TEEKAY OFFSHORE PARTNERS Q3-18 EARNINGS PRESENTATION

November 1, 2018

Forward Looking Statement

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, among others: the timing and amount of future settlement payments from Petrobras, including the impact on revenue for the fourth quarter of 2018 and of any Offset Amounts; the timing and certainty of the effectiveness of the agreement with Alpha to develop the Cheviot field, including satisfaction by Alpha of the various conditions precedent to its effectiveness, which conditions remain out of our control; future cash flows from the Petrojarl Varg FPSO charter contract; the timing and certainty of first oil on the Cheviot field and the number of wells on the field; the expected funding from Alpha for the life extension and upgrade costs relating to the Petrojarl Varg FPSO; the impact of contract extensions on the Partnership's future cash flows; the timing and cost of delivery and start-up of various newbuildings and the commencement of related contracts; fuel consumption and emissions for the shuttle tanker newbuildings; and achieving 2018 priorities of the Partnership. 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 exploration, production and storage of offshore oil and gas, either generally or in particular regions that would impact expected future growth, particularly in or related to North Sea, Brazil and East Coast of Canada offshore fields; significant changes in oil prices; variations in expected levels of field maintenance; increased operating expenses; potential early termination of contracts; shipyard delivery delays and cost overruns; delays in the commencement of charter contracts; the inability of charterers to make future charter payments; the inability of the Partnership to renew or replace long-term contracts on existing vessels; the ability to fund the Partnership's remaining capital commitments and debt maturities; the Partnership's ability to collect the amounts due under the settlement agreement with Petrobras; the ability of Alpha to satisfy all of the conditions precedent relating to the contract with Alpha; 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, 2017. 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 total cash flow from vessel operations (*CFVO*)(1) of $167.3 million compared to $162.2 million in Q2-18
- Refinanced 2019 bond maturities and 2022 promissory note with $700 million private placement of 8.5% senior unsecured notes maturing in 2023
- Reached positive settlement agreement with Petrobras for a total of $96 million
- Entered into a 7-year charter agreement with Alpha Petroleum for the *Varg* FPSO for their development of the Cheviot oil field(2)
- Awarded new towage and installation support contract for Total's Kaombo Sul project which will require five vessels for 300-350 vessel days

1) These are non-GAAP financial measures. Please refer to "Definitions and Non-GAAP Financial Measures" and the Appendices in the Partnership's Q3-2018 earnings release for definitions of these terms and reconciliations of these non-GAAP financial measures as used in this presentation to the most directly comparable financial measures under United States generally accepted accounting principles (*GAAP*).
2) Subject to completion of various conditions precedent.

Growth Projects Driving Increased Cash Flows

Total quarterly CFVO significantly improved year-over-year

FPSO Segment

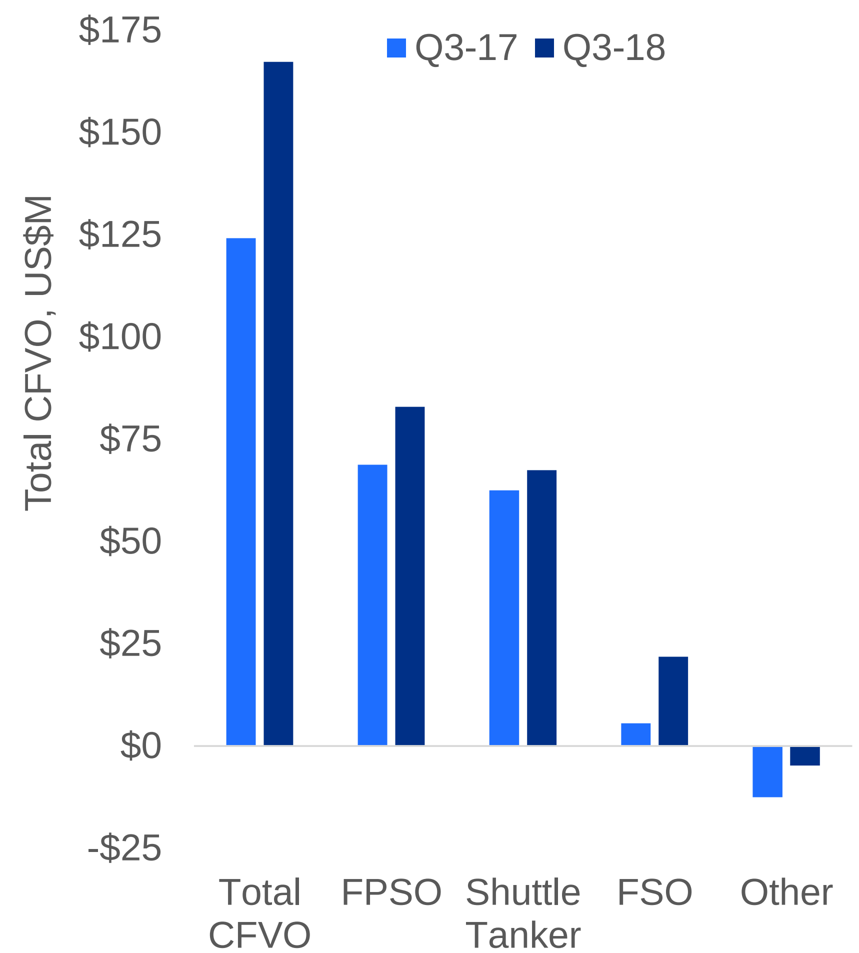
- Full quarter contribution of the *Pioneiro de Libra* and *Petrojarl I* and lower operating expenses for the *Piranema Spirit*
- Partially offset by lower charter rates on the *Voyageur Spirit* and *Ostras* FPSO unit contract extensions

Shuttle Segment

- Commencement of operations of the East Coast Canada shuttle tanker newbuilds *Beothuk Spirit*, *Norse Spirit*, and *Dorset Spirit* at higher rates
- Lower repairs and maintenance and other operating expenses
- Partially offset by the redelivery of two DP1 shuttle tankers, the *Stena Spirit* and *Nordic Spirit*, and increased scheduled dry-docking days during the quarter

FSO Segment

- Full quarter contribution of the *Randgrid,* which commenced operations on the Gina Krog field in October 2017



Settlement Agreements Reached with Petrobras

- Constructive settlement reached in October 2018 relating to previously-terminated contracts for the *HiLoad* DP unit and the *Arendal Spirit* UMS totalling $96 million
  - $55 million receivable in Q4/18
  - $22 million to be received by the end of 2020 and $19 million to be received by the end of 2021
  - Expect to recognize $91 million in revenue in Q4-18, which represents the present value of the future settlement amounts
  - Agreement also incentivizes Petrobras to enter into new contracts on certain assets
- Concurrently reached a settlement with Petrobras relating to the *Piranema Spirit* FPSO
  - Agreed to a 2% reduction in charter rate over the contract period or approximately $11 million
  - Previously disclosed and accrued for in prior periods

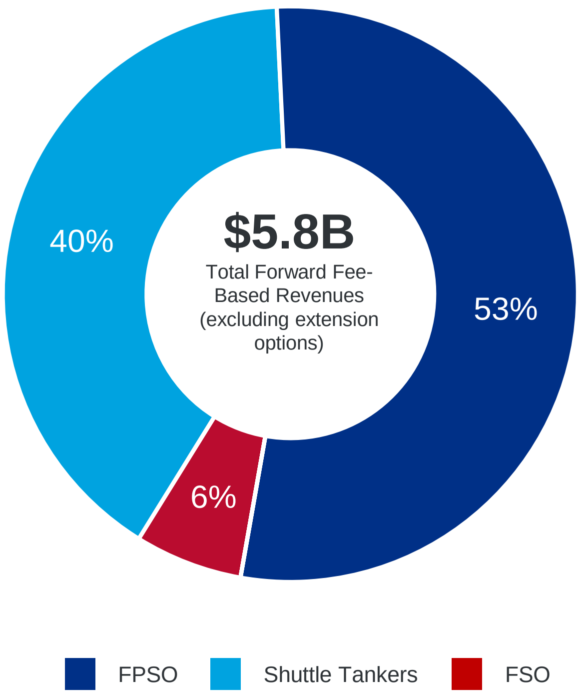
Attractive Petrojarl Varg FPSO Redeployment

- In October 2018, entered into an agreement with Alpha Petroleum for their development of the Cheviot oil field, one of the largest undeveloped oil fields in the UK sector of the North Sea
- Seven-year fixed term with first oil expected in Q2-2021
- Alpha to fund upgrades and life extension work up-front
- Yard contract awarded to Sembcorp Marine in Singapore
- The effectiveness of the agreement remains subject to Alpha satisfying a number of conditions precedent

Alpha Petroleum
RESOURCES LIMITED

Large and Diversified Portfolio of Forward Revenues Provides Stability with Upside From Existing Assets

Forward revenues (1)



Potential Earnings Upside from Existing Assets

(1) As of October 1, 2018. Based on existing contracts but excludes extension options and oil tariff revenues; includes existing vessels plus proportionate share of equity-accounted vessels, growth projects and pro forma Varg/Alpha revenues.

Delivering on TOO's 2018 Priorities

- ☐ Maintaining safety standards and operational excellence
- ☐ Commencing charter contracts on existing growth projects
- ☐ Securing charter extensions and redeployments
- ☐ Further strengthening balance sheet through the natural delevering process as growth projects start cash-flowing
- ☐ Refinancing upcoming debt maturities

Appendix

Adjusted Net Income (Loss) Statement

Q3-18 vs. Q2-18

($'000's, except per unit information)	Three Months Ended September 30, 2018 (unaudited) (1)	Three Months Ended June 30, 2018 (unaudited) (1)	Comments
Revenues	323,151	320,354	
Voyage expenses	(40,914)	(36,486)	
Net revenues	282,237	283,868	• Decrease due to project revenue earned on the *Knarr* FPSO during Q2-18 and lower utilization and rates in the towage fleet, partially offset by a full quarter of revenue on the *Petrojarl I* FPSO.
Vessel operating expenses	(103,994)	(110,196)	• Decrease mainly due to the timing of repairs and maintenance on FPSO units and shuttle tanker fleet.
Time-charter hire expenses	(13,144)	(13,464)	
Depreciation and amortization	(91,674)	(95,174)	• Decrease mainly due to sale of the *Navion Britannia* shuttle tanker and vessel write-downs in Q2-18, partially offset by a full quarter of depreciation on the *Petrojarl I* FPSO unit.
General and administrative	(15,416)	(17,622)	• Decrease mainly due to higher management fees in Q2-18 to support the issuance of the $700M bonds and the capitalization of costs relating to newbuilding vessels.
Income from vessel operations	**58,009**	**47,412**	
Interest expense	(59,236)	(56,948)	• Increase mainly due to higher long-term debt balances outstanding in Q3-18 after the July 2018 refinancing of the 2019 bond maturities and a 2022 promissory note with a $700 million bond maturing in 2023.
Interest income	991	734	
Equity income	8,471	8,631	
Income tax expense	(1,443)	(145)	
Other - net	(699)	(118)	
Adjusted net income (loss)	**6,093**	**(434)**	
Less: Adjusted net income (loss) attributable to non-controlling interests	(960)	298	
Adjusted net income (loss) attributable to the partners and preferred unitholders	**7,053**	**(732)**	
Preferred unitholders' interest in adjusted net income (loss)	8,038	8,038	
General partner's interest in adjusted net income (loss)	(7)	(67)	
Limited partners' interest in adjusted net income (loss)	**(978)**	**(8,703)**	
Weighted-average number of common units outstanding	410,314,977	410,310,586	
Limited partners' interest in adjusted net income (loss) per common unit	**(0.00)**	**(0.02)**	

1 Please refer to Slide 11 and 12 to this presentation for a reconciliation of the Consolidated GAAP Statements of Loss to the Consolidated Adjusted Income Statement for Q3-18 and Q2-18, respectively.

Consolidated Adjusted Income Statement

Q3-18

(in thousands of US dollars, except per unit information)

	Three Months Ended September 30, 2018			
	As Reported	Appendix A Items (1)	Reclass for Realized Gains/ Losses on Derivatives (2)	As Adjusted
Revenues	327,658	(4,507)	-	323,151
Voyage expenses	(40,914)	-	-	(40,914)
Net revenues	286,744	(4,507)	-	282,237
Vessel operating expenses	(103,399)	-	(595)	(103,994)
Time-charter hire expenses	(13,144)	-	-	(13,144)
Depreciation and amortization	(91,523)	-	(151)	(91,674)
General and administrative expenses	(15,416)	-		(15,416)
Gain on sale of vessel	350	(350)	-	-
Restructuring charges	(1,899)	1,899	-	-
Income from vessel operations	**61,713**	**(2,958)**	**(746)**	**58,009**
Interest expense	(54,736)	-	(4,500)	(59,236)
Interest income	991	-	-	991
Realized and unrealized gains on derivative instruments	9,381	(14,627)	5,246	-
Equity income	11,877	(3,406)	-	8,471
Income tax expense	(12,137)	10,694	-	(1,443)
Foreign exchange loss	(266)	266	-	-
Losses on debt repurchases	(55,479)	55,479	-	-
Other - net	(699)	-	-	(699)
Net (loss) income	**(39,355)**	**45,448**	**-**	**6,093**
Non-controlling interests in net (loss) income	(785)	(175)	-	(960)
Partners' and preferred unitholders' interest in net (loss) income	**(38,570)**	**45,623**	**-**	**7,053**
Preferred unitholders' interest in net (loss) income	8,038	-	-	8,038
General partners' interest in net (loss) income	(354)	347	-	(7)
NET (LOSS) INCOME ATTRIBUTABLE TO LIMITED PARTNERS OF TEEKAY OFFSHORE	**(46,254)**	**45,276**	-	**(978)**
Limited partners' interest in net (loss) income per common unit, basic	**(0.11)**			**(0.00)**
Weighted average number of common units outstanding				
Basic	410,314,977			410,314,977

The above provides a Normalized Income Statement by adjusting for the following:

(1) removal of Appendix A items as documented in our Third Quarter 2018 Results Earnings Release

(2) putting the realized gains/losses to their respective line as if hedge accounting had applied

Consolidated Adjusted Income Statement

Q2-18

(in thousands of US dollars, except per unit information)

	Three Months Ended June 30, 2018			
	As Reported	Appendix A Items (1)	Reclass for Realized Gains/ Losses on Derivatives (2)	As Adjusted
Revenues	320,354	-	-	320,354
Voyage expenses	(36,486)	-	-	(36,486)
Net revenues	283,868	-	-	283,868
Vessel operating expenses	(110,298)	-	102	(110,196)
Time-charter hire expenses	(13,464)	-	-	(13,464)
Depreciation and amortization	(95,440)	266	-	(95,174)
General and administrative expenses	(17,890)	-	268	(17,622)
(Write-down) and gain on sale of vessels	(178,795)	178,795	-	-
(Loss) income from vessel operations	**(132,019)**	**179,061**	**370**	**47,412**
Interest expense	(49,662)	-	(7,286)	(56,948)
Interest income	734	-	-	734
Realized and unrealized gains on derivative instruments	9,441	(14,913)	5,472	-
Equity income	8,346	285	-	8,631
Income tax expense	(880)	735	-	(145)
Foreign exchange loss	(3,860)	2,416	1,444	-
Other - net	(592)	474	-	(118)
Net loss	**(168,492)**	**168,058**	**-**	**(434)**
Non-controlling interests in net loss	8	290	-	298
Partners' and preferred unitholders' interest in net loss	**(168,500)**	**167,768**	**-**	**(732)**
Preferred unitholders' interest in net loss	8,038	-	-	8,038
General partners' interest in net loss	(1,342)	1,275	-	(67)
NET LOSS ATTRIBUTABLE TO LIMITED PARTNERS OF TEEKAY OFFSHORE	**(175,196)**	**166,493**	-	**(8,703)**
Limited partners' interest in net loss per common unit, basic	**(0.43)**			**(0.02)**
Weighted average number of common units outstanding				
Basic	410,310,586			410,310,586

The above provides a Normalized Income Statement by adjusting for the following:

(1) removal of Appendix A items as documented in our Second Quarter 2018 Results Earnings Release

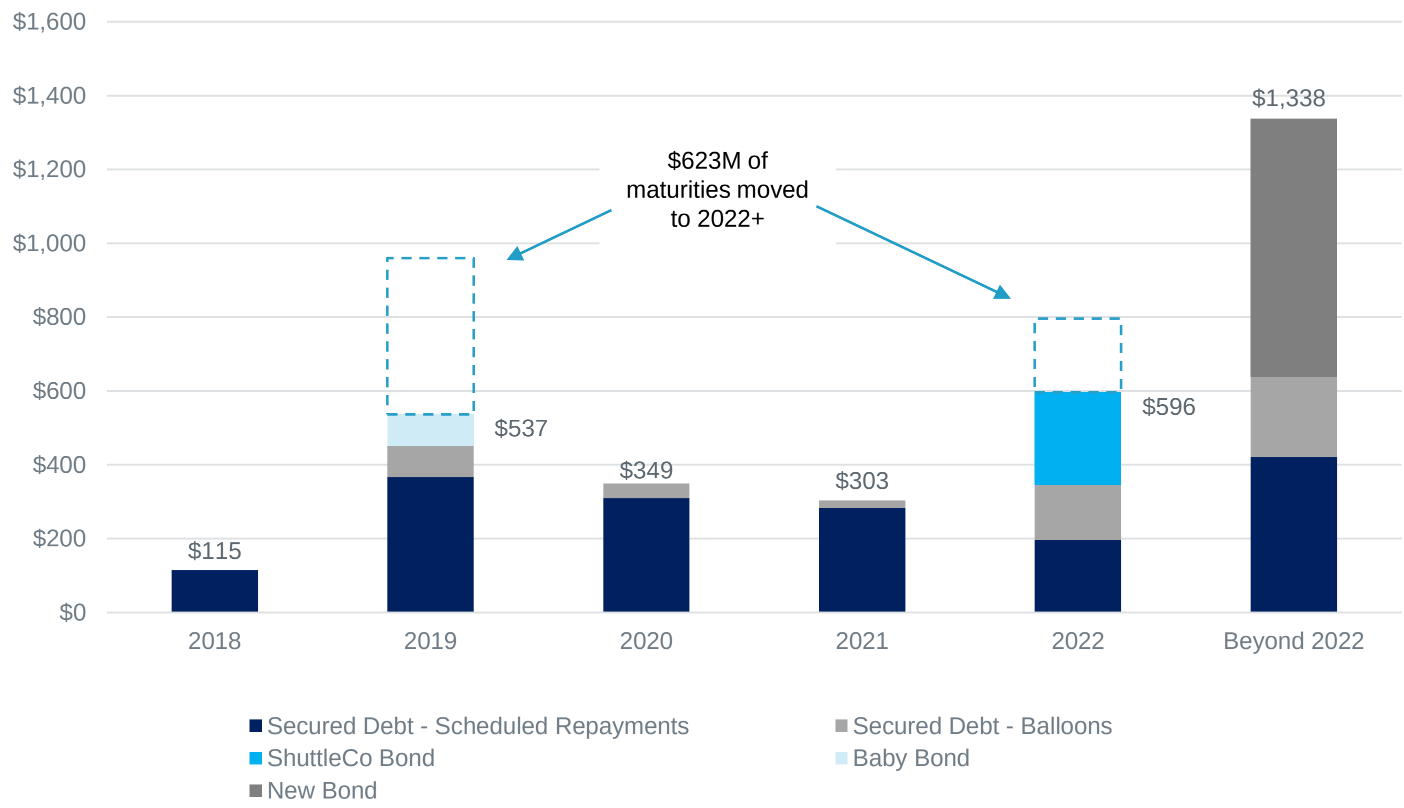
(2) putting the realized gains/losses to their respective line as if hedge accounting had applied

Q4 2018 Outlook – Teekay Offshore Partners

Adjusted Net Income (in USD millions)	Q3 2018(1)	Q4 2018 Outlook (compared to Q3 2018)
Net revenues	$282m	• $91m increase related to a settlement with Petrobras in Q4-18 • $3m increase mainly due to expected higher *Petrojarl I* and *Voyageur Spirit* incentive revenue in Q4-18 • $2m increase in the FSO segment mainly due to less off-hire days expected on the *Randgrid* • $4m decrease in the Shuttle segment mainly due to completion of the extended well test project in Barents Sea in Q3-18
Vessel operating expenses	($104m)	• $2m increase in the Shuttle segment mainly due to timing of repairs and maintenance • $2m increase in the FPSO segment mainly due to decommissioning costs on the *Petrojarl Cidade de Rio das Ostras* in Q4-18
Time-charter hire expenses	($13m)	• $2m decrease due to off-hire of long-term in-chartered shuttle tankers
Depreciation	($92m)	• Expected to be in line with Q3-18
General and administrative	($15m)	• Expected to be in line with Q3-18
Net interest expense	($58m)	• Expected to be in line with Q3-18
Equity income	$8m	• $5m increase due to a Q4-18 maintenance bonus expected for the *Libra* FPSO
Income tax expense	($1m)	• Expected to be in line with Q3-18
Other expense	($1m)	• Expected to be in line with Q3-18
Non-controlling interest's share of adjusted net loss (income)	$1m	• Expected to be in line with Q3-18

1) See slide 11 to this presentation for the Consolidated Adjusted Income Statement for Q3-18.

Improved Debt Maturity Profile



2018E / 2019E Drydock Schedule

Entity	Segment	March 31, 2018 (A)		June 30, 2018 (A)		September 30, 2018 (A)		December 31, 2018 (E)		Total 2018 (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	47	3	103	3	129	1	53	8	332
		1	47	3	103	3	129	1	53	8	332

Entity	Segment	March 31, 2019 (E)		June 30, 2019 (E)		September 30, 2019 (E)		December 31, 2019 (E)		Total 2019 (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	17	3	94	-	-	-	-	4	111
		1	17	3	94	-	-	-	-	4	111

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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