TEEKAY

TEEKAY OFFSHORE PARTNERS Q1-2015 EARNINGS PRESENTATION

May 15, 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 growth projects, including the timing and certainty of new organic offshore projects and future acquisitions, and the impact of these projects on the Partnership's future distributable cash flows; the timing of newbuilding, conversion and upgrade vessel or offshore unit deliveries and commencement of their respective charter contracts; the timing of the sale of the held for sale shuttle tanker; the Partnership's acquisition of future HiLoad projects and potential for improved features of new HiLoad DP vessel designs; the future application of the HiLoad technology, including securing a contract for the completed HiLoad DP unit; the estimated reserves on the Atlanta field; the timing and purchase price of the Partnership's acquisition of the remaining two long-distance towing and offshore installation vessels; the timing and certainty of entering into charter contracts for the UMS newbuildings prior to their deliveries; the estimated cost of building, converting or upgrading vessels or offshore units; the Partnership's acquisition of the *Petrojarl Knarr* FPSO, including the purchase price, the timing of completion of testing and contract start-up at full rate for this FPSO unit, the timing of the Partnership completing the acquisition, and the consideration for the acquisition; the start-up dates of the shuttle tanker CoA contracts with EnQuest and BG, including the impact on utilization of the Partnership's shuttle tanker CoA fleet and the required roundtrip voyages; the timing and amount of the expected increase in the Partnership's cash distributions after the acquisition of the *Petrojarl Knarr* FPSO; the use of proceeds from the preferred unit offering; 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. 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 and upgrade delays and cost overruns; failure by the Partnership to secure charter contracts for UMS 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 secure a contract for the HiLoad DP unit; inability of Remora to develop innovations for future HiLoad DP unit designs; failure of the Partnership to receive offers for additional vessels or offshore units from Teekay Corporation, Sevan, Remora or third parties; failure by the Partnership to complete the acquisition of the remaining two long-distance towing and offshore installation vessels, including the transition of technical and commercial management of the vessels to ALP; potential delays in the commencement of full 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 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 $60.6 million in Q1-15
  - Strong coverage ratio of 1.10x
- Declared Q1-15 cash distribution of $0.5384 per unit
- Achieved first oil on the Knarr FPSO in March and TOO expects to acquire the unit in Q2-15
- Took delivery of the first unit for maintenance and safety (UMS), Arendal Spirit, which is expected to commence charter in June 2015
- Completed the acquisition of four of the six on-the-water towage vessels – $220 million investment for all six vessels
- Completed $125 million preferred unit offering in April 2015
- Encouraged by the current level of tender activity in our offshore production and offshore logistics segments

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

Knarr FPSO Status Update

- Expect to acquire the Knarr from Teekay Corp. for fully built-up cost of ~$1.25 billion when operating under its full charter rate in Q2-15
  - Fully-financed with assumed debt ($780 million), a combination of vendor financing and new common units issued to Teekay Corp. and a portion of the proceeds from the recent preferred unit offering
- Expected to generate annual DCF* of approximately $80 million
  - Acquisition expected to drive at least 4% annualized distribution growth

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

Offshore Production – Project Execution

Petrojarl I FPSO Upgrade

- The FPSO unit is currently being upgraded at the Damen Shipyard in the Netherlands
- First oil is expected to be achieved by mid-2016
- Capex: $235 million
- Contract length: 5 years

Libra FPSO Conversion (50% owned)

- Navion Norvegia shuttle tanker is currently being converted at the Jurong shipyard in Singapore
- First oil is expected to be achieved by early-2017
- Capex: $490 million (TOO’s 50% portion)
- Contract length: 12 years

Offshore Logistics – Project Execution

Unit for Maintenance and Safety (UMS)

- First UMS, Arendal Spirit, arrived in Brazil on May 2
  - Expected to commence 3-year charter with Petrobras, plus a 3-year extension option, in June 2015
- UMS #2 and #3 scheduled for delivery in Q1-16 and Q4-16, respectively
  - Ability to adjust delivery dates of the these two UMS newbuildings by up to one year to match contracts

Offshore Logistics – Project Execution

Long-distance Towage Vessels

- Four vessels have now been delivered with the remaining two vessels expected to be delivered in Q2-15
- The three vessels that delivered in Q1-15 had 100% utilization during the quarter
- Experiencing strong demand:
  - Significant demand for rig movements (shorter-term contracts of 30-100 days)
  - Actively bidding for tows of large offshore units (longer-term contracts of 90-150 days)
- ALP's four state-of-the-art towage newbuildings being constructed at the Niigata shipyard in Japan are on schedule for delivery in 2016

Improving External Environment

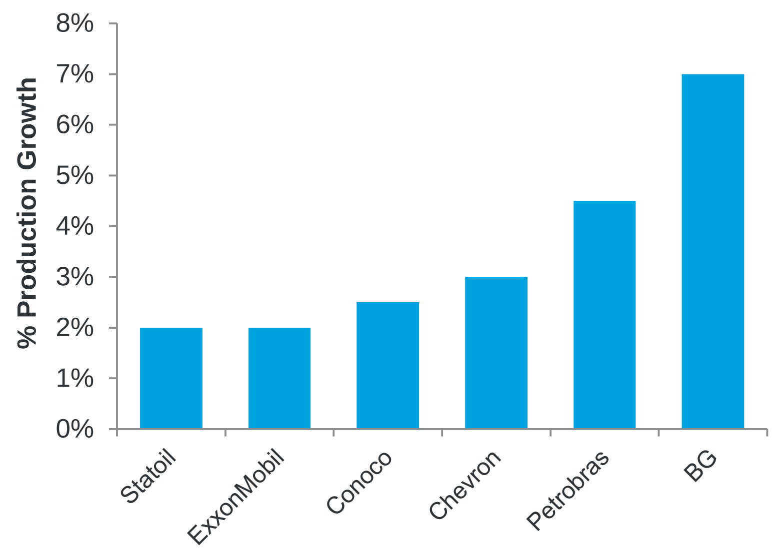
EXISTING CONTRACTS:

- Production at existing fields being supported by:
  - Higher oil prices with Brent crude rebounding ~45% since mid-January
  - Oil companies targeting >2% oil production growth in 2015 despite lower oil prices

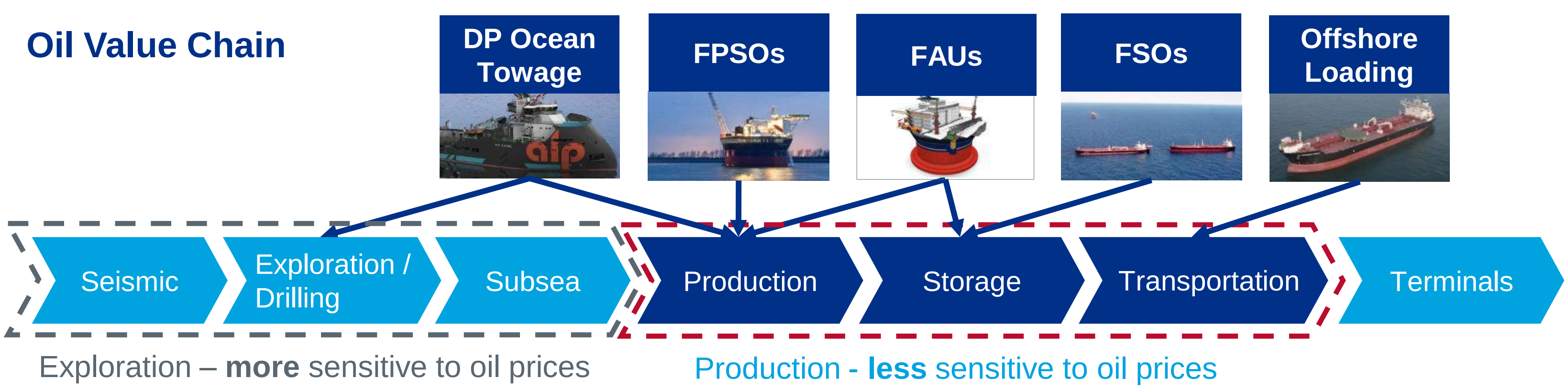
NEW PROJECTS:

- Customers are seeking cost-effective solutions
  - Plays to TOO's strengths in the offshore production and offshore logistics segments

Oil Company Target Production Growth in 2015



Source: Company Reports



Distributable Cash Flow and Coverage

Q1-15 vs. Q4-14

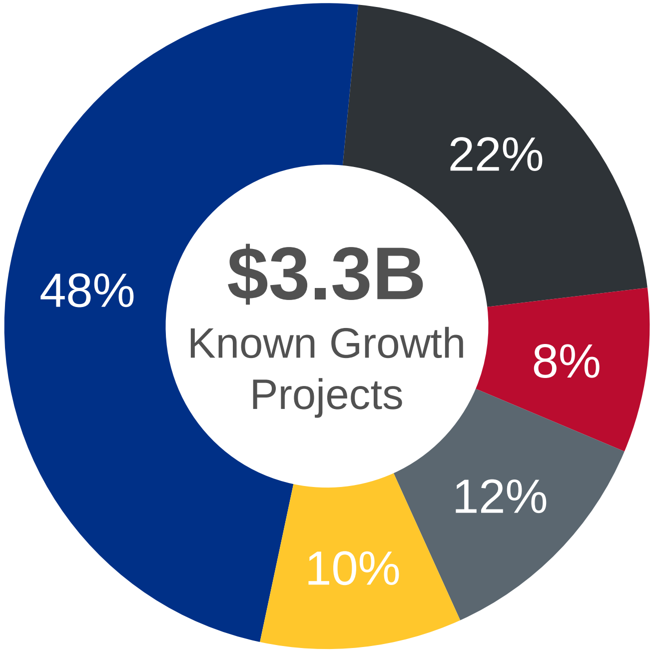
(Thousands of U.S. Dollars except coverage ratio information)	Three Months Ended March 31, 2015 (unaudited)	Three Months Ended December 31, 2014 (unaudited)	
Net revenues	228,394	236,253	
Vessel operating expenses	(74,034)	(84,294)	
Time charter hire expense	(6,983)	(7,618)	
Estimated maintenance capital expenditures	(29,254)	(28,240)	
General and administrative expenses	(14,880)	(20,575)	
Partnership's share of equity accounted joint venture's			
DCF net of estimated maintenance capital expenditures	5,654	2,525	
Interest expense (1)	(38,421)	(40,183)	
Interest income	134	207	
Income tax (expense) recovery	(845)	734	
Distributions relating to equity financing of new buildings and conversion costs	3,749	2,824	
Distributions relating to preferred units	(2,719)	(2,719)	
Other - net	(3,097)	(2,292)	
Distributable Cash Flow before Non-Controlling Interests	**67,698**	**56,622**	
Non-controlling interests' share of DCF	(7,086)	(6,667)	
Distributable Cash Flow (2)	**60,612**	**49,955**	**A**
Total Distributions	**55,019**	**55,003**	**B**
Coverage Ratio	**1.10x**	**0.91x**	***=A/B***

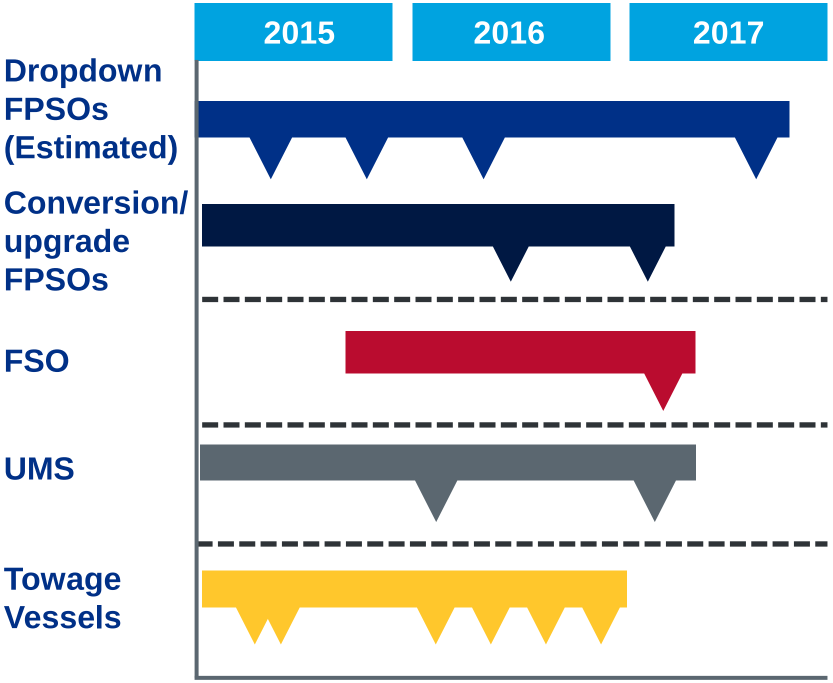
1) See Adjusted Operating Results in the Appendix to this presentation for a reconciliation of this amount to the amount reported in the Summary Consolidated Statements of Income and Comprehensive Income in the Q1-15 and Q4-14 earnings release.
2) For a reconciliation of Distributable Cash Flow, a non-GAAP measure, to the most directly comparable GAAP figures, see Appendix B in the Q1-15 and Q4-14 Earnings Releases.

Strong Visible Growth Pipeline Supports Future TOO Distribution Increases

Continue to bid on offshore projects and on-the-water acquisitions

Known Growth Capex by Segment





Appendix

Teekay Offshore Capital Commitments

- Teekay Offshore's remaining capital commitments relating to its portion of acquisitions, newbuildings and conversions as at March 31, 2015:

(in $ Millions)	2015	2016	2017	Total
Offshore Production				
FPSO(1)	$281	$300	-	$581
Offshore Logistics				
FSO(2)	$95	$98	-	$193
Towage(3)	$135	$109	-	$244
UMS(4)	$11	$374	$25	$410
Total	$522	$881	$25	$1,428

1) Includes capital expenditures related to the *Petrojarl I* FPSO upgrade and Teekay Offshore's 50% interest in the Libra FPSO conversion project.
2) Includes capital expenditures related to the Gina Krog FSO conversion project.
3) Includes capital expenditures related to the acquisition of two on-the-water towing and offshore installations vessels and four long-haul towing and offshore installation newbuildings.
4) Includes capital expenditures related to two UMS newbuildings.

Adjusted Operating Results

Q1-15

UNAUDITED (in thousands of US dollars)	Three Months Ended March 31, 2015 As Reported	Appendix A items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	TOO Adjusted Income Statement
NET REVENUES				
Revenues	250,911	-	-	250,911
Voyage expenses	(22,517)	-	-	(22,517)
Net revenues	228,394	-	-	228,394
OPERATING EXPENSES				
Vessel operating expenses	(74,034)	559	(1,089)	(74,564)
Time-charter hire expense	(6,983)	-	-	(6,983)
Depreciation and amortization	(53,604)	1,748	-	(51,856)
General and administrative	(14,880)	-	(1,605)	(16,485)
(Write-down) and gain on sale of vessels	(13,853)	13,853	-	-
Total operating expenses	(163,354)	16,160	(2,694)	(149,888)
Income from vessel operations	65,040	16,160	(2,694)	78,506
OTHER ITEMS				
Interest expense	(23,183)	-	(15,238)	(38,421)
Interest income	134	-	-	134
Realized and unrealized losses on derivative instruments	(51,648)	36,096	15,552	-
Equity income from joint ventures	4,091	531	-	4,622
Foreign exchange loss	(7,076)	4,696	2,380	-
Other income – net	259	-	-	259
Income tax (expense) recovery	(845)	-	-	(845)
Total other items	(78,268)	41,323	2,694	(34,251)
Net (loss) income from continuing operations	(13,228)	57,483	-	44,255
Less: Net (loss) income attributable to non-controlling interests	(3,998)	251	-	(3,747)
ADJUSTED NET (LOSS) INCOME ATTRIBUTABLE TO THE PARTNERSHIP	**(17,226)**	**57,734**	**-**	**40,508**

1) See Appendix A to the Partnership's Q1-15 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 Income (loss) in the Q1-15 earnings release.

Adjusted Operating Results

Q4-14

UNAUDITED
(in thousands of US dollars)

	Three Months Ended December 31, 2014			
	As Reported	Appendix A items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	TOO Adjusted Income Statement
NET REVENUES				
Revenues	260,461	-	-	260,461
Voyage expenses	(24,208)	-	-	(24,208)
Net revenues	236,253	-	-	236,253
OPERATING EXPENSES				
Vessel operating expenses	(84,294)	4,470	(999)	(80,823)
Time-charter hire expense	(7,618)	-	-	(7,618)
Depreciation and amortization	(51,832)	-	-	(51,832)
General and administrative	(20,575)	4,362	(332)	(16,545)
(Write-down) and gain on sale of vessels	3,121	(3,121)	-	-
Total operating expenses	(161,198)	5,711	(1,331)	(156,818)
Income from vessel operations	75,055	5,711	(1,331)	79,435
OTHER ITEMS				
Interest expense	(24,982)	-	(15,201)	(40,183)
Interest income	207	-	-	207
Realized and unrealized losses on derivative instruments	(59,495)	44,435	15,060	-
Equity income from joint ventures	1,764	712	-	2,476
Foreign exchange loss	(11,590)	10,118	1,472	-
Other income – net	597	-	-	597
Income tax (expense) recovery	734	-	-	734
Total other items	(92,765)	55,265	1,331	(36,169)
Net (loss) income from continuing operations	(17,710)	60,976	-	43,266
Less: Net (loss) income attributable to non-controlling interests	(5,547)	2,387	-	(3,160)
ADJUSTED NET (LOSS) INCOME ATTRIBUTABLE TO THE PARTNERSHIP	**(23,257)**	**63,363**	**-**	**40,106**

1) See Appendix A to the Partnership's Q4-14 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 (4) and (5) to the Summary Consolidated Statements of Income (loss) in the Q4-14 earnings release.

2015 Drydock Schedule

Segment	March 31, 2015 (A)		June 30, 2015 (E)		September 30, 2015 (E)		December 31, 2015 (E)		Total 2015	
	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	22	1	22	1	28	4	104
	1	32	1	22	1	22	1	28	4	104

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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