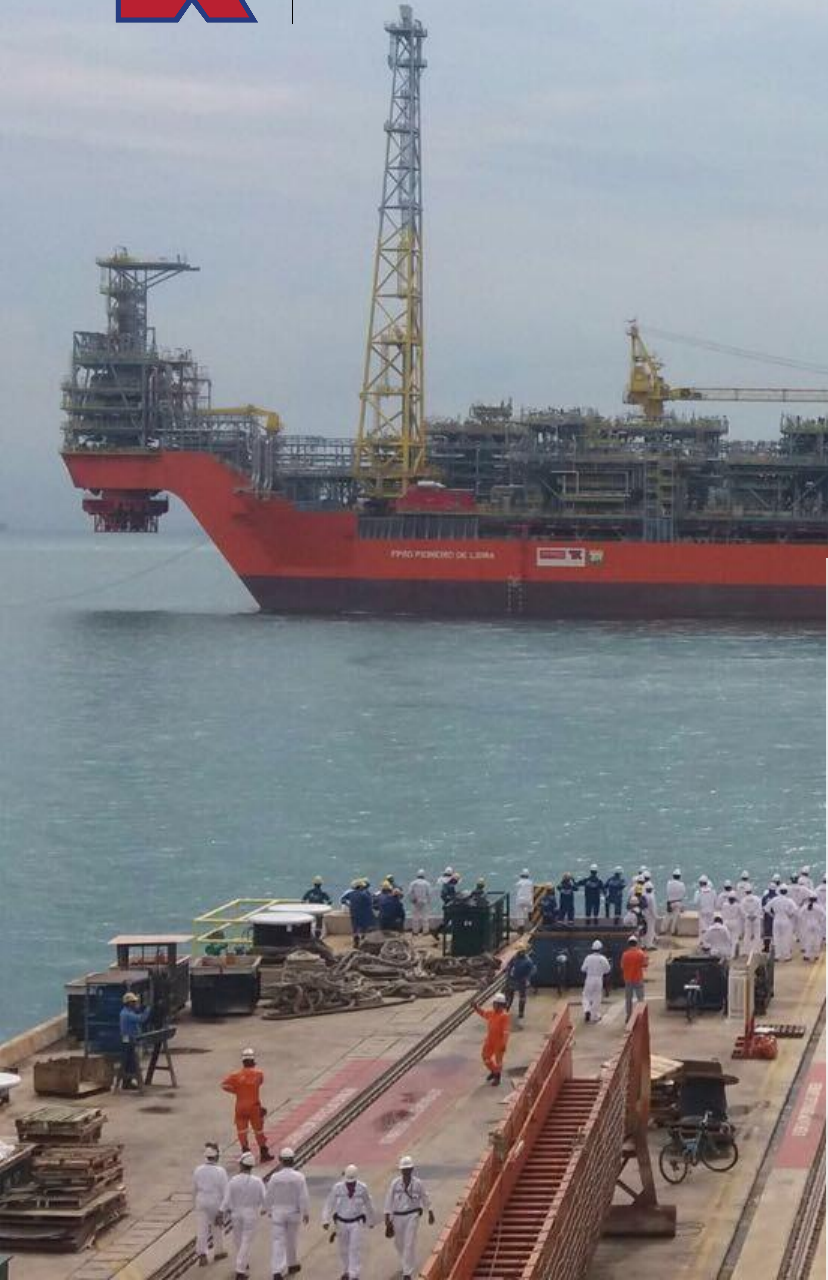


TEEKAY OFFSHORE PARTNERS Q1-2017 EARNINGS PRESENTATION

May 18, 2017

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: the *Arendal Spirit* UMS charter contract termination, including the outcome of the Partnership's dispute of the contract termination by Petrobras and ability to collect amounts under the contract, discussions with the lenders under the unit's related credit facility and the potential for alternative employment of the unit; the timing of start-up and the vessel equivalent requirements of the new CoAs; the Partnership's timing of delivery, start-up and costs of various newbuildings and conversion/upgrade projects and the commencement of related contracts, including potential delays and additional costs on the *Petrojarl I* FPSO unit and Gina Krog FSO unit; and the outcome of discussions with Statoil on the Gina Krog FSO interim shuttle tanker offloading solution and with the charterer, shipyard and lenders about delivering the *Petrojarl I* FPSO unit for operation. 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; 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; the inability of the Partnership to successfully make a claim against, and collect from, Petrobras for the *Arendal Spirit* UMS; inability of the Partnership to obtain a replacement charter for the *Arendal Spirit* UMS or a waiver from the lenders of the *Arendal Spirit* UMS term loan; delays in the start-up of offshore oil fields related to the CoA contracts or the actual vessel equivalent requirements of new CoAs; delays in the commencement of charter contracts; the inability of the Partnership to negotiate acceptable terms with the charterer, shipyard and lenders related to the delay of the *Petrojarl I* FPSO; the inability to negotiate acceptable terms on the *Gina Krog* FSO interim shuttle tanker offloading solution; the inability to negotiate acceptable lease and operate terms related to the *Varg* FPSO FEED study; the ability to fund the Partnership's remaining capital commitments and debt maturities; 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, 2016. 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 Q1-17 DCF* of $30.6 million
  - Q1-17 DCF* per common unit of $0.20
- Took delivery of the 50% owned *Libra* FPSO unit, which is expected to arrive in Brazil on May 19th and commence operations in late-June / early-July 2017 under its 12-year contract
- Secured two new North Sea shuttle tanker contracts of affreightment (*CoA*)
- Extended the *Falcon Spirit* FSO unit charter contract for five years
- Entered into a customer-funded front-end engineering and design (*FEED*) study for the *Varg* FPSO unit on the Cheviot field in the U.K. sector of the North Sea
- Received notification from Petrobras to terminate the *Arendal Spirit* UMS charter contract

*Distributable Cash Flow (DCF) is a non-GAAP measure. Please see Teekay Offshore's Q1-17 earnings release for a description and reconciliation of this non-GAAP measure.

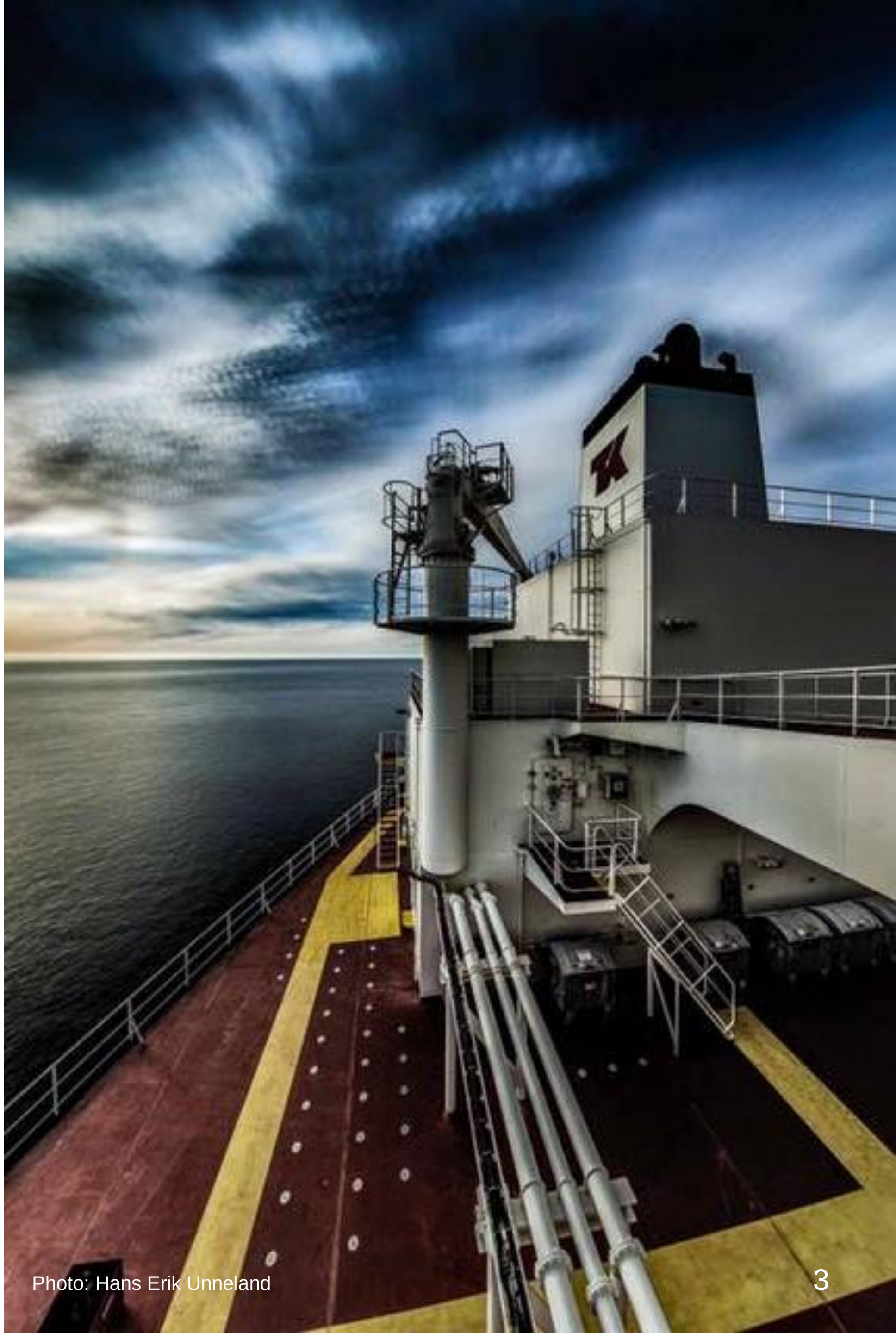


Photo: Hans Erik Unneland

TOO's Growth Pipeline

Project	Remaining CAPEX ($ millions as at Mar 31, 2017)	Remaining Undrawn Financing ($ millions as at Mar 31, 2017)	2017	2018
ALP Towage Newbuildings[1]	43	68		
Libra FPSO[2] (conversion)	73	56	Petrobras / Total / Shell / CNPC / CNOOC	Out to 2029
East Coast Canada Shuttle Tankers	285	191	Chevron / Husky / Nalcor / Murphy / CHH / Exxon / Statoil / Suncor / Mosbacher	Firm Period out to 2030; Options out to 2035
Gina Krog FSO[3] (conversion)	82	16	Statoil	Firm period out to 2020; Options out to 2032
Petrojarl I FPSO (upgrade)	98	60 [4]		QGEP Out to end-2022
Total	**581**	**391**		

Short-term charters   Charter contract

$200 million of additional annual CFVO from growth projects[2]

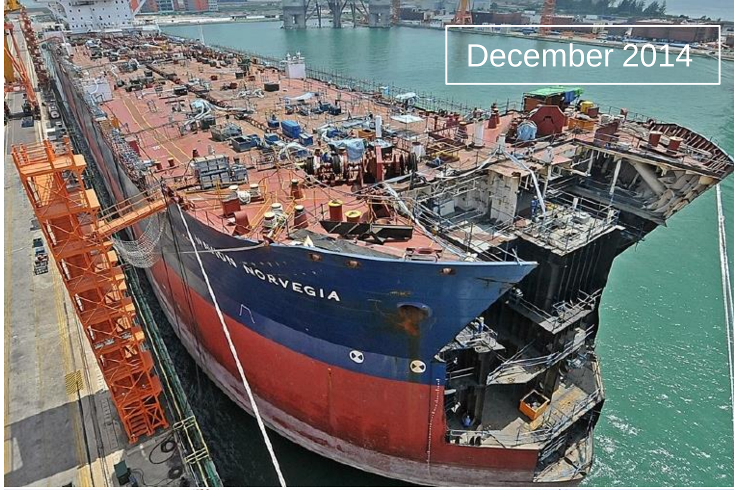
(1) Based on full amount of loan facility to be drawn; capital commitments shown net of $24 million cash liquidated damages payments received from shipyard in April 2017 as compensation for late delivery.
(2) Includes only TOO's 50% proportionate share of the *Libra* FPSO unit.
(3) Excludes amounts reimbursable upon delivery.
(4) Cash funds held in escrow.

Libra FPSO Contract Nearing Start-up

- Successful delivery of the 50% owned *Libra* FPSO conversion project from the Jurong shipyard in Singapore occurred in late-March 2017
  - 869 subsystems
  - 8,000 tons of marine structural renewals, reinforcements and additions (23,000 tons including topsides)
  - 10,600 spools of piping
  - 300,000 meters of cabling
  - Over 20 million LTI-free man-hours
- *Libra* FPSO unit is currently in transit to Brazil where the unit is expected to arrive on May 19th
- 12-year contract with a consortium of oil majors, led by Petrobras, is expected to commence in late-June / early-July 2017

PETROBRAS (40%) TOTAL (20%) (20%)

CNPC (10%) CNOOC Limited (10%)


December 2014


October 2016


March 2017

Signs of "Green Shoots" in Core Offshore Markets

Shell Pledges $10 Billion For Brazil Projects

Petrobras launches Buzios FPSO tender

Statoil Agrees on $2.5 Billion Deal for Brazil Oil License

Premier eyes Catcher output hike

Norway doubles Barents resource tally

Exxon, Petrobras Said to Have Discussed Strategic Partnership

Centrica to extend life of Chestnut field

Petrobras posts best quarterly results in two years

Statoil approaches vital Barents Sea campaign

Presalt oil production offshore Brazil reaches milestone

Three in race for Libra FPSO

Shuttle Tanker Charter Updates

- Since March 2017, the Partnership has finalized two multi-year CoA contracts for the Catcher and Kraken oil fields in the U.K. sector of the North Sea
  - Charters scheduled to commence during Q3-17 through Q1-18, servicing a consortium of oil companies
- Currently shuttle tanker CFVO of ~$270 million(1) per annum set to grow
  - Including Glen Lyon CoA contract requirement, recent contract awards will add a requirement for 3.3 shuttle tanker vessel equivalents per annum between May 2017 and January 2018
  - Delivery of the 3 East Coast Canada newbuildings between Q3-17 and Q1-18 will further add to shuttle tanker CFVO

(1) Cash Flow from Vessel Operations (CFVO) is a non-GAAP measure. Please see Teekay Offshore's Q1-17 earnings release for a description and reconciliation of this non-GAAP measure; based on annualized Q1-17 Shuttle Tanker segment CFVO.

Photo: Hans Erik Unneland

FPSO / FSO Charter Updates

- In March 2017, commenced a 6-month FEED study with Alpha Petroleum Resources Limited, for the Petrojarl *Varg* FPSO unit on the Cheviot field in the U.K. sector of the North Sea

- In May 2017, secured a 5-year contract extension, plus extension options, for the *Falcon Spirit* FSO on the Al Rayyan field, offshore Qatar
    - Extension commences June 1, 2017

Arendal Spirit UMS

Notification of Charter Termination

- In late-April 2017, Petrobras provided formal notice of termination of the *Arendal Spirit* UMS contract
- The Partnership is disputing the grounds for termination and reviewing legal options, including the ability to collect amounts under the contract
- Seeking opportunities for alternative employment and in discussions with lenders

TOO’s 2017 Priorities

- Maintaining safety standards and operational excellence
- Delivering existing growth projects
- Securing FPSO charter rollovers
- Exploring partial asset sales and JV partnerships
- Strengthening the balance sheet and liquidity

Appendix

DCF and DCF per Limited Partner Unit

Q1-17 vs. Q4-16

($'000's, except per unit information)	Three Months Ended March 31, 2017 (unaudited)	Three Months Ended December 31, 2016 (unaudited)	Comments
Revenues	276,138	274,920	
Voyage expenses	(25,141)	(23,323)	
Net revenues	250,997	251,597	• Decrease due to a full quarter of non-payment of the charter hire for the *Arendal Spirit* UMS and maintenance bonuses received on our FPSO units during Q4-16, partially offset by higher CoA rates and days in the shuttle tanker fleet and higher rates in the towage fleet.
Vessel operating expenses	(78,990)	(84,320)	• Decrease mainly due to the lower repair and maintenance costs and crew costs for the shuttle tanker fleet.
Time charter hire expenses	(21,756)	(22,440)	
Estimated maintenance capital expenditures	(41,124)	(41,369)	
General and administrative	(14,617)	(12,631)	• Increase due to annual restricted stock units issued during Q1-17.
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures (1)	5,894	5,625	
Interest expense	(36,104)	(35,859)	
Interest income	346	262	
Realized losses on derivative instruments (2)	(10,766)	(12,599)	• Decrease due to the expiration of certain interest rate swap contracts in Q1-17 and Q4-16.
Income tax expense	(1,379)	(11,479)	• Decrease mainly due to a deferred tax valuation allowance adjustment in Q4-16.
Distributions relating to equity financing of newbuildings and conversion costs add-back	1,774	4,461	
Distributions relating to preferred units	(12,386)	(12,386)	
Adjustments to non-cash revenue	(4,051)	(4,327)	
Other - net	(1,578)	2,180	
Distributable Cash Flow before non-controlling interests	**36,260**	**26,715**	
Non-controlling interests' share of DCF (3)	(5,627)	(5,088)	
Distributable Cash Flow (4)	**30.633**	**21,627**	
Amount attributable to the General Partner	(336)	(331)	
Limited partners' Distributable Cash Flow	30,297	21,296	
Weighted-average number of common units outstanding	148,634	144,705	
Distributable Cash Flow per limited partner unit	**0.20**	**0.15**	

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 gains (losses) on derivative instruments to realized losses on derivative instruments.
3) See reconciliation of the Partnership's non-controlling interest to non-controlling interests' share of DCF
4) For a reconciliation of Distributable Cash Flow, a non-GAAP measure, to the most directly comparable GAAP figures, see Appendix B in the Q1-17 and Q4-16 Earnings Releases.

Reconciliations of Non-GAAP Financial Measures

Q1-17 vs. Q4-16

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 March 31, 2017 (unaudited)	Three Months Ended December 31, 2016 (unaudited)
Equity income as reported	4,475	4,087
Depreciation and amortization	2,203	2,166
Unrealized losses on derivative instruments	290	418
Unrealized foreign exchange (gain) loss	(27)	1
Estimated maintenance capital expenditures	(1,047)	(1,047)
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures	5,894	5,625

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

($'000's)	Three Months Ended March 31, 2017 (unaudited)	Three Months Ended December 31, 2016 (unaudited)
Realized and unrealized (loss) gain on derivative instruments as reported	(6,532)	81,967
Unrealized gain on derivative instruments	(4,234)	(94,566)
Realized loss on derivative instruments	(10,766)	(12,599)

Reconciliation of Partnership's non-controlling interests in net income to non-controlling interests' share of DCF :

($'000's)	Three Months Ended March 31, 2017 (unaudited)	Three Months Ended December 31, 2016 (unaudited)
Non-controlling interests in net income as reported	2,372	4,313
Unrealized gains on derivative instruments	-	(250)
Gain on sale of vessel	-	(2,269)
Depreciation and amortization	3,255	3,294
Non-controlling interests' share of DCF	5,627	5,088

Q2 2017 Outlook – Teekay Offshore Partners

Distributable Cash Flow Item	Q2 2017 Outlook (compared to Q1 2017)
Net revenues	• $2m increase due to the commencement of time-charter contracts for two shuttle tankers during Q2-17, which were previously operating under bareboat contracts, partially offset by the drydocking of one shuttle tanker during Q2-17.
Vessel operating expenses	• $12m increase due to the termination of the *Arendal Spirit* charter contract in April 2017 resulting in a $11m non-cash write-off of deferred mobilization costs and expected decommissioning expenses; and • $3m increase mainly due to the commencement of time-charter contracts for two shuttle tankers during Q2-17, which were previously operating under bareboat contracts and the timing of maintenance costs in the FPSO and towage fleets.
Time-charter hire expense	• $2m decrease due to fewer expected spot-in days in Q2-17.
Estimated maintenance capital expenditures	• Expected to be in line with Q1-17.
General and administrative expenses	• Expected to be in line with Q1-17.
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures	• $2m decrease due to an annual maintenance bonus received in Q1-17.
Net interest expense	• Expected to be in line with Q1-17.
Distributions relating to equity financing of newbuildings and conversion costs add-back	• $3m increase mainly due to expected instalments for newbuildings and conversion projects during Q2-17.
Distributions relating to preferred units	• Expected to be in line with Q1-17.
Non-controlling interest's share of DCF	• Expected to be in line with Q1-17.
Distributions relating to common and general partner units	• Expected to be in line with Q1-17.

2017(E) Drydock Schedule

Entity	Segment	March 31, 2017 (A)		June 30, 2017 (E)		September 30, 2017 (E)		December 31, 2017 (E)		Total 2017 (E)	
		Vessels	Total Off-hire Days	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days
Teekay Offshore	Shuttle Tanker	-	-	1	36	3	84	-	-	4	120

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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