TEEKAY

TEEKAY OFFSHORE PARTNERS Q3-2015 EARNINGS PRESENTATION

November 5, 2015

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 expectations for its fourth quarter distributable cash flow and coverage ratio; the stability and growth of the Partnership's future distributable cash flows; expected forward revenues from the Partnership's fee-based contract portfolio; the timing of newbuilding, conversion and upgrade vessel or offshore unit deliveries and commencement of their respective charter contracts; and the estimated cost of building vessels. 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; delays in the commencement of time-charters; failure to obtain required approvals by the Conflicts Committee of Teekay Offshore's general partner to approve the acquisition of vessels offered from Teekay Corporation, or third parties; the Partnership's ability to raise adequate financing to purchase additional assets and complete organic growth projects; 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, 2014. 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 distributable cash flow* of $58.8 million in Q3-15
  - Excluding seasonal and one-off items, DCF* would have been $11 million higher with a coverage ratio of 1.02x
- Declared Q3-15 cash distribution of $0.56 per unit, a 4% increase from the previous quarter

<u>Offshore Production</u>

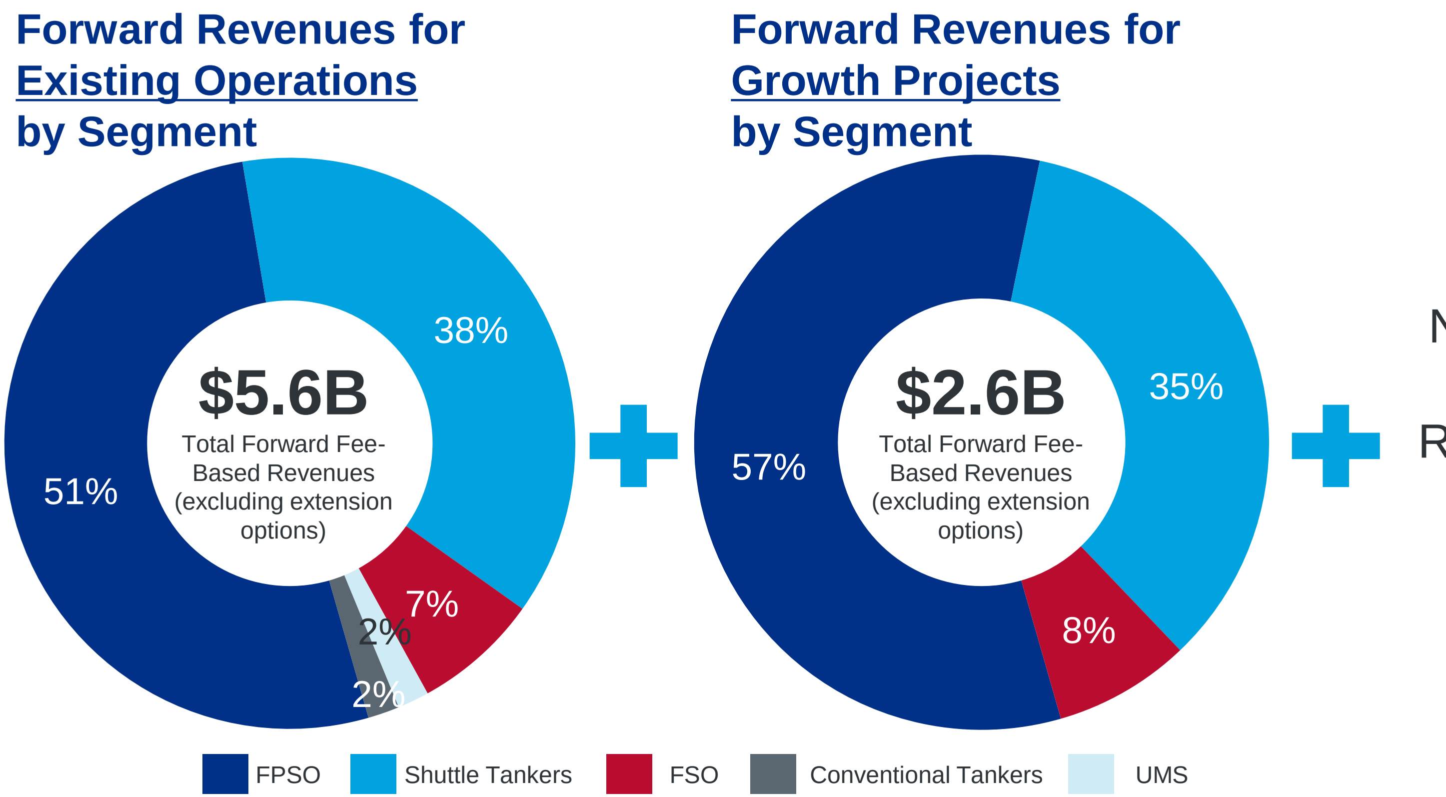
- Completed the acquisition of the Knarr FPSO and related equity financing

<u>Offshore Logistics</u>

- Teekay Offshore's Navion Hispania commenced operations for East Coast Canada
- Completed $185 million long-term debt financing for the four ALP newbuilding towage vessels

* Distributable Cash Flow (DCF) is a non-GAAP measure used by certain investors to measure the financial performance of Teekay Offshore and other master limited partnerships.

TOO Forward Revenues Continue to Grow



New Approach to Future Growth Reflecting Current Market Environment

- Increased focus on maximizing cash flows from existing assets
  - Cost management and fleet efficiencies
  - Recontract and/or extend existing contracts

- Execute on committed growth projects
  - Ensure projects are delivered on-time and on-budget
  - Secure charter contracts for second UMS newbuild and build book of contracts for towage newbuilds

- New approach includes
  - Higher hurdle rates
  - Prioritizing capital allocation
    - Our existing assets
    - Accretive on-the-water acquisitions
    - Organic growth projects

Focused on Project Execution – Offshore Production

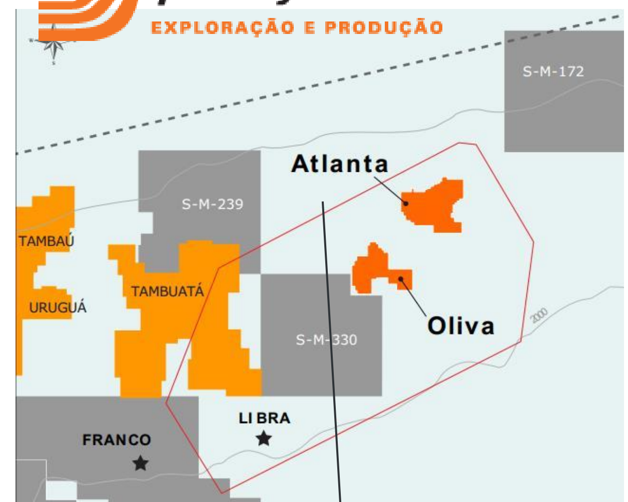
Petrojarl I FPSO Upgrade

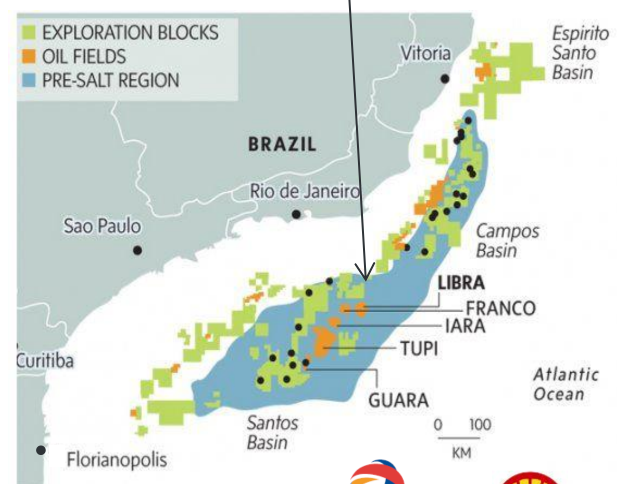
- Atlanta field in the Santos Basin offshore Brazil
  - Estimated 260 million recoverable barrels of oil equivalent (boe)
- Five-year charter contract
  - First oil is expected to be achieved in mid-2016
- Faster and more cost-effective solution for oil companies
- Extending the life of an existing FPSO, with opportunities for extension and/or redeployment after this contract
- Long-term debt facility of $180 million secured

Libra FPSO Conversion (50% Joint Venture)

- Libra field located in the Santos Basin offshore Brazil
  - Estimated 8-12 billion recoverable boe
- Twelve-year charter contract
  - First oil is expected to be achieved in early-2017
- Long-term debt facility of $800 million secured

queiroz galvão
EXPLORAÇÃO E PRODUÇÃO





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

CNPC (10%) CNOOC Limited (10%)

Focused on Project Execution – Offshore Logistics

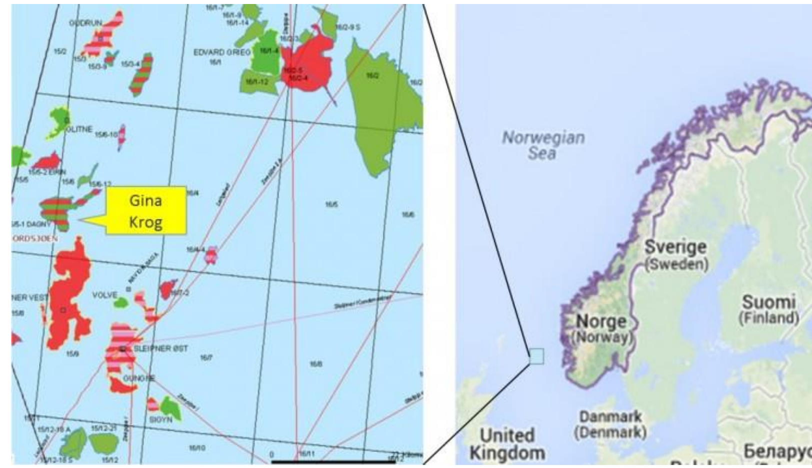
Gina Krog FSO Conversion

- Will service the Gina Krog oil and gas field located in the North Sea
  - Estimated 225 million recoverable boe
- Three-year contract with 12 additional one-year extension options
  - Expected to commence contract in Q2-17
- Long-term debt facility of $230 million nearing completion

ALP Towage Newbuilds (4 Vessels)

- State-of-the-art vessel design with more powerful engines and dynamic positioning capabilities
- Scheduled to deliver throughout 2016
- Building a book of contracts
- Long-term debt facility of $185 million secured

Statoil



Offshore Exploration vs. Production

***Cost* for Field Operator**

Seismic → Drilling → Subsea

***Revenue* for Field Operator**

Production → Storage → Transport

Drill Rigs		FPSO
Mostly on speculation	Market Entry	Build to suit
Low - Medium	Customers' Switching Costs	High
24% (252 units)	Market Concentration (Top 5 Owners)	62% of leased fleet (65 units)
33% (286 units)	Idle Fleet	8% (14 units)
94% jack-ups 54% floaters	Orderbook without Contracts	0%
Short to medium-term TC More volatile	Contract Structure	Long-term TC Less volatile
E&P MLPs	MLP Group Set / Comparable	Pipeline MLPs

Notes: Drill rigs include drill ships, semi-sub, and jack-up. Source: Clarksons, IMA, Internal Estimates

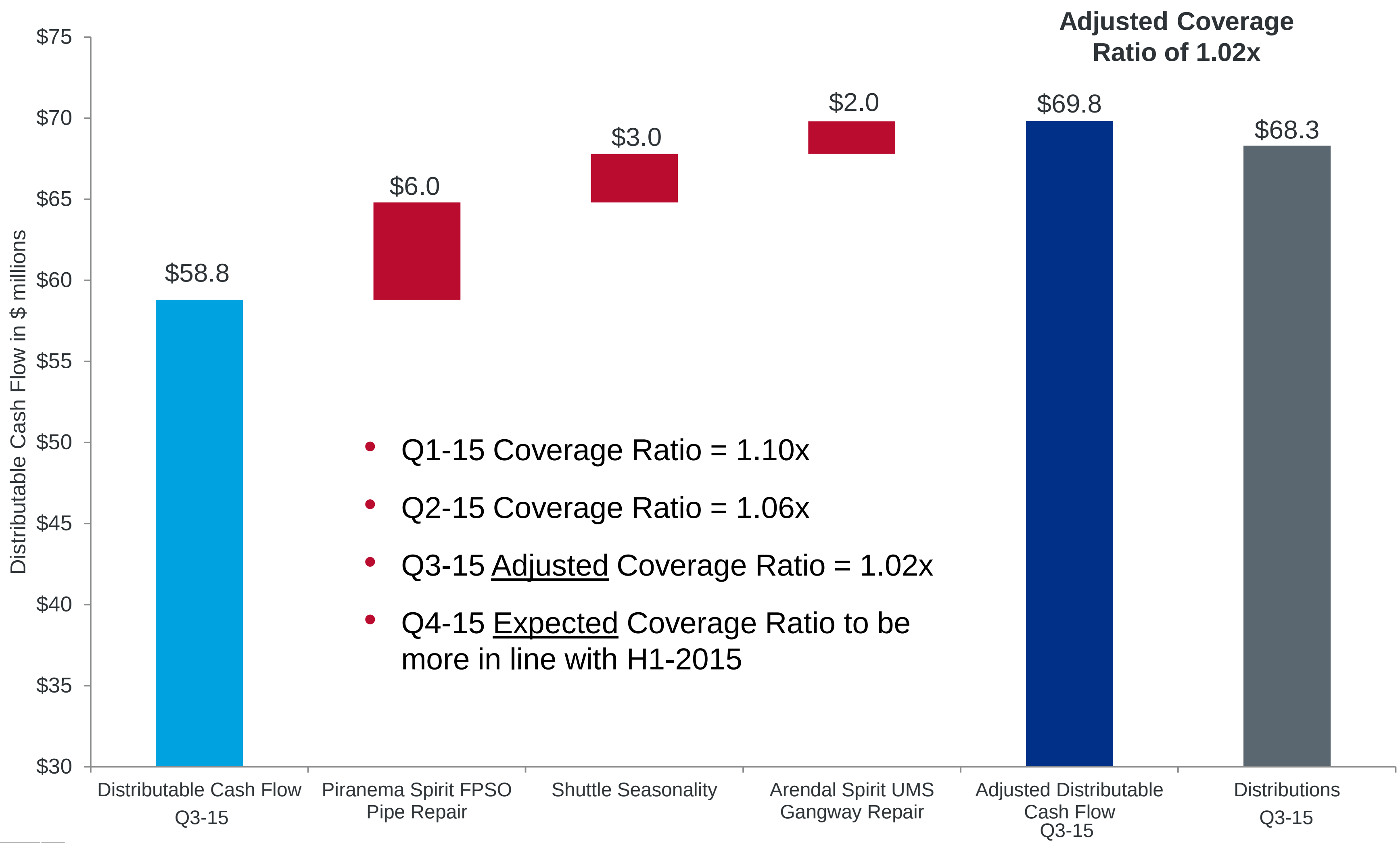
Distributable Cash Flow and Cash Distribution

Q3-15 vs. Q2-15

($'000's, except coverage ratio information)	Three Months Ended September 30, 2015 (unaudited)	Three Months Ended June 30, 2015 (1) (unaudited)	Comments
Net revenues	285,888	235,042	• $57m increase from the acquisition of the *Petrojarl Knarr* FPSO unit on July 1, 2015; • $12m increase from a full quarter of revenue for the East Coast of Canada contract; and • $10m increase from a full quarter of revenue for the *Arendal Spirit* UMS; • $18m decrease from the expiration of a long-term CoA contract during Q2-15, a decrease in shuttle CoA days and rates in Q3-15, the drydocking of the *Nansen Spirit* during Q3-15 and the redelivery of the *Amundsen Spirit* during Q2-15; • $8m decrease from unscheduled off-hire for the *Piranema Spirit* FPSO unit and the *Arendal Spirit* UMS for repairs in Q3-15; and • $3m decrease from a decrease in utilization and rates in the towage fleet.
Vessel operating expenses	(95,172)	(77,935)	• $17m increase from the acquisition of the *Petrojarl Knarr* FPSO unit on July 1, 2015; and • $5m increase from a full quarter of operating expenses for the *Arendal Spirit* UMS; • $3m decrease in FPSO operating expenses; • $1m decrease from the commencement of the *Randgrid* FSO conversion in Q2-15.
Time charter hire expense	(18,893)	(10,762)	• $10m increase due to the in-chartering of three vessels for the East Coast of Canada contract in Q3-15, one of which was replaced by one of our own vessels late Q3-15.
Estimated maintenance capital expenditures	(38,739)	(29,483)	• Increase due to the acquisition of the *Petrojarl Knarr* FPSO unit on July 1, 2015.
General and administrative expenses (2)	(15,324)	(15,270)	
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures	4,434	4,143	
Interest expense (2)	(51,284)	(37,825)	• $13m increase due to the acquisition of the *Petrojarl Knarr* FPSO unit on July 1, 2015
Interest income	153	135	
Income tax expense (2)	(369)	(353)	
Distributions relating to equity financing of newbuildings and conversion costs add-back	6,994	5,433	• Increase due to payments made during Q3-15 for committed newbuildings and conversions.
Distributions relating to preferred units	(10,573)	(4,791)	• Increase due to the Series C convertible preferred units issued during Q3-15.
Other - net	(3,552)	(3,971)	
Distributable Cash Flow before Non-Controlling Interests	**63,563**	**64,363**	
Non-controlling interests' share of DCF	(4,721)	(6,092)	• Decrease mainly due to fewer CoA shuttle tanker days and lower rates in our consolidated joint ventures and the commencement of the *Randgrid* FSO conversion in Q2-15.
Distributable Cash Flow (3)	**58,842**	**58,271**	
Total Distributions	**68,333**	**55,019**	• Increase due to $300 million of common units issued as partial financing for the *Petrojarl Knarr* FPSO unit acquisition and a 4% distribution increase for Q3-15.
Coverage Ratio	**0.86x**	**1.06x**	

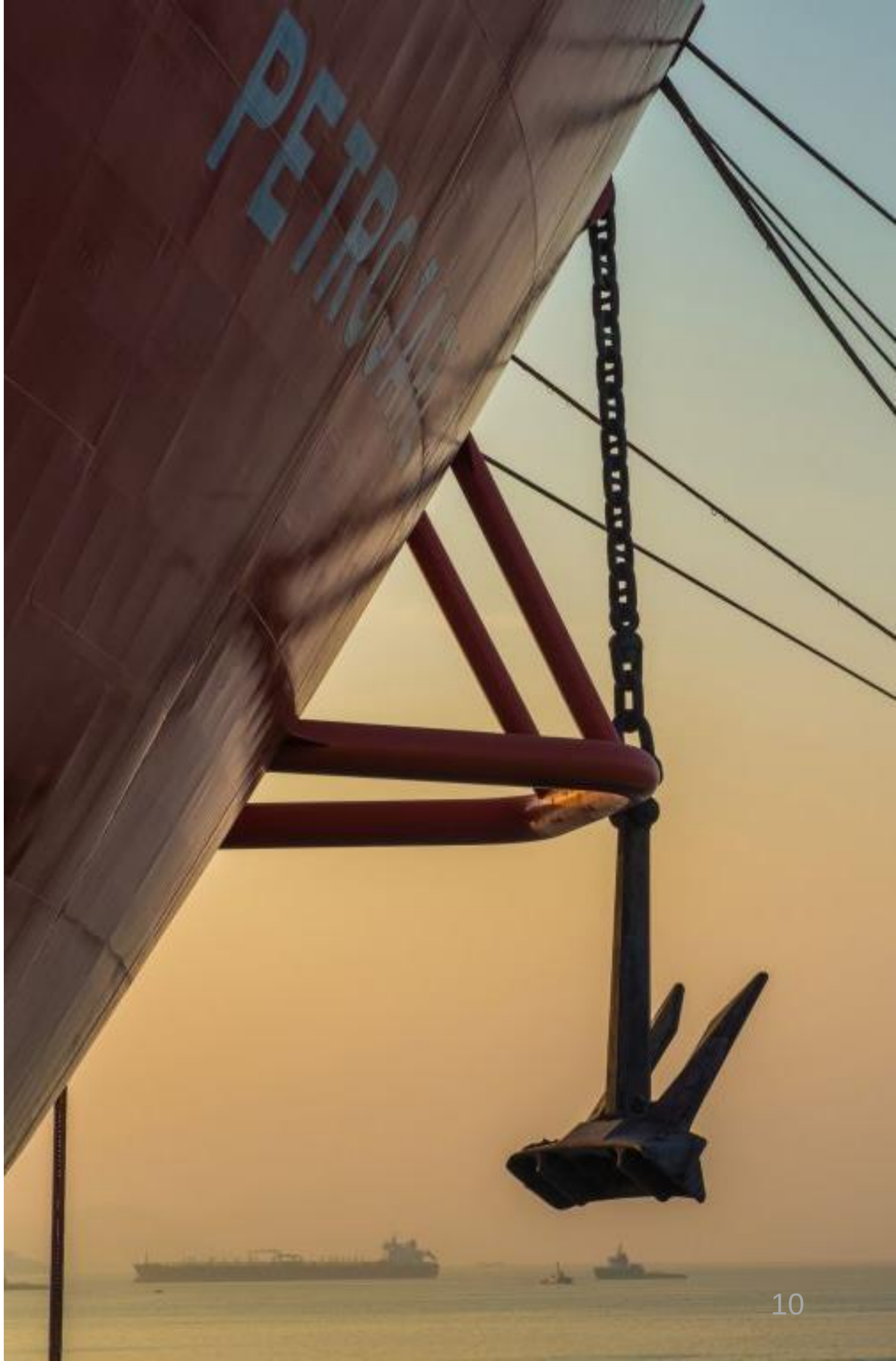
1) The three months ended June 30, 2015 excludes a retroactive adjustment for the Partnership's financial results due to the acquisition of the *Petrojarl Knarr* FPSO unit from Teekay Corporation. See Adjusted Operating Results in the Appendix to this presentation for a reconciliation of the above to the amount reported in the Summary Consolidated Statements of (Loss) Income in the Q3-15 Earnings Releases.
2) See Adjusted Operating Results in the Appendix to this presentation for a reconciliation of this amount to the amount reported in the Summary Consolidated Statements of (Loss) Income in the Q3-15 and Q2-15 Earnings Releases.
3) For a reconciliation of Distributable Cash Flow, a non-GAAP measure, to the most directly comparable GAAP figures, see Appendix B in the Q3-15 and Q2-15 Earnings Releases.

Q3-2015 Adjusted Distributable Cash Flow and Coverage Ratio



Summary

- Stable and growing cash flows supported by:
  - Strong operating track record
  - Contract portfolio of $8.2 billion of fee-based revenues with no direct exposure to oil prices
  - Continued growth in offshore oil production
  - New approach to future growth
- Financial flexibility
  - Continued access to diverse sources of capital



Appendix

Adjusted Operating Results

Q3-15

UNAUDITED (in thousands of US dollars)	Three Months Ended September 30, 2015			
	As Reported	Appendix A items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	TOO Adjusted Income Statement
NET REVENUES				
Revenues	314,054	-	-	314,054
Voyage expenses	(28,166)	-	-	(28,166)
Net revenues	285,888	-	-	285,888
OPERATING EXPENSES				
Vessel operating expenses	(95,172)	-	(1,715)	(96,887)
Time-charter hire expense	(18,893)	-	-	(18,893)
Depreciation and amortization	(72,827)	1,497	-	(71,330)
General and administrative	(27,321)	13,920	(1,923)	(15,324)
Write-down on sale of vessel	-	-	-	-
Total operating expenses	(214,370)	15,574	(3,638)	(202,434)
Income from vessel operations	71,518	15,574	(3,638)	83,454
OTHER ITEMS				
Interest expense	(33,645)	1,058	(18,697)	(51,284)
Interest income	153	-	-	153
Realized and unrealized (losses) gains on derivative instruments	(77,102)	57,607	19,495	-
Equity (loss) income from joint ventures	(7,052)	9,475	-	2,423
Foreign exchange (loss) gain	(10,257)	7,417	2,840	-
Other (loss) income – net	(373)	436	-	63
Income tax recovery (expense)	5,465	(5,834)	-	(369)
Total other items	(122,811)	70,159	3,638	(49,014)
Net (loss) income from continuing operations	(51,293)	85,733	-	34,440
Less: Net income attributable to non-controlling interests	(3,446)	1,058	-	(2,388)
Less: Net income attributable to Dropdown Predecessors	-	-	-	-
NET (LOSS) INCOME ATTRIBUTABLE TO THE PARTNERSHIP	**(54,739)**	**86,791**	**-**	**32,052**

1. See Appendix A to the Partnership's Q3-15 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 (3) and (4) to the Summary Consolidated Statements of (loss) Income in the Q3-15 earnings release.

Adjusted Operating Results

Q2-15

UNAUDITED (in thousands of US dollars)	Three Months Ended June 30, 2015 As Reported	Appendix A items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	Net Income Attributable to Dropdown Predecessor (3)	TOO Adjusted Income Statement
NET REVENUES					
Revenues	311,234	-	-	55,476	255,758
Voyage expenses	(20,716)	-	-	-	(20,716)
Net revenues	290,518	-	-	55,476	235,042
OPERATING EXPENSES					
Vessel operating expenses	(93,691)	-	(1,292)	(15,756)	(79,227)
Time-charter hire expense	(10,762)	-	-	-	(10,762)
Depreciation and amortization	(71,803)	1,497	-	(17,939)	(52,367)
General and administrative	(17,215)	-	(1,068)	(3,013)	(15,270)
Write-down on sale of vessel	(500)	500	-	-	-
Total operating expenses	(194,106)	2,132	(2,360)	(36,708)	(157,626)
Income from vessel operations	96,412	2,132	(2,360)	18,768	77,416
OTHER ITEMS					
Interest expense	(31,380)	-	(13,084)	(6,639)	(37,825)
Interest income	141	-	-	6	135
Realized and unrealized (losses) gains on derivative instruments	49,729	(55,773)	13,491	7,447	-
Equity (loss) income from joint ventures	9,720	(6,735)	-	-	2,985
Foreign exchange (loss) gain	(1,739)	(4,742)	1,953	(4,528)	-
Other (loss) income – net	385	-	-	(3)	388
Income tax recovery (expense)	111	-	-	464	(353)
Total other items	26,967	(67,250)	2,360	(3,253)	(34,670)
Net (loss) income from continuing operations	123,379	(65,118)	-	15,515	42,746
Less: Net income attributable to non-controlling interests	(3,638)	342	-	-	(3,296)
Less: Net income attributable to Dropdown Predecessors	(15,515)	-	-	(15,515)	-
NET (LOSS) INCOME ATTRIBUTABLE TO THE PARTNERSHIP	**104,226**	**(64,776)**	**-**	**-**	**39,450**

1. See Appendix A to the Partnership's Q2-15 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 (1) and (2) to the Summary Consolidated Statements of Income (loss) in the Q2-15 earnings release.
3. For further details please refer to footnote (1) to the to the Summary Consolidated Statements of Income (loss) in the Q3-15 earnings release.

Q4 2015 Outlook – Teekay Offshore Partners

Distributable Cash Flow Item	Q4 2015 Outlook (compared to Q3 2015)
Net revenues	• $7m increase from the FPSO units primarily due to a temporary shutdown of the *Piranema Spirit* in Q3-15 for unscheduled repairs; • $4m increase from the shuttle tanker fleet due to the seasonal decrease in CoA days in Q3-15 and the drydocking of the *Nansen Spirit* in Q3-15; and • $2m increase from the *Arendal Spirit* UMS due to unscheduled off-hire in Q3-15.
Vessel operating expenses	• $3m increase primarily due to the timing of maintenance on the FPSO units.
Time-charter hire expense	• $5m decrease due to the redelivery of one in-chartered vessel for the East Coast of Canada contract to its owner in Q3-15, which was replaced by one of our own vessels.
Estimated maintenance capital expenditures	• Expected to be in line with Q3-15.
General and administrative expenses	• Expected to be in line with Q3-15.
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures	• Expected to be in line with Q3-15.
Net interest expense	• $2m decrease primarily due to partial repayment of vendor financing from Teekay Corporation used as partial financing for the *Knarr* FPSO acquisition.
Distributions relating to equity financing of newbuildings and conversion costs add-back	• $2m increase due to expected payments made during Q4-15 for committed newbuildings and conversions.
Distributions relating to preferred units	• Expected to be in line with Q3-15.
Non-controlling interest's share of DCF	• Expected to be in line with Q3-15.
Distributions relating to common and general partner units	• Expected to be in line with Q3-15.

2015 and 2016 Drydock Schedule

TOO	March 31, 2015 (A)		June 30, 2015 (A)		September 30, 2015 (A)		December 31, 2015 (E)		Total 2015		Total 2016 (E)	
Segment	Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days	Vessels Drydocked	Total Offhire Days
Shuttle Tanker	1	32	1	11	1	33	1	28	4	104	6	153
	1	32	1	11	1	33	1	28	4	104	6	153

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.

BRINGING ENERGY TO THE WORLD