Second Quarter 2014 Earnings Presentation

August 8, 2014

TEEKAY OFFSHORE PARTNERS L.P.

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 fundamentals in the offshore industry; future growth opportunities, including the Partnership's ability to participate in new offshore projects or to grow organically; the accretive nature of any acquisitions and any future increases in the Partnership's distributable cash flows; the timing of new and converted vessel deliveries and commencement of their time-charter contracts; the potential for the Partnership to acquire future HiLoad projects and improved features of new HiLoad DP vessel designs; the effect of the Logitel acquisition on the Partnership's future cash flows and growth opportunities; the timing and certainty of entering into long-term financing and charter contracts for the FAU newbuildings prior to their deliveries; the estimated cost of building or converting vessels or offshore units; the timing and certainty of the Partnership's joint venture with Odebrecht completing final contract negotiations for the Libra FPSO project with Petrobras; and the potential for Teekay Corporation or third parties to offer additional vessels or projects to the Partnership and the Partnership agreeing to acquire such vessels or projects, including the timing and certainty of the acquisition of the *Petrojarl Knarr* FPSO. 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 and Brazil offshore fields; potential early termination of contracts; shipyard delivery or vessel conversion delays and cost overruns; failure by the Partnership to secure financing or charter contracts for FAU newbuildings; 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; the inability to successfully complete the operational testing of the HiLoad DP unit; actual results of the new HiLoad DP unit designs; failure of Teekay Corporation to offer to the Partnership additional vessels or of Sevan, Remora or Odebrecht to develop new vessels or projects; failure by the Partnership's joint venture with Odebrecht to complete final contract negotiations with Petrobras for the Libra FPSO project; potential delays in the commencement of operations of the *Petrojarl Knarr* FPSO unit; 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 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, 2013. 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 $40.1 million in Q2-14
  - Adjusting for temporary operational and cash flow timing items in Q2-14 distributable cash flow would have been $8 million higher during the quarter
- Declared Q2-14 cash distribution of $0.5384 per unit
- Entered floating accommodation market through acquisition of Logitel Offshore in August 2014
  - New area of growth with adjacency to existing business
  - Aggregate fully built-up cost for first 3 FAUs ~$600 million (excluding the 5 remaining options)
- Completed the Salamander FSO conversion in July 2014 - expected to commence 10-year charter in August 2014
- Currently completing commissioning testing on the innovative HiLoad oil export solution - expected to commence full charter during Q3-14, retroactive to April 11th
- TOO's 50/50 joint venture with Odebrecht nominated as lead commercial bidder on Libra FPSO project in Brazil, subject to final contract negotiations

Logitel Offshore Acquisition

- In August 2014, TOO acquired Logitel Offshore Holdings, an offshore floating accommodation company affiliated with Sevan Marine ASA
  - Subsequently exercised one of its existing six options
  - Fleet summary:

	FAU #1	FAU #2	FAU #3
Firm Contract	Petrobas (3-year)	Bidding	
Delivery Date	Q1-15	Q4-15	Q3-16

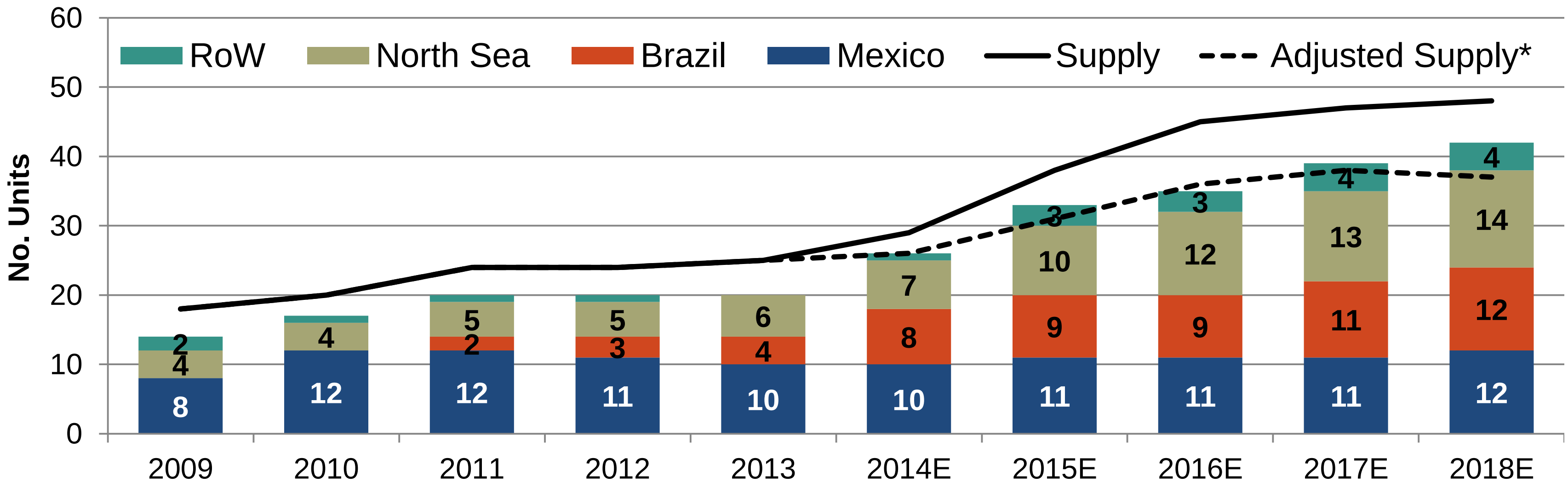
  - All units to be constructed by COSCO in China
- Sevan's Cylindrical Hull Design provides competitive advantages:
  - Lower cost solution relative to competitors
  - Increased deck space
  - Better stability
  - More storage space

Complements TOO's existing offshore business and provides a new channel for accretive growth

Strong Fundamentals in Floating Accommodation Market

- Strong regional demand growth expected in the next five years:
  - Brazil: currently over 100 offshore installations and approx. 40 new installations projected by 2020
  - North Sea: lack of quality, harsh weather capable units; enhanced oil recovery extending field life; 4 million tonnes of offshore platforms face decommissioning
- Platou forecasts demand for 42 units in 2018, up from 20 units in 2013
- Average semi-sub accommodation fleet age of 28 years creates replacement demand

Forecast FAU Supply / Demand Balance



Source: Platou

**Adjusted to account for scrapping (30% of units aged 30+ years) & excluding low-spec units on order*

Salamander FSO Project Update

- The FSO unit arrived on the Bualuang Field in the Gulf of Thailand in mid-July 2014
- Charter with Salamander Energy will extend the life of the *Navion Clipper* shuttle tanker by at least 10 years
  - Currently undergoing field installation and the unit is expected to commence its charter in August 2014
- The FSO contract is expected to earn ~$7 million in annual CFVO[1]

1) Cash flow from vessel operations (*CFVO*) represents income from vessel operations before depreciation and amortization expense, write-down of vessels and amortization of deferred gains, includes the realized gains (losses) on the settlement of foreign exchange forward contracts. CFVO is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies.

Remora HiLoad Update

- Operational testing to date has been successful and is expected to be completed during Q3-14
  - Completed six loadings from an offshore unit to a conventional tanker
- Upon completion of operational testing, the unit is expected to commence its 10-year time charter contract with Petrobras, retroactive to April 11, 2014
- The unit is expected to earn approximately $13 million in annual CFVO[1]

1) Cash flow from vessel operations (*CFVO*) represents income from vessel operations before depreciation and amortization expense, write-down of vessels and amortization of deferred gains, includes the realized gains (losses) on the settlement of foreign exchange forward contracts. CFVO is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies.

Knarr FPSO Update

- Teekay Corporation took delivery of the FPSO and the unit is currently in transit to the North Sea

- Following installation and offshore testing, the unit is expected to commence its 10-year charter with BG Group in late Q4-14

- Unit will be eligible to be acquired by Teekay Offshore

Adjusted Operating Results for Q2 2014 vs. Q1 2014

UNAUDITED (in thousands of US dollars)	Three Months Ended June 30, 2014				Three Months Ended March 31, 2014
	As Reported	Appendix A items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	TOO Adjusted Income Statement	TOO Adjusted Income Statement
NET REVENUES					
Revenues	241,402	-	-	241,402	259,234
Voyage expenses	26,256	-	-	26,256	33,454
Net revenues	215,146	-	-	215,146	225,780
OPERATING EXPENSES					
Vessel operating expenses	88,184	-	(49)	88,135	89,145
Time-charter hire expense	4,975	-	-	4,975	11,412
Depreciation and amortization	48,474	-	-	48,474	48,488
General and administrative	18,054	(1,600)	(148)	16,306	13,968
Restructuring (recovery) charge	(821)	821	-	-	-
Total operating expenses	158,866	(779)	(197)	157,890	163,013
Income from vessel operations	56,280	779	197	57,256	62,767
OTHER ITEMS					
Interest expense	(21,568)	-	(14,036)	(35,604)	(32,967)
Interest income	190	-	-	190	177
Realized and unrealized losses on derivative instruments	(38,144)	24,343	13,801	-	-
Equity income from joint venture	2,388	894	-	3,282	3,552
Foreign exchange loss	(2,836)	2,798	38	-	-
Other income – net	72	-	-	72	390
Income tax expense	(182)	-	-	(182)	(1,263)
Total other items	(60,080)	28,035	(197)	(32,242)	(30,111)
Net (loss) income from continuing operations	(3,800)	28,814	-	25,014	32,656
Less: Net income attributable to non-controlling interests	(1,654)	401	-	(1,253)	(1,480)
ADJUSTED NET INCOME ATTRIBUTABLE TO THE PARTNERSHIP	**(5,454)**	**29,215**	**-**	**23,761**	**31,176**

(1) See Appendix A to the Partnership's Q2-14 earnings release for a description of Appendix A items.

(2) Reallocating the realized gains/losses to their respective line as if hedge accounting had applied. Please refer to footnotes (3) and (4) to the Summary Consolidated Statements of Income in the Q2-14 earnings release.

Distributable Cash Flow and Cash Distribution

	Three Months Ended June 30, 2014 (unaudited)	Three Months Ended March 31, 2014 (unaudited)	
Net (loss) income	(3,800)	9,022	
Add (subtract):			
Depreciation and amortization	48,474	48,488	
Unrealized losses on derivative instruments	24,343	22,072	
Partnership's share of equity accounted joint venture's distributable cash flow net of estimated maintenance capital expenditures	4,292	4,860	
Distributions relating to equity financing of new buildings and conversion costs	2,184	1,707	
Distributions relating to preferred units	(2,719)	(2,719)	
Equity income from joint venture	(2,388)	(3,703)	
Estimated maintenance capital expenditures (1)	(28,354)	(28,877)	
Indemnification from Teekay Corporation relating to the *Voyageur Spirit* FPSO (2)	-	3,474	
Foreign exchange and other, net	2,517	1,106	
Distributable Cash Flow before Non-Controlling Interests	**44,549**	**55,430**	
Non-controlling interests' share of DCF	(4,412)	(4,370)	
Distributable Cash Flow	**40,137**	**51,060**	**A**
Total Distributions	**51,011**	**50,884**	**B**
Coverage Ratio	**0.79x**	**1.00x**	***=A/B***

Adjusted Distributable Cash Flow and Coverage

	Three Months Ended June 30, 2014 (unaudited)	
Distributable cash flow	**40,137**	
Temporary Operational issues and cash flow timing differences:		
HiLoad DP unit revenue recognition	4,660	
Voyageur Spirit lower production	1,700	
Scheduled and unscheduled off-hire (*Dampier Spirit* and a shuttle tanker)	1,760	
Adjusted Distributable Cash Flow	48,257	**A**
Total Distributions	51,011	**B**
Adjusted Coverage Ratio	0.95x	***=A/B***

(1) Excludes the estimated maintenance capital expenditures of equity accounted joint ventures, which are deducted from equity accounted joint venture's distributable cash flow above.
(2) Indemnification of *Voyageur Spirit* FPSO's revenues and certain unrecovered vessel operating expenses are effectively treated as a reduction to estimated maintenance capital expenditures.

Significant Growth Opportunities for TOO

Visible Growth

2014 (Q3, Q4) | 2015 | 2016 | 2017

Teekay Offshore Projects

SHUTTLE & FSO
- Remora HiLoad DP Unit
- Salamander FSO Project
- Gina Krog FSO Project

Towing Vessels
- ALP - Four Towing and Anchor Newbuilds

Accommodation units
- Logitel - 3 Accommodation Unit Newbuilds

Teekay Corp. Project

FPSO
- *Petrojarl Knarr* Newbuild

Other Dropdown Candidates


Hummingbird Spirit FPSO


Petrojarl I FPSO


Petrojarl Banff FPSO


Petrojarl Foinaven FPSO

Directly bidding on several offshore projects

Agreements with Sevan and Remora expected to provide additional growth opportunities

2014 Investor Day

TEEKAY

SAVE THE DATE
Teekay Group
2014 Investor Day
New York

WHEN September 30, 2014

WHERE The St. Regis New York

SCHEDULE OF EVENTS

7:30 - 8:00 am	Breakfast
8:00 - 11:30 am	Presentations (1x1s to follow)

Live webcasting will be available on the respective websites.

CONTACT

For more information, or to schedule a one-on-one meeting, contact Emily Yee at + 1 604 609 6437
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No RSVP required.

NYSE: TK | NYSE: TOO | NYSE: TGP | NYSE: TNK

www.teekayoffshore.com

Appendix

2014 Drydock Schedule

Entity	Segment	March 31, 2014 (A) Vessels Drydocked	March 31, 2014 (A) Total Offhire Days	June 30, 2014 (A) Vessels Drydocked	June 30, 2014 (A) Total Offhire Days	September 30, 2014 (E) Vessels Drydocked	September 30, 2014 (E) Total Offhire Days	December 31, 2014 (E) Vessels Drydocked	December 31, 2014 (E) Total Offhire Days	Total 2014 Vessels Drydocked	Total 2014 Total Offhire Days
Teekay Offshore	Fixed-Rate Tanker	-	-	-	-	1	23	-	-	1	23
	FSO	-	-	1	83	1	40	-	-	2	123
	Shuttle Tanker	2	54	1	32	3	89	1	55	7	230
		2	54	2	115	5	152	1	55	10	376

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.

TEEKAY OFFSHORE