Teekay Offshore

Q4-18 Earnings Presentation

February 8, 2019

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 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; the contract extension for the *Piranema Spirit* FPSO and the related impact on EBITDA; the timing of shuttle tanker newbuildings and the commencement of related contracts; the timing and certainty of securing long-term financing for the Partnership's shuttle tanker newbuildings; the new shuttle tanker CoA contracts, including future vessel equivalent requirements; the timing and certainty of securing the Partnership's second large-scale towage and installation project; the future firm contract backlog; and the Partnership's 2019 priorities. 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; less than expected revenue generated by, or higher than expected expenses and costs incurred relating to, the *Piranema Spirit* FPSO; 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.

Highlights

Q4-18 Results

Adjusted EBITDA of $290 million in Q4-18, increased by $117 million from Q3-18

Petrobras Settlement

Recognized $91 million of Adjusted EBITDA during Q4-18; $55 million of cash received in Q4-18

FPSO Contract Extension

Today announcing a Piranema FPSO contract extension of up to three years from February 2019

New Shuttle CoA Contracts

Secured five new shuttle CoA contracts at attractive rates equivalent to 0.6 vessels

Towage Project

Commenced a second large-scale towage and installation project for Total's Kaombo Sul project (requiring about 350 vessel days)

Solid Financial Performance in Q4-18

FPSO

- Adjusted EBITDA of $109 million in Q4-18, increased by $16 million from Q3-18
- Driven primarily by $14 million increase from amortization of non-cash deferred revenue from the Piranema Spirit FPSO

Shuttle Tanker

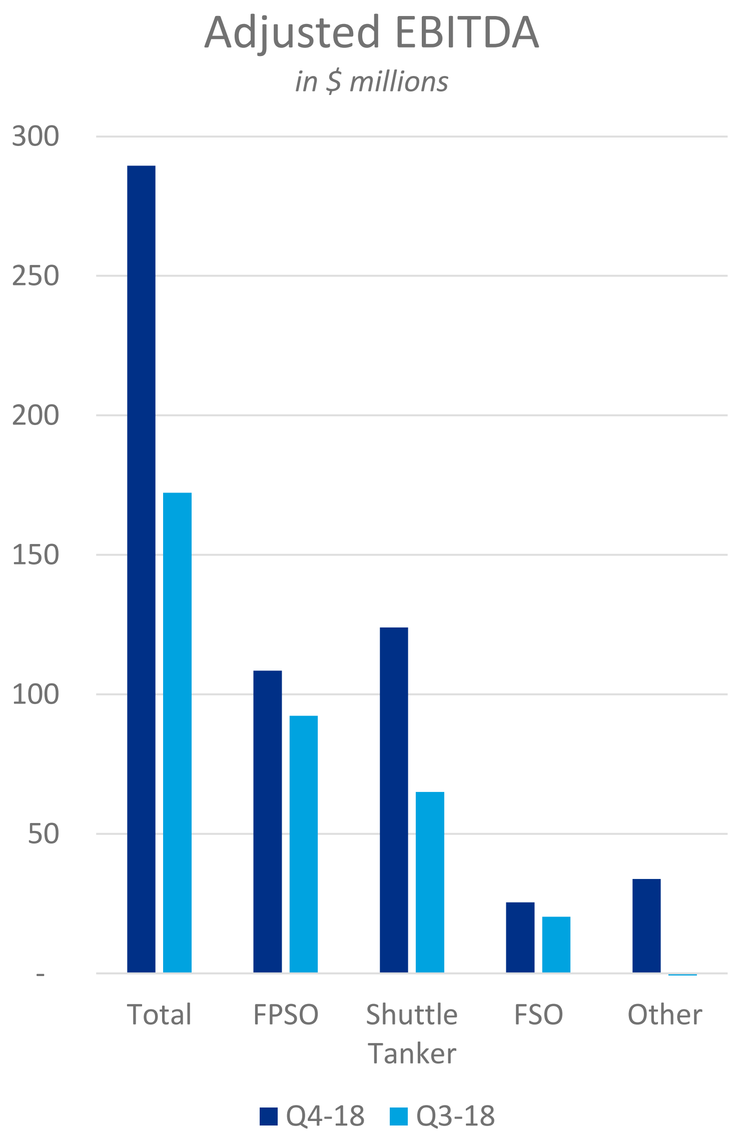
- Adjusted EBITDA of $124 million in Q4-18, increased by $59 million from Q3-18
- Driven primarily by $55 million related to the positive settlement with Petrobras, as well as higher fleet utilization and higher average rates during Q4-18

FSO

- Adjusted EBITDA of $26 million in Q4-18, increased by $5 million from Q3-18
- Driven primarily by positive contract amendment on the Randgrid FSO, lower off-hire and repair costs

Other Segments

- Adjusted EBITDA of $31 million in Q4-18, increased by $37 million from Q3-18
- Driven primarily by $37 million of EBITDA related to the positive settlement with Petrobras recognized within the UMS segment



FPSO Segment

Contract Extension

Today announcing Piranema Spirit FPSO contract extension

Agreement with Petrobras to extend contract for up to 3 years from February 2019

Expected to improve 2019 EBITDA by $25 million compared to being off contract

Termination rights for Petrobras with 10 months advance notice

Contract extension not expected to be subject to offsets against the recent Petrobras settlement

Project Update

Varg for Cheviot project continues to advance

Working with Alpha Petroleum in their efforts to lift the remaining conditions related to the project financing and the relevant governmental approvals in order to effect the seven-year Varg FPSO contract

Shuttle Tanker Segment

New CoA Contracts

Secured a total of five new shuttle tanker CoA contracts

Incremental demand of 0.6 vessels for 2019

Attractive rates, in line with other recent contract awards

Newbuildings

Shuttle tanker newbuild program delivering in late-2019 through early-2021 on time and on budget

Long-term financings is expected to be completed during Q2-19

Received two innovation rewards for the green shuttle tanker design

UMS / HiLoad

Successful Settlement Agreement with Petrobras

Settlement

$96 million settlement relating to contracts for the HiLoad DP unit and the Arendal Spirit

2018 Payments

$55 million received in Q4-18

Future Payments

$22 million to be received by the end of 2020 and $19 million to be received by the end of 2021

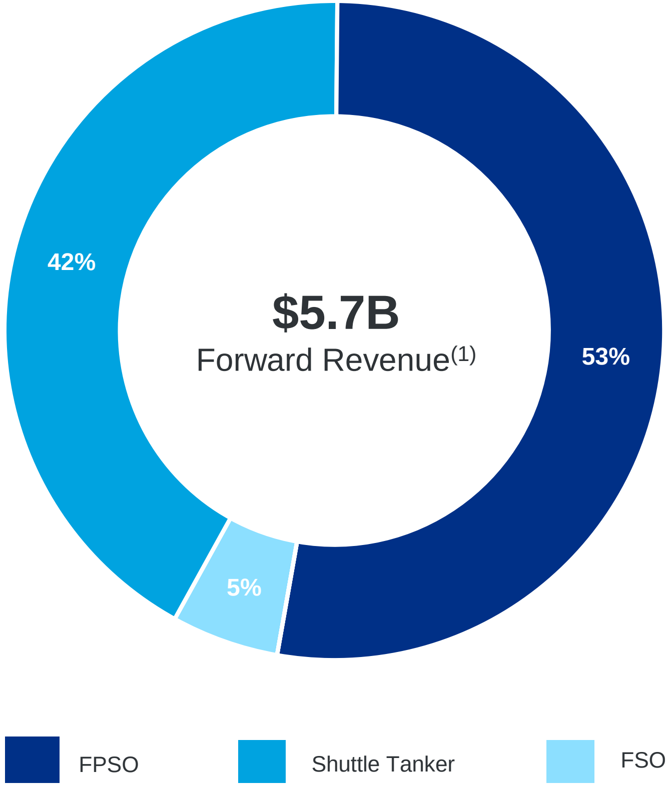
Relationship

Maintained a good customer relationship

Future Contracts

Incentivizes Petrobras to enter into new contracts through potential partial offset of 2020 and 2021 settlements

Strong Contract Backlog and Diverse Customer Base



(1) As of December 31, 2018. Based on existing contracts but excludes extension options and oil tariff revenues; includes existing vessels plus proportionate share of equity-accounted vessels and estimated Varg/Alpha revenues

2019 Priorities

- Maintain safety standards and operational excellence
- Secure FPSO charter extensions and redeployments
- Increase profitability in existing business
- Execute contemplated financing initiatives
- Strengthen balance sheet through de-levering

Appendix

Adjusted Net Income and Limited Partners' Interest in Adjusted Net Income per Common Unit

Q4-18-vs. Q3-18

($'000's, except per unit information)	Three Months Ended December 31, 2018 (unaudited) [1]	Three Months Ended September 30, 2018 (unaudited) [1]	Comments
Revenues	445,213	327,658	
Voyage expenses	(39,402)	(40,914)	
Net revenues	405,811	286,744	• Increase due to $91 million positive settlement with Petrobras recorded during Q4-18, $14 million increase in the amortization of non-cash deferred revenue on the *Piranema* FPSO, $8 million from higher utilization and rates earned by the Shuttle Tanker fleet in Q4-18 and $4 million mainly from positive amended contract terms and lower off-hire relating to the *Randgrid* FSO in Q4-18.
Vessel operating expenses	(110,005)	(103,994)	• Increase mainly due to the timing of repairs and maintenance on the shuttle tanker and towage fleet.
Time-charter hire expenses	(13,281)	(13,144)	
Depreciation and amortization	(91,023)	(91,674)	
General and administrative	(14,392)	(15,416)	
Adjusted income from vessel operations	**177,489**	**62,516**	
Interest expense	(57,843)	(59,236)	• Decrease mainly due to lower long-term debt balances outstanding in Q4-18 due to scheduled debt repayments.
Interest income	1,215	991	
Equity income	11,751	8,471	• Increase mainly due to a maintenance bonus recorded on the *Pioneiro de Libra* FPSO in Q4-18, partially offset by higher repairs and maintenance and higher fuel expenses in Q4-18.
Income tax expense	(1,163)	(1,443)	
Other - net	-	(699)	
Adjusted net income	**131,449**	**10,600**	
Less: Adjusted net (income) loss attributable to non-controlling interests	(986)	960	
Adjusted net income attributable to the partners and preferred unitholders	**130,463**	**11,560**	
Preferred unitholders' interest in adjusted net income	8,038	8,038	
General partner's interest in adjusted net income	931	27	
Limited partners' interest in adjusted net income	**121,494**	**3,495**	
Weighted-average number of common units outstanding	410,314,977	410,314,977	
Limited partners' interest in adjusted net income per common unit	**0.30**	**0.01**	

1 Please refer to Slide 12 and 13 to this presentation for a reconciliation of the Consolidated GAAP Statements of Income (Loss) to the Consolidated Adjusted Income Statements for Q4-18 and Q3-18, respectively.

Consolidated Adjusted Income Statement

Q4-18

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

	Three Months Ended December 31, 2018			
	As Reported	Adjusting Items (1)	Reclass for Realized Gains/ Losses on Derivatives (2)	As Adjusted
Revenues	445,213	-	-	445,213
Voyage expenses	(39,402)	-	-	(39,402)
Net revenues	405,811	-	-	405,811
Vessel operating expenses	(108,592)	-	(1,413)	(110,005)
Time-charter hire expenses	(13,281)	-	-	(13,281)
Depreciation and amortization	(91,023)	-	-	(91,023)
General and administrative expenses	(14,335)	-	(57)	(14,392)
(Write-down) and gain on sale of vessel	(16,414)	16,414	-	-
Restructuring recovery	379	-	-	379
Income from vessel operations	**162,545**	**16,414**	**(1,470)**	**177,489**
Interest expense	(53,424)	-	(4,419)	(57,843)
Interest income	1,215	-	-	1,215
Realized and unrealized losses on derivative instruments	(40,465)	34,719	5,746	-
Equity income	5,237	6,514	-	11,751
Income tax expense	(3,882)	2,719	-	(1,163)
Foreign exchange loss	(3,344)	3,201	143	-
Other - net	(40)	40	-	-
Net income	**67,842**	**63,607**	**-**	**131,449**
Non-controlling interests in net income	1,476	(490)	-	986
Partners' and preferred unitholders' interest in net income	**66,366**	**64,097**	**-**	**130,463**
Preferred unitholders' interest in net income	8,038	-	-	8,038
General partners' interest in net income	443	488	-	931
NET INCOME ATTRIBUTABLE TO LIMITED PARTNERS OF TEEKAY OFFSHORE	**57,885**	**63,609**	**-**	**121,494**
Limited partners' interest in net income per common unit, basic	**0.14**			**0.30**
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 Adjusting Items as documented in Appendix B in our Fourth Quarter and Annual 2018 Results Earnings Release

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

Consolidated Adjusted Income Statement

Q3-18

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

	Three Months Ended September 30, 2018			
	As Reported	Adjusting Items (1)	Reclass for Realized Gains/ Losses on Derivatives (2)	As Adjusted
Revenues	327,658	-	-	327,658
Voyage expenses	(40,914)	-	-	(40,914)
Net revenues	286,744	-	-	286,744
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**	**1,549**	**(746)**	**62,516**
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)**	**49,955**	**-**	**10,600**
Non-controlling interests in net loss	(785)	(175)	-	(960)
Partners' and preferred unitholders' interest in net (loss) income	**(38,570)**	**50,130**	**-**	**11,560**
Preferred unitholders' interest in net (loss) income	8,038	-	-	8,038
General partners' interest in net (loss) income	(354)	381	-	27
NET (LOSS) INCOME ATTRIBUTABLE TO LIMITED PARTNERS OF TEEKAY OFFSHORE	**(46,254)**	**49,749**	-	**3,495**
Limited partners' interest in net (loss) income per common unit, basic	**(0.11)**			**0.01**
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 Adjusting Items as documented in Appendix A in our Third Quarter 2018 Results Earnings Release and updated under the new definition of Adjusted Net Income as reconciled in Appnedix E of our Fourth Quarter and Annual 2018 Results Earnings Release.

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

Q1-19 Outlook
Adjusted EBITDA

Adjusted EBITDA *in $ millions*	**Q4 2018 Actual**	**Q1 2019 Outlook (compared to Q4 2018)**
Net revenues	$406m	• $91m decrease due to the settlement with Petrobras in Q4-18 • $6m decrease in FPSO segment due to *Piranema* in-process revenue becoming fully amortized in Q1-19 • $3m decrease in FPSO segment mainly due to the *Petrojarl Cidade de Rio das Ostras* reaching end of contract in March 2019 and lower rates on the extension of the *Piranema* charter from February 2019 • $4m decrease in the Shuttle segment mainly due to fewer revenue days expected for the CoA fleet • $3m increase in the towage segment due to higher utilization
Vessel operating expenses	($109m)	• $2m decrease in the UMS segment related to an insurance settlement in Q1-19
Time-charter hire expenses	($13m)	• Expected to be in line with Q4-18
General and administrative	($14m)	• $2m increase due to timing of expenditures
Realized loss on foreign currency forward contracts	($1m)	• Expected to be in line with Q4-18
Adjusted EBITDA from equity-accounted vessels	$25m	• $4m decrease due to timing of maintenance bonuses and operating expenses on the *Libra* FPSO and *Itajai* FPSO
Adjusted EBITDA attributable to non-controlling interests	($4m)	• Expected to be in line with Q4-18
Adjusted EBITDA	**$290m**	

2019E Drydock Schedule

Entity	Segment	March 31, 2018 (A)		June 30, 2018 (A)		September 30, 2018 (A)		December 31, 2018 (A)		Total 2018 (A)	
		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	49	8	328
		1	47	3	103	3	129	1	49	8	328

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