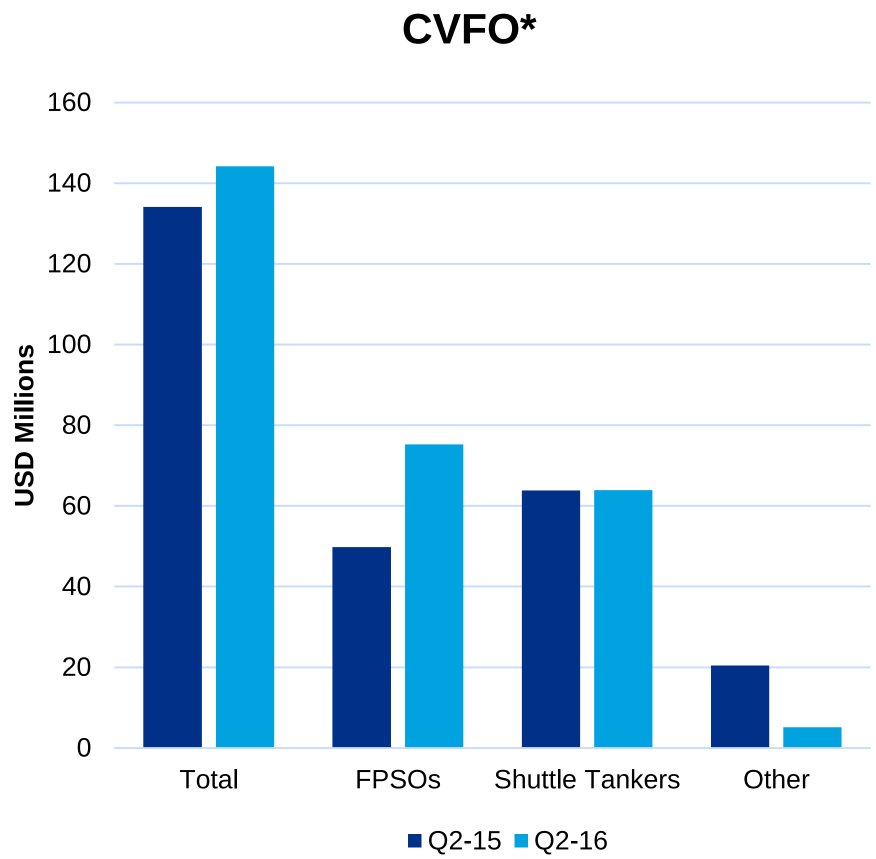
- Increase in CFVO mainly due to acquisition of the Knarr FPSO in mid-2015
- Varg FPSO completed contract in July 2016 and now in lay-up following decommissioning
- Pursuing employment opportunities based on interest in using existing FPSOs in new oilfield developments

Shuttle Tankers

- Start-up of East Coast Canada project and rate increases under certain existing contracts more than offset CFVO reduction due to contract expirations
- Shuttle tanker market remains tight

Other

- Arendal Spirit UMS back on-hire following 71 days of off-hire in Q2-16 due to damage to gangway in April 2016
- Towing activity and inquiry largely driven by drilling rig moves – recently awarded newbuilding FPSO towage contract for 2 vessels



*Cash Flow from Vessel Operations is a non-GAAP measure. Please see Teekay Offshore’s Q2-16 earnings release for a description and reconciliation of this non-GAAP measure.

TOO Financing Initiatives Completed in June

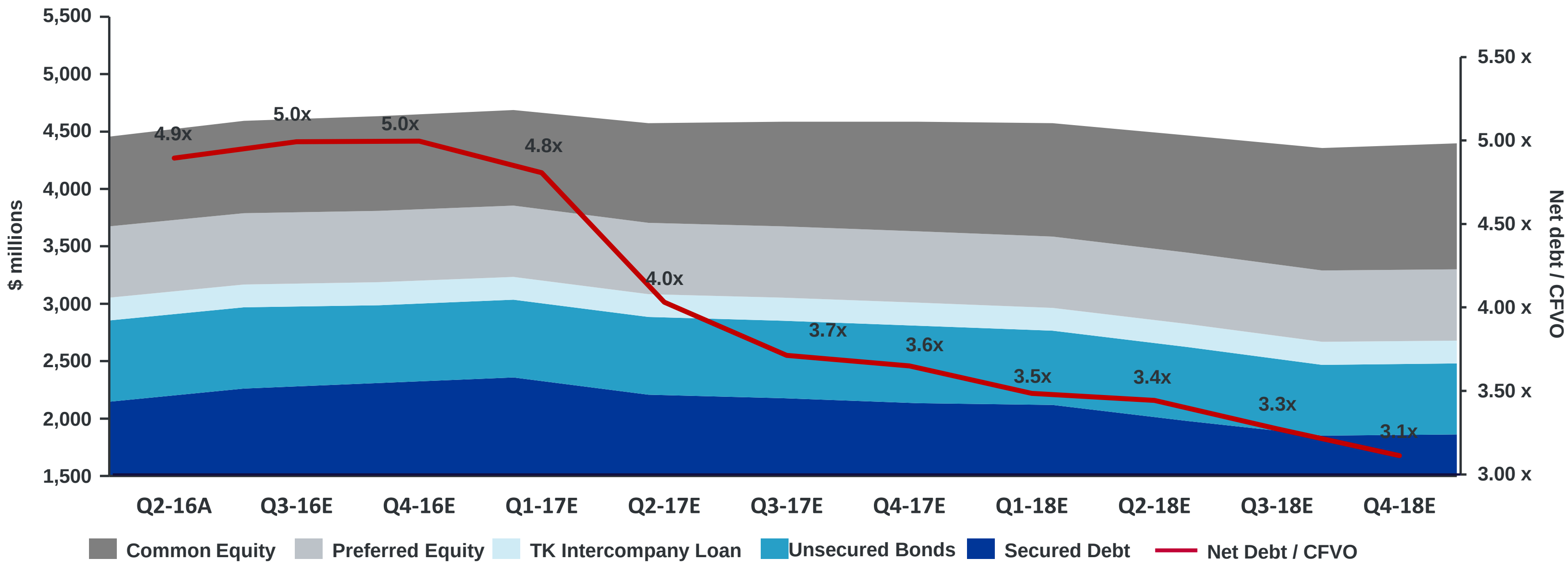
Debt financing now in place for all growth projects and addresses near and medium-term debt maturities

	Initiatives
Banks	• New \$250 million debt facility to finance three East Coast Canada shuttle tanker newbuildings • New \$40 million debt facility secured by six previously un-mortgaged vessels (shuttle tankers and FSO units) • \$35 million add-on tranche to an existing debt facility secured by two shuttle tankers • \$75 million extension to the existing financing for the Varg FPSO
Norwegian Bondholders	• Jan 2017 Bond (TOP02) – New maturity Nov 2018 with 30% amortization in Oct 2016 and Oct 2017 • Jan 2018 Bond (TOP04) – New maturity Dec 2018 with 20% amortization in Jan 2018; coupon increased by 1%
Equity Holders	• \$100 million issuance of Series D preferred units (with warrant structure) • \$100 million issuance of common units
Capex	• Logitel cancelled approximately \$400 million of capex related to the remaining two UMS newbuildings under construction • Sale of two conventional tankers in Q4-15 and sale-leaseback of the two remaining conventional tankers in Q1-16, adding approximately \$60 million in liquidity

TOO's Balance Sheet Projected to De-lever Significantly(1)

TOO expected to be better positioned to refinance bond maturities post – 2017 with higher CFVO and lower debt

Projected TOO Leverage (Net debt / CFVO)(1)(2)



In USD Billions	Q1 – 2016		Q4 – 2018 (3)
Secured Debt (net of cash)	$2.3	TOO Expected to Delever	$1.9
Unsecured Bonds	$0.7		$0.6
Net Debt / Book Cap	72%		57%

(1) Based on management's estimates of contract roll-overs. No CFVO assumed for Varg in Q4-16 through 2018.
(2) Run-rate based on quarterly CFVO excluding temporary off-hire relating to Arendal Spirit gangway replacement in Q2-16 and excludes $200 million TK Intercompany Loan.
(3) Secured debt balance is net of cash. Unsecured bond balance is before Q4-2018 NOK bond payments.

Three-Year Growth Pipeline

Fully financed growth projects will contribute to significant CFVO growth

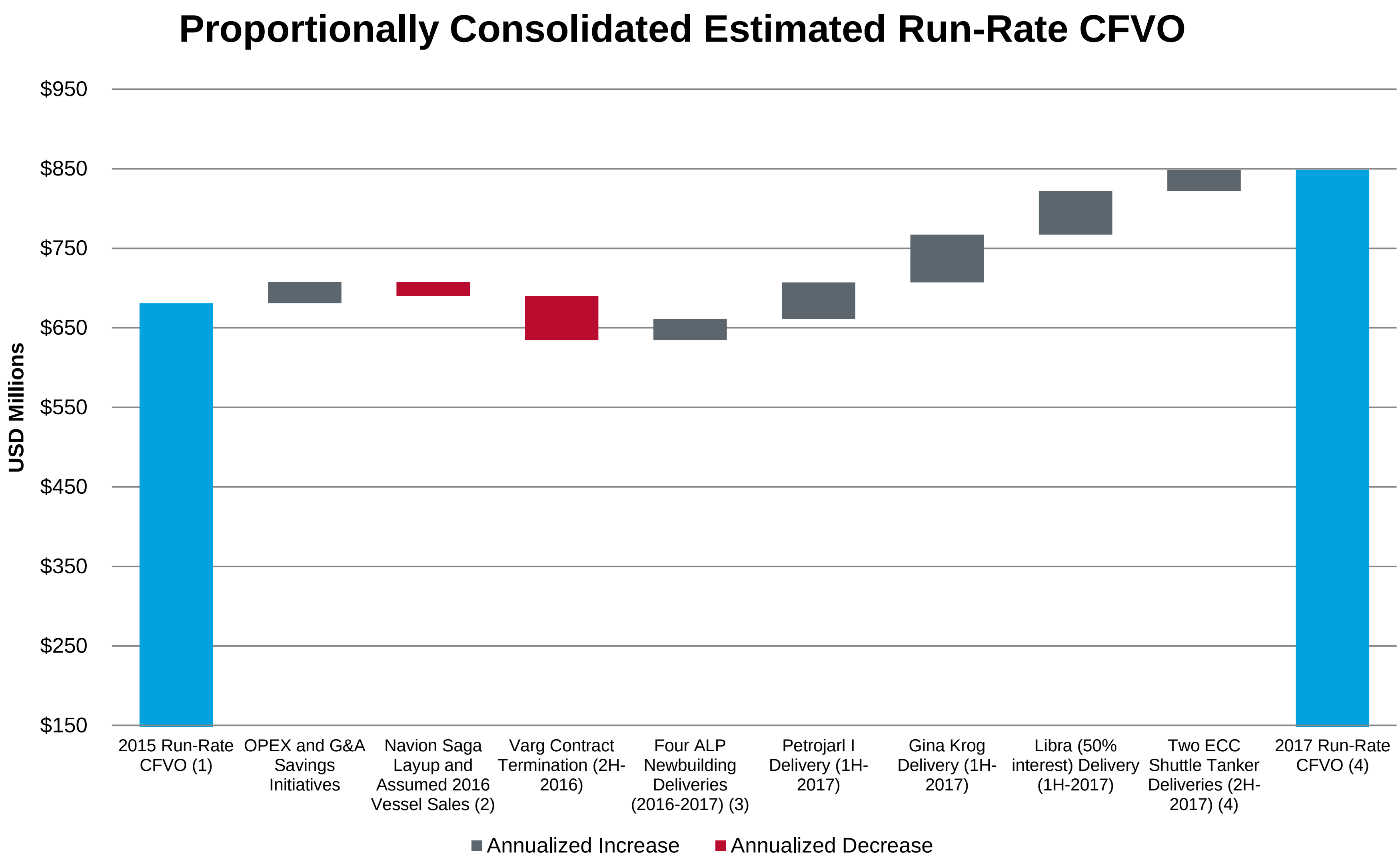
Project	Remaining CAPEX ($ millions as at June 30, 2016)	Remaining Undrawn Financing ($ millions as at June 30, 2016)	2016	2017	2018
ALP Towage Newbuildings[1]	87	109			
Petrojarl I FPSO (upgrade)	126	27		QGEP	Out to 2022
Gina Krog FSO[2] (conversion)	99	65		Statoil	Firm period out to 2020; Options out to 2032
Libra FPSO[3] (conversion)	305	287		Petrobras / Total / Shell / CNPC / CNOOC	Out to 2029
East Coast Canada Shuttle Tankers	322	250	Chevron / Husky / Nalcor / Murphy / CHH / Exxon / Statoil / Suncor / Mosbacher		Firm Period out to 2030; Options out to 2035
Total	**939**	**738**			

Short-term charters
Charter contract

$200 million of additional annual CFVO from growth projects over the next 3 years[3]

(1) Based on full amount of loan facility to be drawn; capital commitments shown net of cash liquidated damages payments from shipyard as compensation for late delivery.
(2) Excludes amounts reimbursable upon delivery.
(3) Includes 50% proportionate share of the Libra FPSO.

TOO's CFVO Continues to Grow



(1) Annualized for Knarr FPSO and Arendal Spirit deliveries, Navigator Spirit and SPT Explorer sales and shuttle tanker contract expirations during 2015.
(2) Assumes vessel sales: Fuji Spirit (completed), Kilimanjaro Spirit (completed) and Navion Europa.
(3) Assumes ALP vessels chartered at current market rates.
(4) Excludes one East Coast Canada (ECC) shuttle tanker newbuilding delivering in early 2018.

Appendix

DCF and DCF per Limited Partner Unit

Q2-16 vs. Q1-16

($'000's, except per unit information)	Three Months Ended June 30, 2016 (unaudited)	Three Months Ended March 31, 2016 (unaudited)	Comments
Revenues	284,464	306,708	
Voyage expenses	(17,588)	(18,344)	
Net revenues	266,876	288,364	• $10m decrease due to off-hire of the *Arendal Spirit* UMS during Q2-16 relating to damage to the gangway; • $5m decrease from a provision relating to retroactive claims from Petrobras associated with an agency agreement related to the *Piranema Spirit* FPSO unit during Q2-16; • $4m decrease due to a full quarter of reduction in revenue relating to the *Petrojarl Varg* FPSO unit during Q2-16 as it prepared to come off field in late-July 2016; and • $4m decrease due to a fee received from Teekay Corp. relating to the contract termination of one conventional tanker in Q1-16.
Vessel operating expenses	(90,761)	(95,352)	• $4m decrease in FPSO FEED studies, crew costs and ship management fees; and • $3m decrease in FPSO and towage expenses mainly relating to lower repairs and maintenance; partially offset by • $2m increase in UMS repairs and maintenance for the *Arendal Spirit* UMS due to the damage to the gangway.
Time charter hire expense	(18,829)	(15,322)	• Increase due to a full quarter impact from the sale-leaseback of the *Fuji Spirit* and *Kilimanjaro Spirit* conventional tankers in Q2-16.
Estimated maintenance capital expenditures	(40,118)	(40,671)	
General and administrative expenses	(13,821)	(14,469)	
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures (1)	4,140	5,725	• Decrease due to a maintenance bonus received during Q1-16 within the *Cidade de Itajai* FPSO equity accounted joint venture.
Interest expense	(33,347)	(36,026)	• Decrease due to increase in capitalized interest due to higher interest rates and lower interest expense due to various debt repayments during Q2-16.
Interest income	293	404	
Realized losses on derivative instruments (2)	(15,202)	(16,900)	
Income tax recovery	1,438	2,836	
Distributions relating to equity financing of newbuildings and conversion costs add-back	4,041	3,262	
Distributions relating to preferred units	(10,314)	(10,750)	
Other - net	(3,450)	(4,454)	
Distributable Cash Flow before Non-Controlling Interests	**50,946**	**66,647**	
Non-controlling interests' share of DCF	(5,061)	(4,610)	
Distributable Cash Flow (3)	**45,885**	**62,037**	
Amount attributable to the General Partner	(309)	(240)	
Limited Partners' Distributable Cash Flow	45,576	61,797	
Weighted-average number of common units outstanding	107,794	107,055	
Distributable Cash Flow per Limited Partner Unit	**0.42**	**0.58**	

(1) See reconciliation of the Partnership's equity income to share of equity accounted joint venture's distributable cash flow net of estimated maintenance capital expenditures.
(2) See reconciliation of the Partnership's realized and unrealized losses on derivative instruments to realized losses on derivative instruments.
(3) For a reconciliation of Distributable Cash Flow, a non-GAAP measure, to the most directly comparable GAAP figures, see Appendix B in the Q2-16 and Q1-16 Earnings Releases.

Reconciliation of Non-GAAP Financial Measures

Reconciliation of Partnership's realized and unrealized losses on derivative instruments to realized losses on derivative instruments:

($'000's)	Three Months Ended June 30, 2016 (unaudited)	Three Months Ended March 31, 2016 (unaudited)
Realized and unrealized losses on derivative instruments as reported	62,037	60,490
Unrealized losses on derivative instruments	46,835	43,590
Realized losses on derivative instruments	15,202	16,900

Reconciliation of Partnership's equity income to share of equity accounted joint venture's distributable cash flow net of estimated maintenance capital expenditures:

($'000's)	Three Months Ended June 30, 2016 (unaudited)	Three Months Ended March 31, 2016 (unaudited)
Equity income as reported	3,626	5,283
Depreciation and amortization	2,201	2,192
Unrealized gains on derivative instruments	(1,010)	(587)
Unrealized foreign exchange gains	(306)	(116)
Write-down of equipment	676	-
Estimated maintenance capital expenditures	(1,047)	(1,047)
Partnership's share of equity accounted joint venture's distributable cash flow net of estimated maintenance capital expenditures	4,140	5,725

Q3 2016 Outlook – Teekay Offshore

Distributable Cash Flow Item	Q3-2016 Outlook (compared to Q2-2016)
Net revenues	• $10m increase from the *Arendal Spirit* UMS returning to operations in July 2016; • $4m increase from a provision relating to retroactive claims associated with an agency agreement related to the *Piranema* FPSO in Q2-16, partially offset by • $10m decrease from the redelivery of the *Petrojarl Varg* FPSO in late-July 2016.
Vessel operating expenses	• $3m decrease from the redelivery and lay up of the *Petrojarl Varg* FPSO in Q3-16, partially offset by • $3m increase from costs required for the *Navion Anglia* shuttle tanker to operate in the North Sea in Q3-16.
Time-charter hire expense	• Expected to be in line with Q2-16
Estimated maintenance capital expenditures	• $7m decrease from liquidated damages to be received from the yard as compensation for the late delivery of the *ALP Striker* towage vessel in Q3-16.
General and administrative expenses	• Expected to be in line with Q2-16
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures	• Expected to be in line with Q2-16
Net interest expense	• $1m increase from the full quarter of the financing initiatives completed in Q2-16.
Distributions relating to equity financing of newbuildings and conversion costs add-back	• Expected to be in line with Q2-16
Distributions relating to preferred units	• $2m increase from the full quarter of Series D Cumulative Exchangeable Perpetual Preferred Units.
Non-controlling interest's share of DCF	• Expected to be in line with Q2-16
Distributions relating to common and general partner units	• $1m increase from equity issuances in Q3-16 to fund distributions.

2016 Drydock Schedule

Segment	March 31, 2016 (A)		June 30, 2016 (A)		September 30, 2016 (E)		December 31, 2016 (E)		Total 2016 (E)	
	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days
Shuttle Tanker	-	-	3	99	2	52	1	35	6	186

Note: In the case that a vessel drydock straddles between quarters, the drydock has been allocated to the quarter in which the majority of drydock days occur.

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