TEEKAY

TEEKAY OFFSHORE PARTNERS Q1-2016 EARNINGS PRESENTATION

May 19, 2016

Forward Looking Statements

This presentation contains forward-looking statements which reflect management's current views with respect to certain future events and performance, including statements regarding: the timing and completion of financing initiatives to address the Partnership's medium-term funding needs and their impact on the Partnership's financial position, including, among other things, plans to refinance and access additional debt, extend the maturities to late-2018 for two NOK senior unsecured bonds, issue equity securities and defer deliveries of two units for maintenance and safety (UMS); the Partnership's growth prospects; the impact of growth projects on the Partnership's future cash flows; financing for the Partnership's pipeline of growth projects; the Partnership's expectations for performance in the second quarter; expectations for refinancing the Partnership's debt; the timing for replacement of the *Arendal Spirit UMS* gangway and timing of recommencing operations; the timing and completion of negotiating contract extensions; future chartering of the *Varg FPSO*; and the timing of delivery of newbuilding shuttle tankers. 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: the Partnership's ability to complete its financing initiatives; failure of lenders, bondholders, investors or other third parties to approve or agree to the proposed terms of the financing initiatives of the Partnership; failure to achieve or any delay in achieving expected benefits of such financing initiatives; 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 charter contracts; potential delays related to the Arendal Spirit UMS recommencing operations; failure by the Partnership to secure a new charter contract for the Varg FPSO; and other factors discussed in the Partnership's filings from time to time with the SEC, including its Report on Form 20-F for the fiscal year ended December 31, 2015. 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 DCF* of $62.0 million, or $0.58 per common unit, in Q1-16
- Generated CFVO* of $166.1 million in Q1-16, an increase of 22 percent from Q1-15
  - High fleet utilization and uptime
- Declared Q1-16 cash distribution of $0.11 per unit
  - Distribution coverage ratio of 5.16x
- Completed sale of two conventional tankers and one shuttle tanker in Q1-16
- Total liquidity of $336 million as at March 31, 2016
- Nearing completion of financing initiatives to address 2016 and 2017 funding requirements
  - Addresses near and medium-term debt maturities
  - $1.6 billion of growth projects through 2018 fully financed**
- Implementing cost reduction plan expected to save over $30 million per year

*Cash Flow from Vessel Operations (CFVO) and Distributable Cash Flow (DCF) are non-GAAP measures. Please see Teekay Offshore's Q1-16 earnings release for descriptions and reconciliations of these non-GAAP measures.

**Excludes two UMS newbuildings which the Partnership is currently in discussions to defer delivery

TOO’s CFVO is Stable and Growing

TOO's growth more than offsets assets being redeployed or retired

<u>FPSO</u>

- Increase in CFVO mainly due to acquisition of the Knarr FPSO in mid-2015
- Growing interest in utilizing existing FPSOs to develop new oilfields

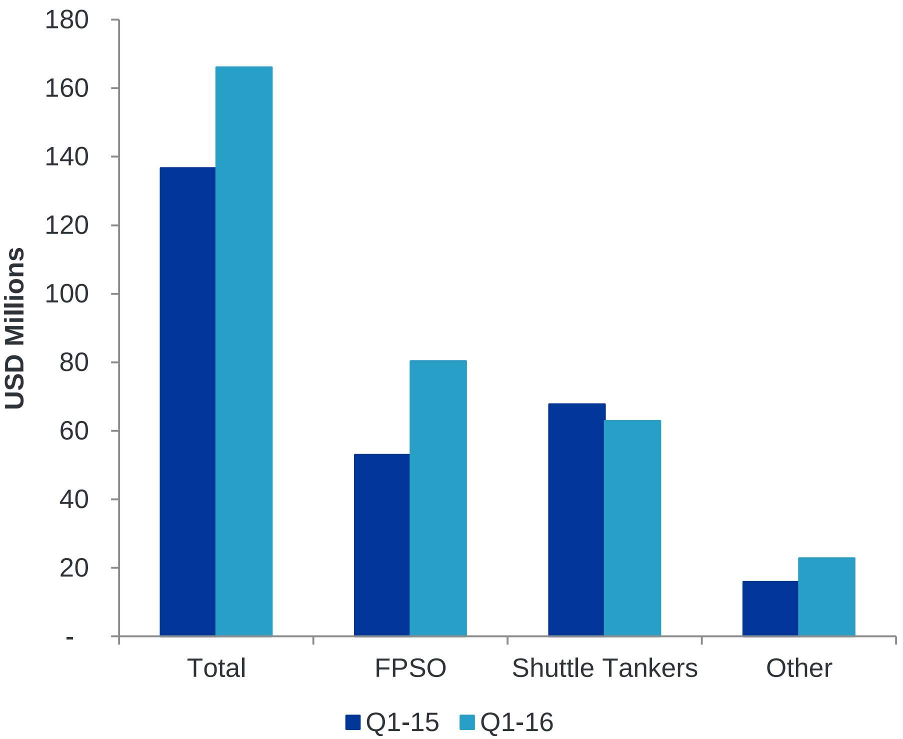
<u>Shuttle Tankers</u>

- Slight decrease in CFVO as a result of shuttle tanker sales in 2015
- Shuttle tanker market remains tight
  - TOO’s fleet largely sold out in 2016

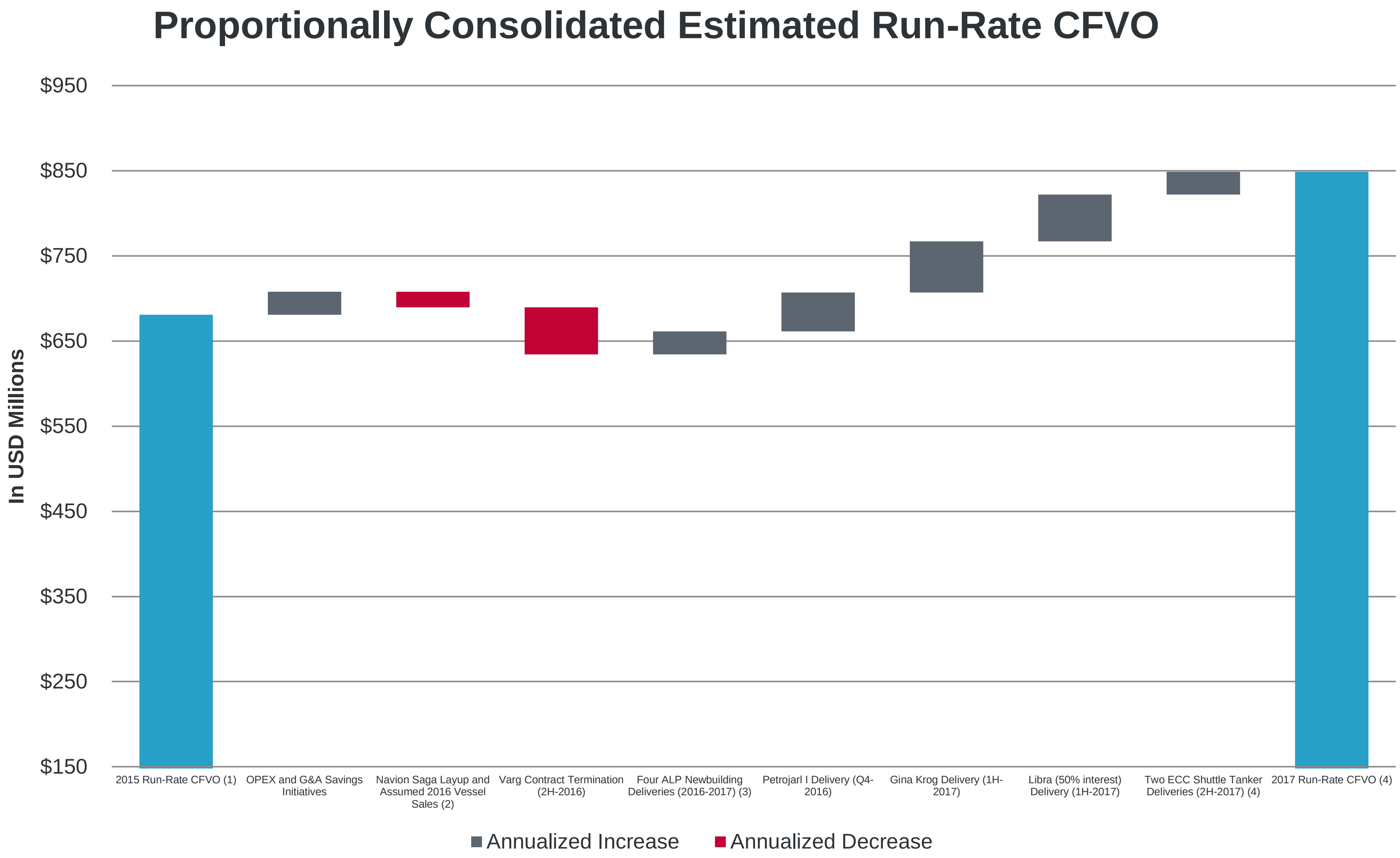
<u>Other Segments</u>

- Delivery of the Arendal Spirit UMS in mid-2015 is partially offset by the sale of conventional tankers in Q4-15 and Q1-16
- Strong inbound inquiry for towage services
- In April 2016, the gangway of the Arendal Spirit UMS suffered damage
  - Agreement reached to replace gangway (expected completion mid-June)

Q1-15 & Q1-16 CFVO



TOO’s CFVO Continues to Grow



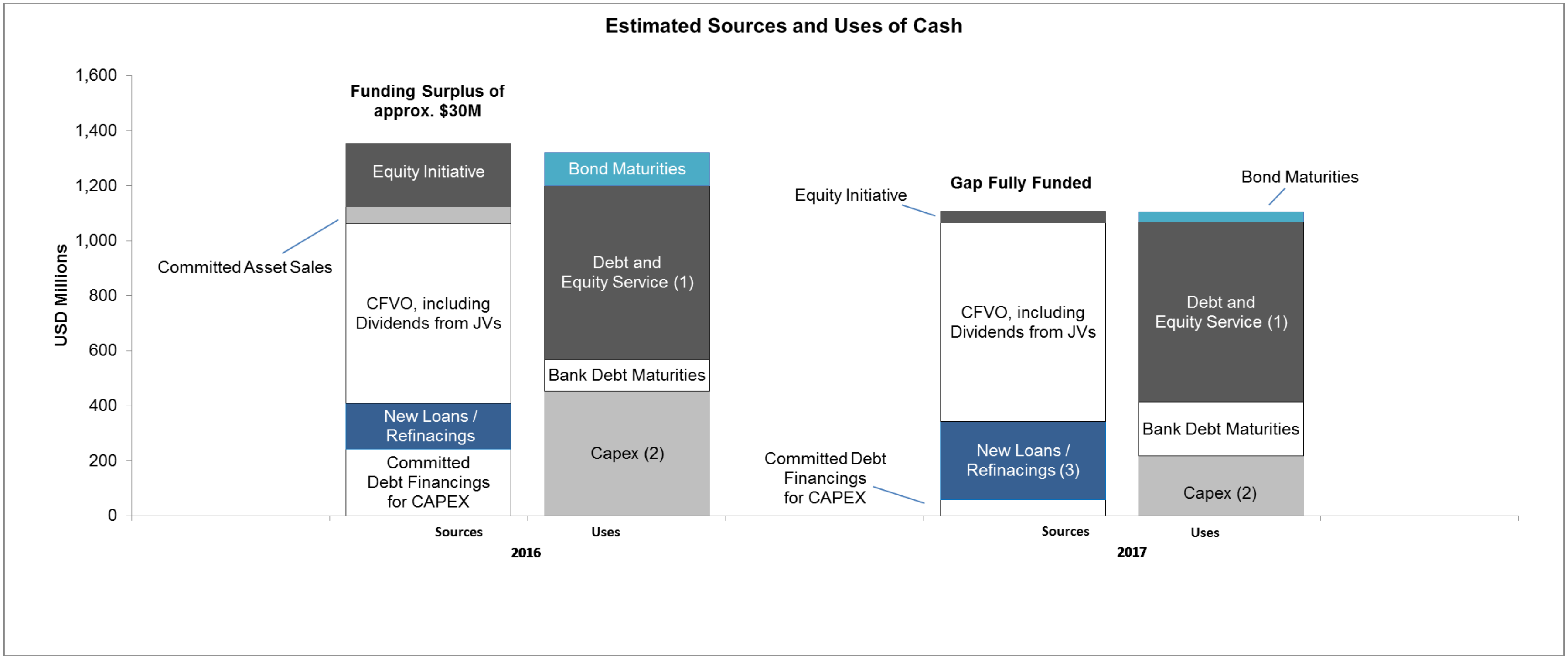
(1) Annualized for Knarr FPSO and Arendal Spirit deliveries, Navigator Spirit and SPT Explorer sales and shuttle tanker contract expirations during 2015
(2) Assumes vessel sales: Fuji Spirit (completed), Kilimanjaro Spirit (completed) and Navion Europa
(3) Assumes ALP vessels chartered at current market rates
(4) Excludes 1 East Coast Canada (ECC) shuttle tanker newbuilding delivering in early 2018 and 2 unchartered UMS units

Summary of TOO's Financing Initiatives

On track for completion in June 2016

	Initiative	Status
Banks	• $250 million debt facility for the East Coast Canada shuttle tanker project • $40 million debt facility on un-mortgaged vessels (six shuttle tankers and FSO units) • $35 million from an increased debt facility on two shuttle tankers • $75 million refinancing for the Varg FPSO	• $35 million of new loan financing already completed • Commitments received for all other new loan financing • Majority of banks committed to Varg FPSO refinancing
Norwegian Bondholders	• **Jan 2017 Bond** – New maturity Nov 2018 with 30% amortization in Oct 2016 and Oct 2017 • **Jan 2018 Bond** – New maturity Dec 2018 with 20% amortization in Jan 2018	• Commitments received from 67% and 53% of the 2017 and 2018 bondholders, respectively (require 66.7% support of those voting) • Summons circulated to all bondholders for final vote in early-June
Equity Holders	• $200 million in preferred units (with warrant structure)	• In advanced discussions with investors
Capex	• In discussions to defer the delivery of the two remaining UMS newbuildings, which would result in capex deferral of approximately $400 million • Sale of two conventional tankers in Q4-15 and the sale-leaseback of the two remaining conventional tankers in Q1-16	• UMS shipyard contract amendment in documentation • Conventional tanker sales completed, adding approximately $60 million in liquidity

2016 & 2017 Cash Flow Forecast



Bank Initiatives | Bond Initiatives | Equity Initiatives | Capex

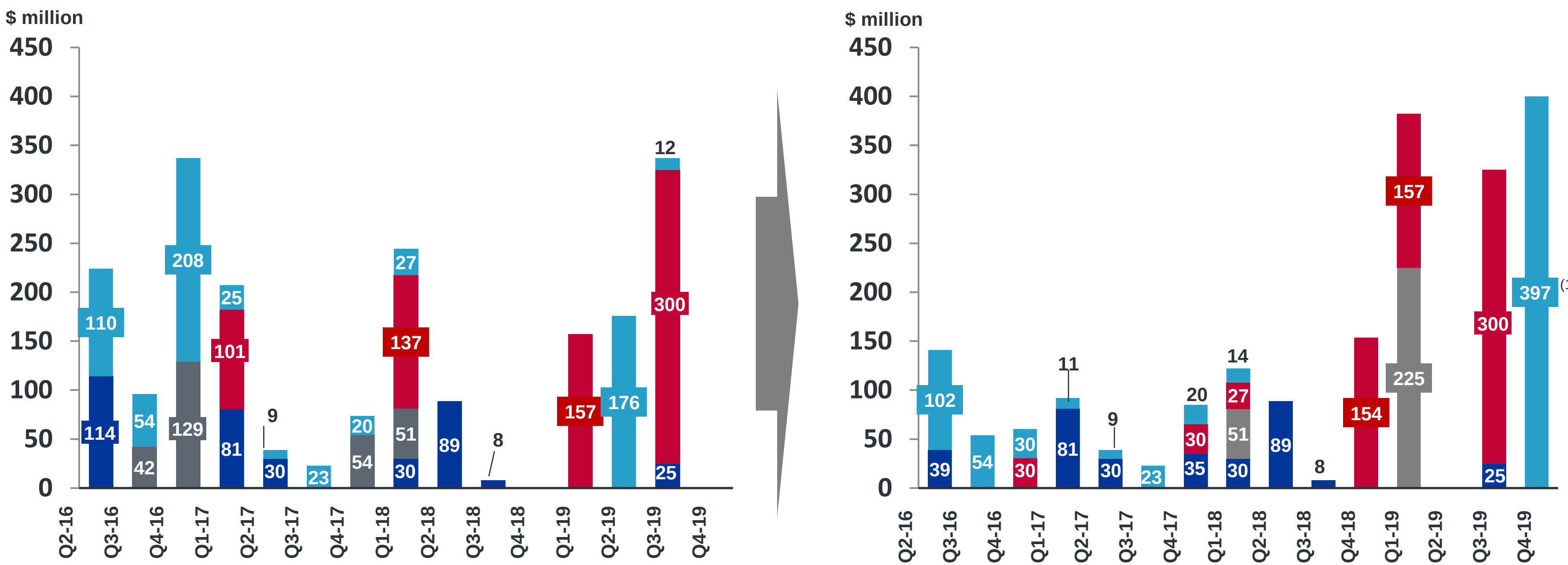
Liquidity	2016	2017
Opening[4]	$280	~$310
Ending[4]	~$310	~$310
Minimum covenant[5]	~$165	~$160

(1) Defined as net interest expense, scheduled debt repayments and revolver amortizations, and current distributions to equity holders
(2) Includes gross CAPEX and equity investment in Joint Venture, excluding the two UMS newbuildings
(3) Assumes bank maturities of $111 million for Piranema, Navion Bergen and Navion Gothenburg are refinanced for $100 million
(4) Comprised of unrestricted cash, and undrawn revolvers
(5) Minimum liquidity requirement, which is based on 5% of total debt as of March 31, 2016 = ~$165 million

CAPEX and Debt Maturity Profile Impact

Runway extended to late-2018

Baseline maturity profile | **Anticipated maturity profile**



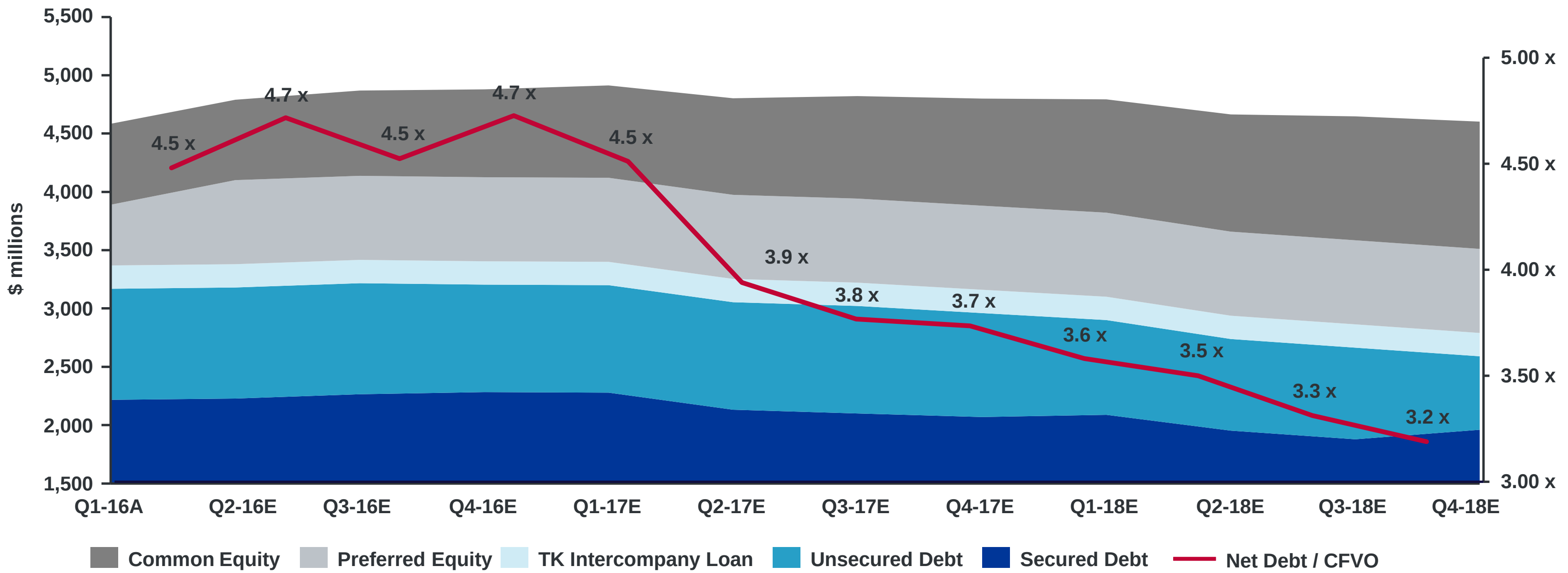
Capex (net of committed financing) | Bond maturities and amortizations(2) | Interest rate swaps(3) | Loan maturities

(1) In discussions to defer the delivery of the two remaining UMS newbuildings, which is assumed to be deferred to 2019, which are assumed to be deferred to 2019. Amount does not take into account future debt facilities
(2) Principal amounts are net of restricted cash and include cross currency swap maturities based on the mark-to-market as of March 29, 2016
(3) Deferral of interest rate swap terminations based on the mark-to-market as of March 29, 2016. Actual cash settlement amounts for interest rate swaps are expected to be lower than the figures in the graphs above, based on amortization of the mark-to-market value and forward LIBOR rates as at March 29, 2016

Balance Sheet Projected to De-lever Significantly

TOO expected to be better positioned to refinance bond maturities post – 2017 with higher CFVO and lower debt

Projected TOO Leverage (Net debt / CFVO)(1)(2)



In USD Billions	Q1 – 2016		Q4 – 2018 (3)
Secured Debt	$2.4	TOO Expected to Delever	$1.7
Unsecured Debt	$1.0		$0.8
Net Debt / Book Cap	72%		55%

(1) Includes all financing initiatives and based on management's estimates of contract roll-overs. No CFVO assumed for Varg in Q4-16 through 2018

(2) Run-rate based on quarterly CFVO excluding temporary off-hire relating to Arendal Spirit gangway replacement in Q2-16 and excludes $200 million TK Intercompany Loan.

(3) Secured debt balance is net of cash. Unsecured debt balance is before Q4-2018 NOK bond payments

Three-Year Growth Pipeline

Fully financed growth projects contribute to significant CFVO growth

Project[1]	Remaining CAPEX ($ millions as at March 31, 2016)	Remaining Undrawn Financing ($ millions as at March 31, 2016)	2016	2017	2018
ALP Towage Newbuildings	106	126			
Petrojarl I FPSO (upgrade)	96	57	QGEP		Out to 2021
Gina Krog FSO[2] (conversion)	115	93		Statoil	Firm period out to 2020; Options out to 2032
Libra FPSO[3] (conversion)	357	287		Petrobras / Total / Shell / CNPC / CNOOC	Out to 2029
East Coast Canada Shuttle Tankers	333	250	Chevron / Husky / Nalcor / Murphy / CHH / Exxon / Statoil / Suncor / Mosbacher		Firm Period out to 2030; Options out to 2035

Short-term charters   Charter contract

Total estimated annual CFVO from growth projects of over $200 million[3]

(1) Excludes two UMS newbuildings which we are currently in discussions to defer delivery
(2) Excludes amounts reimbursable upon delivery
(3) Includes 50% proportionate share of the Libra FPSO

Appendix

DCF and DCF per Limited Partner Unit

Q1-16 vs. Q4-15

($'000's, except per unit information)	Three Months Ended March 31, 2016 (unaudited)	Three Months Ended December 31, 2015 (unaudited)	Comments
Net revenues	288,364	312,535	• $8m decrease from an annual production bonus on the *Voyageur Spirit* FPSO unit in Q4-15; • $7m decrease from a reduction in revenue earned relating to the *Petrojarl Varg* FPSO unit in Q1-16 as it prepares to come off field in August 2016; • $6m decrease in shuttle CoA days, less project revenue and increased off-hire in Q1-16; • $4m decrease from the sale of two conventional tankers in Q4-15 and the sale/leaseback of two conventional tankers in Q1-16; • $3m decrease due to maintenance bonuses received on the FPSO units in Q4-15; partially offset by • $6m increase in fees received from Teekay Corp. relating to the contract termination of one conventional tanker in Q1-16 relative to a payment in Q4-15.
Vessel operating expenses	(95,352)	(108,920)	• $8m decrease in FPSO operating expenses mainly relating to lower repairs and maintenance; and • $5m decrease in shuttle tanker operating expenses.
Time charter hire expense	(15,322)	(15,112)	
Estimated maintenance capital expenditures	(40,671)	(39,718)	
General and administrative expenses (1)	(15,857)	(16,550)	
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures	5,725	2,754	• Increase due to a maintenance bonus received during Q1-16 and lower operating expenses within the *Cidade de Itajai* FPSO equity accounted joint venture.
Interest expense (1)	(49,874)	(49,928)	
Interest income	404	203	
Income tax recovery (1)	2,836	248	
Distributions relating to equity financing of newbuildings and conversion costs add-back	3,262	3,034	
Distributions relating to preferred units	(10,750)	(10,525)	
Other - net	(6,118)	(6,304)	
Distributable Cash Flow before Non-Controlling Interests	**66,647**	**71,717**	
Non-controlling interests' share of DCF	(4,610)	(4,718)	
Distributable Cash Flow (2)	**62,037**	**66,999**	
Amount attributable to the General Partner	(240)	(240)	
Limited Partners' Distributable Cash Flow	61,797	66,759	
Weighted-average number of common units outstanding	107,055	107,017	
Distributable Cash Flow per Limited Partner Unit	**0.58**	**0.62**	

(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 in the Q1-16 and Q4-15 Earnings Releases.
(2) For a reconciliation of Distributable Cash Flow, a non-GAAP measure, to the most directly comparable GAAP figures, see Appendix B in the Q1-16 and Q4-15 Earnings Releases.

Q2-2016 Outlook – Teekay Offshore

Distributable Cash Flow Item	Q2-2016 Outlook (compared to Q1-2016)
Net revenues	• $9m decrease due to an estimated two months off-hire related to gangway damage on the *Arendal Spirit* UMS; • $4m decrease due to a full quarter without the capital rate earned on the *Petrojarl Varg* FPSO; • $4m decrease from the conventional fleet due to a one-time fee on the early termination of a charter contract in Q1-16; and • $3m decrease from the shuttle tanker fleet due to fewer CoA days in Q2-16
Vessel operating expenses	• $2m decrease mainly due to the sale of two conventional tankers in Q1-16
Time-charter hire expense	• $4m increase due to full quarter of in-chartering two conventional tankers subsequent to their sale in Q1-16; partially offset by • $2m decrease due to fewer spot-in shuttle days in Q2-16
Estimated maintenance capital expenditures	• Expected to be in line with Q1-16
General and administrative expenses	• Expected to be in line with Q1-16
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures	• $1m decrease primarily due to lower revenues from the maintenance bonus within the *Cidade de Itajai* FPSO equity accounted joint venture in Q1-16
Net interest expense	• Expected to be in line with Q1-16
Distributions relating to equity financing of newbuildings and conversion costs add-back	• Expected to be in line with Q1-16
Distributions relating to preferred units	• Expected to be in line with Q1-16
Non-controlling interest's share of DCF	• Expected to be in line with Q1-16
Distributions relating to common and general partner units	• Expected to be in line with Q1-16

Adjusted Operating Results

Q1-16

UNAUDITED (in thousands of U.S. Dollars)	Three Months Ended March 31, 2016 As Reported	Appendix A items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	TOO Adjusted Income Statement
NET REVENUES				
Revenues	306,708	(3,967)	-	302,741
Voyage expenses	(18,344)	-	-	(18,344)
Net revenues	288,364	(3,967)	-	284,397
OPERATING EXPENSES				
Vessel operating expenses	(95,352)	1,097	(1,376)	(95,631)
Time-charter hire expense	(15,322)		-	(15,322)
Depreciation and amortization	(74,922)	5,582	-	(69,340)
General and administrative	(14,469)	-	(1,388)	(15,857)
Write-down on sale of vessel	-	-	-	-
Restructuring charge	-	-	-	-
Total operating expenses	(200,065)	6,679	(2,764)	(196,150)
Income from vessel operations	88,299	2,712	(2,764)	88,247
OTHER ITEMS				
Interest expense	(36,026)	2,791	(16,639)	(49,874)
Interest income	404	-	-	404
Realized and unrealized (losses) gains on derivative instruments	(60,490)	43,734	16,756	-
Equity income from joint ventures	5,283	(613)	-	4,670
Foreign exchange (loss) gain	(2,838)	191	2,647	-
Other income (loss) – net	9	(252)	-	(243)
Income tax recovery	2,836	-	-	2,836
Total other items	(90,822)	45,851	2,764	(42,207)
Net (loss) income from continuing operations	(2,523)	48,563	-	46,040
Less: Net income attributable to non-controlling interests	(1,888)	(202)	-	(2,090)
NET (LOSS) INCOME ATTRIBUTABLE TO THE PARTNERSHIP	**(4,411)**	**48,361**	**-**	**43,950**

1. See Appendix A to the Partnership's Q1-16 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 (Loss) Income in the Q1-16 earnings release.

Adjusted Operating Results

Q4-15

UNAUDITED (in thousands of US Dollars)	As Reported	Appendix A items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	TOO Adjusted Income Statement
	Three Months Ended December 31, 2015			
NET REVENUES				
Revenues	339,142	1,776	-	340,918
Voyage expenses	(26,607)	-	-	(26,607)
Net revenues	312,535	1,776	-	314,311
OPERATING EXPENSES				
Vessel operating expenses	(108,920)	848	(1,149)	(109,221)
Time-charter hire expense	(15,112)	-	-	(15,112)
Depreciation and amortization	(71,974)	1,497	-	(70,477)
General and administrative	(14,190)	-	(2,360)	(16,550)
Write-down on sale of vessel	(55,645)	55,645	-	-
Restructuring charge	(276)	276	-	-
Total operating expenses	(266,117)	58,266	(3,509)	(211,360)
Income from vessel operations	46,418	60,042	(3,509)	102,951
OTHER ITEMS				
Interest expense	(33,013)	1,413	(18,328)	(49,928)
Interest income	203	-	-	203
Realized and unrealized gains (losses) on derivative instruments	16,478	(35,348)	18,870	-
Equity income from joint ventures	913	865	-	1,778
Foreign exchange (loss) gain	(827)	(2,140)	2,967	-
Other income – net	825	-	-	825
Income tax recovery (expense)	15,703	(15,455)	-	248
Total other items	282	(50,665)	3,509	(46,874)
Net income from continuing operations	46,700	9,377	-	56,077
Less: Net income attributable to non-controlling interests	(2,829)	437	-	(2,392)
NET INCOME ATTRIBUTABLE TO THE PARTNERSHIP	**43,871**	**9,814**	**-**	**53,685**

1. See Appendix A to the Partnership's Q4-15 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 (4) and (5) to the Summary Consolidated Statements of Income (Loss) in the Q4-15 earnings release.

2016 Drydock Schedule

Segment	March 31, 2016 (A)		June 30, 2016 (E)		September 30, 2016 (E)		December 31, 2016 (E)		Total 2016 (E)	
	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days	Vessels	Total Dry-dock Days
Shuttle Tanker	-	-	3	93	2	54	1	35	6	182
	-	-	3	93	2	54	1	35	6	182

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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