TEEKAY OFFSHORE PARTNERS Q4-2016 EARNINGS PRESENTATION

February 23, 2017

Photo: Hans Erik Unneland

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: the potential new shuttle tanker CoA contract, including the timing of start-up; the effect of the potential new CoA on the Partnership's future cash flows, including the Partnership's fleet utilization; the outcome of dialogue with the charterer on the *Arendal Spirit* UMS, including the timing and certainty of the unit returning to operation; the fundamentals in the shuttle tanker market; the impact of growth projects on the Partnership's future cash flows; the Partnership's timing of delivery and costs of various newbuildings and conversion/upgrade projects, including potential delays and additional costs on the *Petrojarl I* FPSO; and the outcome of discussions on the *Petrojarl I* FPSO with the charterer, shipyard and lenders. 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; the inability of the Partnership to finalize the new shuttle tanker CoA contract and delays in project start-up; the inability of the Partnership to meet the charterer's requirements for the *Arendal Spirit* UMS to return to operations; delays in the commencement of charter contracts; the inability of the Partnership to negotiate acceptable terms with the charterer, shipyard and lenders related to the delay of the *Petrojarl* I FPSO; the ability to fund the Partnership's remaining capital commitments and debt maturities; 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, 2015 and Form 6-K for the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016. 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 Q4-16 and fiscal 2016 DCF* of $21.6 million and $161.3 million, respectively
  - Q4-16 and fiscal 2016 DCF* per common unit of $0.15 and $1.28, respectively
- Sold 1995-built shuttle tanker, *Navion Europa*, for net proceeds approximately $14 million
  - Resulted in gain of approximately $7 million
- Finalizing a new five-year North Sea shuttle tanker contract of affreightment (CoA)

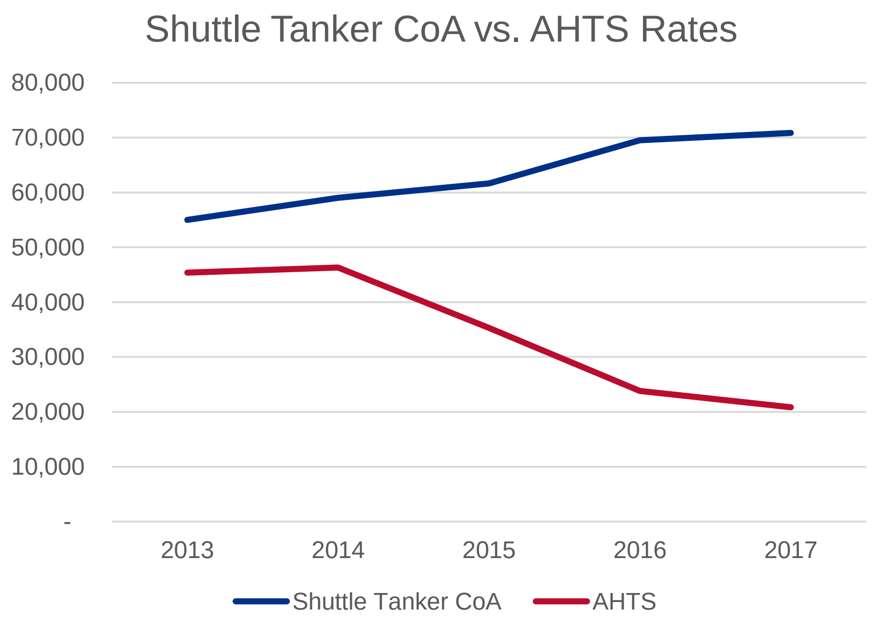
*Distributable Cash Flow (DCF) and Cash Flow from Vessel Operations are non-GAAP measures. Please see Teekay Offshore's Q4-16 earnings release for descriptions and reconciliations of these non-GAAP measures.

Photo: Hans Erik Unneland

Shuttle Tanker Market Expected to Continue Tightening

Day rates and utilization reflect strong underlying fundamentals

- Global shuttle tanker utilization is increasing due to:
  - **Increased demand:** combination of more lifting points and new fields coming on-stream faster than old fields rolling off
  - **Reduced supply:** No uncommitted newbuildings on order and ageing fleet with significant retirements before 2020
- Limited capacity in the market
- CoA rates up 40% over the past two years

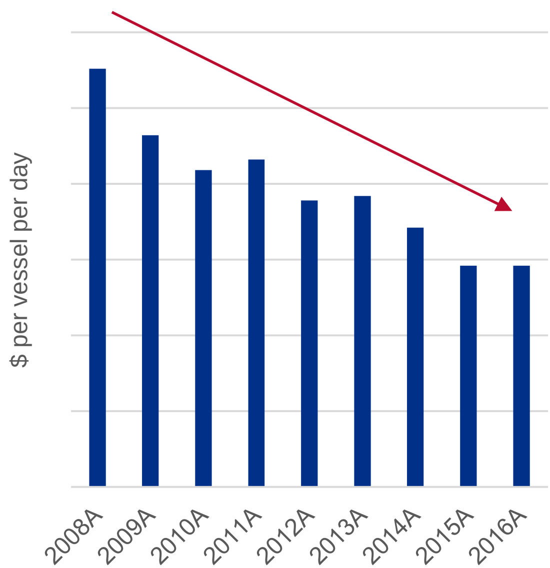


(1) Source: Clarksons; AHTS 240 t BP time charters, Teekay

Efficiency Initiatives = Cost Savings

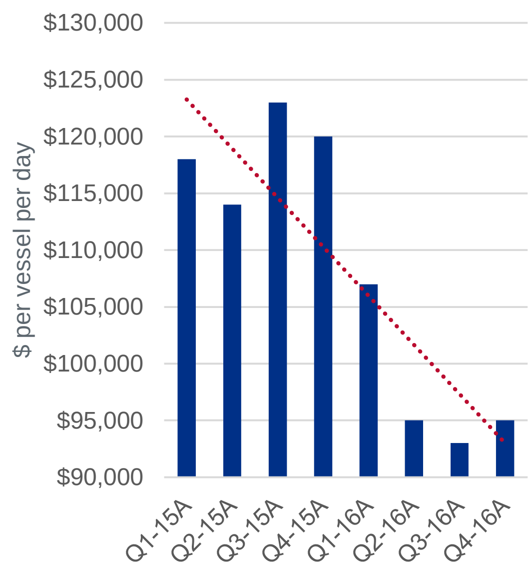
Reducing run-rate operating expenditures

Shuttle tanker opex(1)



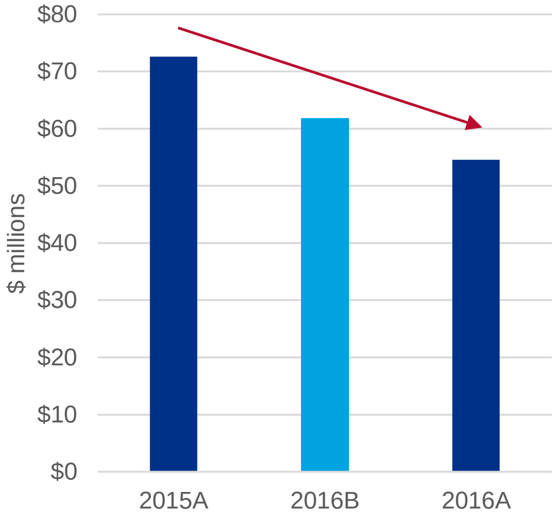
- North Sea shuttle operating expenses have been declining since 2008
- Shift in manning model to employ more ratings and officers from the Philippines
- Strong focus on supply chain costs

Average FPSO opex(2)
(excluding shipman costs)



- Underwent a focus on reducing FPSO opex in 2016
- Strong focus on supply chain management
- Changes on-board FPSOs to reduce crewing cost

TOO G&A expense



- Efficiency initiatives throughout the Partnership to reduce costs
- Reduced on-shore headcount by 75 people in 2016

(1) North Sea fleet only.
(2) 2H 2015 opex from the Knarr FPSO annualized.

Arendal Spirit UMS

Actively addressing performance of the unit

- UMS on contract to Petrobras since June 2015
- Operational and technical challenges in 2016:
  - Gangway incident in April (2 months off-hire)
  - DP incident in November
- Petrobras currently undergoing an operational review of unit
  - Suspending charter payments until operational review is completed
- In discussions with Petrobras to bring unit back into operation

TOO's Growth Pipeline

Project	Remaining CAPEX ($ millions as at Dec 31, 2016)	Remaining Undrawn Financing ($ millions as at Dec 31, 2016)	2017	2018
ALP Towage Newbuildings[1]	44	68		
Gina Krog FSO[2] (conversion)	79	34	Statoil	Firm period out to 2020; Options out to 2032
Libra FPSO[3] (conversion)	151	133	Petrobras / Total / Shell / CNPC / CNOOC	Out to 2029
East Coast Canada Shuttle Tankers	299	202	Chevron / Husky / Nalcor / Murphy / CHH / Exxon / Statoil / Suncor / Mosbacher[	Firm Period out to 2030; Options out to 2035
Petrojarl I FPSO (upgrade)	98	-	QGEP	Out to 2022
Total	**671**	**437**		

Short-term charters   Charter contract

$200 million of additional annual CFVO from growth projects[3]

(1) Based on full amount of loan facility to be drawn; capital commitments shown net of expected cash liquidated damages payments from shipyard as compensation for late delivery.
(2) Excludes amounts reimbursable upon delivery.
(3) Includes only TOO's 50% proportionate share of the Libra FPSO.

Petrojarl I Upgrade Project

Plan to be on-field Q4-17

Main Causes for Delay

- Topsides upgrades much more challenging for yard than originally anticipated
- Condition of unit from cold stack required more maintenance than originally planned
- Scope changes

Current Status

- Unit is ~85% complete
- Continuing to increase resources where needed to ensure work progresses
- Commercial negotiations with QGEP to amend charter are progressing
- Expected project FBUC: $350m

queiroz galvão
EXPLORAÇÃO E PRODUÇÃO

Gina Krog FSO Conversion Project

- Randgrid FSO currently being converted from a former shuttle tanker at the Sembawang Shipyard in Singapore
  - Fully built-up cost of ~$280 million (including cost of hull)
  - Conversion ~ 98% complete
- Expected to commence contract with Statoil in mid-2017
  - Three-year firm period contract with 12 additional one-year extension options

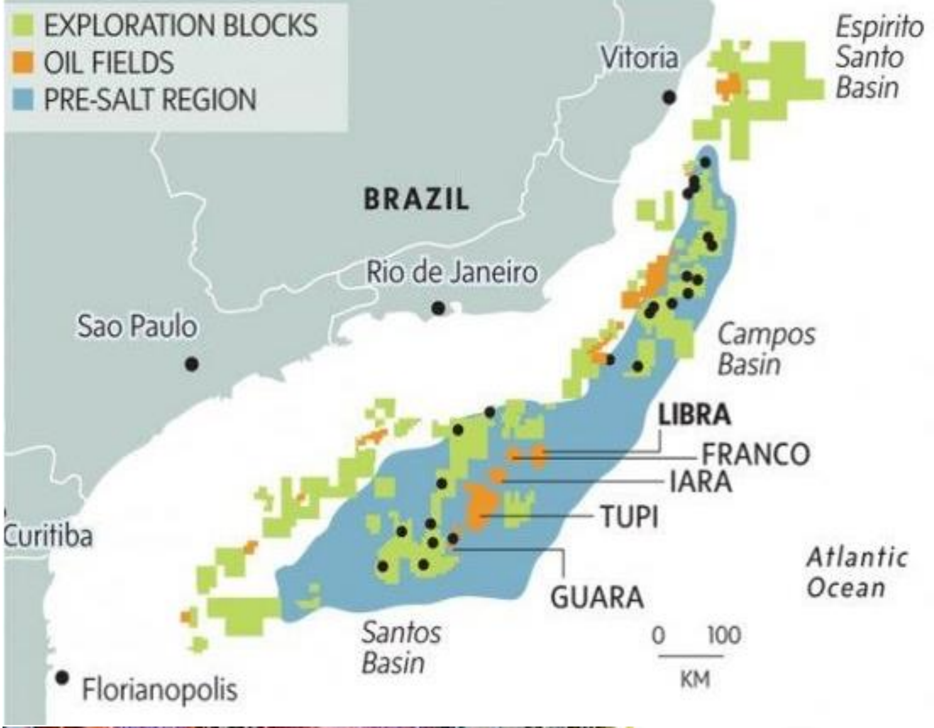
Statoil

Libra FPSO Conversion Project

- FPSO conversion at Jurong in Singapore 98% complete as of the end of January 2017
  - Expected to achieve first oil by early Q3-2017
  - On track to complete project within the $1 billion budget
- 12-year charter with consortium of oil majors

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

CNPC (10%) CNOOC Limited (10%)



East Coast Canada Shuttle Tanker Newbuildings Project

- In June 2015, Teekay Offshore was awarded contract to be the sole supplier and operator of shuttle tankers services for East Coast Canada (ECC)
  - 15-year contracts (plus 5x1 extension options) with a consortium of 9 oil companies
- 3 Suezmax DP shuttle tankers ordered from Samsung for a total cost of $375 million
  - Construction is in progress for all vessels (currently 65%, 30% and 7% complete) with scheduled deliveries in 2H-2017 and 1H-2018
  - $250 million long-term debt facility secured

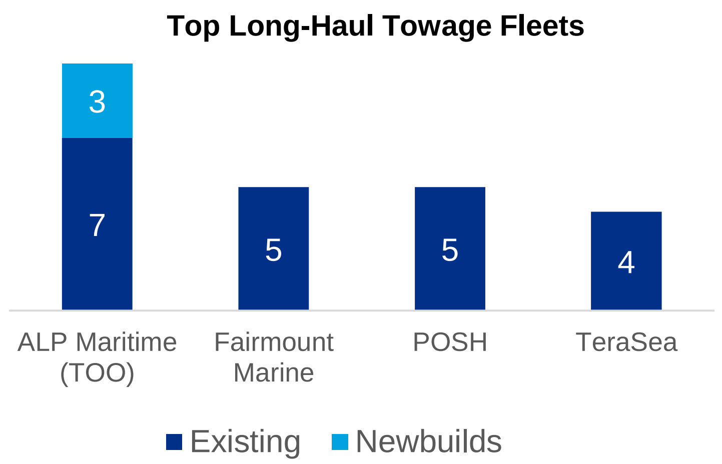
Chevron | Husky Energy | Murphy Oil Corporation | nalcor energy

Suncor Energy | Canada Hibernia Holding Corporation | Statoil | Mosbacher Operating Ltd. | ExxonMobil

Towage Business Update

ALP Maritime (TOO) is the leader in long-distance towage

- Fleet of 10 vessels – only owner of 300 tonnes bollard pull DP vessels
  - Most technologically advanced and youngest towage fleet
- Delivery of newbuild ALP Striker in September and remaining 3 newbuildings deliver during 2017
- Large vessels match size needed for large FPSO and FLNG tows
  - Recent completion of Kraken FPSO tow in January 2017
- Long-haul towage market currently challenging but maintaining utilization through short-term contracts
  - Drilling rig repositionings and scrappings
  - Mooring and hook-up installations
  - Ad-hoc emergency towing



Kraken FPSO Tow

TOO's 2017 Priorities

- Maintaining safety standards and operational excellence
- Delivering existing growth projects
- Securing FPSO charter rollovers
- Exploring partial asset sales and JV partnerships
- Strengthening the balance sheet and liquidity

Appendix

DCF and DCF per Limited Partner Unit

Q4-16 vs. Q3-16

($'000's, except per unit information)	Three Months Ended December 31, 2016 (unaudited)	Three Months Ended September 30, 2016 (unaudited)	Comments
Revenues	274,920	286,298	
Voyage expenses	(23,323)	(21,495)	
Net revenues	251,597	264,803	• Decrease due to suspended charter hire payments on the *Arendal Spirit* UMS in Q4-16; • Decrease due to the contract expiration of the *Petrojarl Varg* FPSO in Q3-16; and • Decrease due to the redelivery of the *Navion Saga* FSO in Q4-16; partially offset by • Increase in utilization and higher average rates in our shuttle tanker and towage fleets; and • Increase due to a full quarter of operations for the *ALP Striker* towage vessel.
Vessel operating expenses	(84,436)	(94,008)	• Decrease due to the contract expiration of the *Petrojarl Varg* FPSO in Q3-16; • Decrease due to the completion of the final performance test for the *Petrojarl Knarr* FPSO in Q3-16; and • Decrease due to the redelivery of the *Navion Saga* FSO in Q4-16.
Time charter hire expense	(22,441)	(18,894)	• Increase due to a full quarter of Grena in-charter and spot in-charters.
Estimated maintenance capital expenditures	(41,369)	(33,233)	• Increase due to liquidated damages received during Q3-16 as compensation for the late delivery of the *ALP Striker* towage vessel.
General and administrative expenses	(12,631)	(15,201)	
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures (1)	5,625	4,818	
Interest expense	(35,859)	(35,379)	
Interest income	261	298	
Realized losses on derivative instruments (2)	(12,599)	(15,271)	• Decrease due to the expiration of certain interest rate swap contracts in Q4-16.
Income tax expense	(11,479)	(1,603)	• Increase in income tax expense mainly from a decrease in the deferred tax asset based on expected utilization of tax losses
Distributions relating to equity financing of newbuildings and conversion costs add-back	4,461	4,571	
Distributions relating to preferred units	(12,386)	(12,386)	
Adjustments to non-cash revenue	(4,327)	(4,338)	
Other - net	2,299	(6,355)	• Increase in non-cash expenses mainly relating to the increase in the deferred tax expense
Distributable Cash Flow before Non-Controlling Interests	**26,716**	37,822	
Non-controlling interests' share of DCF (3)	(5,088)	(6,042)	
Distributable Cash Flow (4)	**21,628**	31,780	
Amount attributable to the General Partner	(331)	(321)	
Limited Partners' Distributable Cash Flow	21,296	31,459	
Weighted-average number of common units outstanding	144,705	139,058	
Distributable Cash Flow per Limited Partner Unit	**0.15**	**0.23**	

1) See reconciliation of the Partnership's equity income to share of equity accounted joint venture's distributable cash flow net of estimated maintenance capital expenditures.
2) See reconciliation of the Partnership's realized and unrealized gains (losses) on derivative instruments to realized losses on derivative instruments.
3) See reconciliation of the Partnership's non-controlling interest to non-controlling interests' share of DCF
4) For a reconciliation of Distributable Cash Flow, a non-GAAP measure, to the most directly comparable GAAP figures, see Appendix B in the Q4-16 and Q3-16 Earnings Releases.

Reconciliations of Non-GAAP Financial Measures

Q4-16 vs. Q3-16

Reconciliation of Partnership's realized and unrealized gains on derivative instruments to realized losses on derivative instruments:

($'000's)	Three Months Ended December 31, 2016 (unaudited)	Three Months Ended September 30, 2016 (unaudited)
Realized and unrealized gains on derivative instruments as reported	81,967	20,247
Unrealized gains on derivative instruments	(94,566)	(35,518)
Realized losses on derivative instruments	(12,599)	(15,271)

Reconciliation of Partnership's equity income to share of equity accounted joint venture's distributable cash flow net of estimated maintenance capital expenditures:

($'000's)	Three Months Ended December 31, 2016 (unaudited)	Three Months Ended September 30, 2016 (unaudited)
Equity income as reported	4,087	4,937
Depreciation and amortization	2,166	2,204
Unrealized losses (gains) on derivative instruments	418	(1,344)
Unrealized foreign exchange losses	1	68
Estimated maintenance capital expenditures	(1,047)	(1,047)
Partnership's share of equity accounted joint venture's distributable cash flow net of estimated maintenance capital expenditures	5,625	4,818

Reconciliation of Partnership's non-controlling interests in net income to non-controlling interests' share of DCF :

($'000's)	Three Months Ended December 31, 2016 (unaudited)	Three Months Ended September 30, 2016 (unaudited)
Non-controlling interests in net income as reported	4,313	3,161
Unrealized gains on derivative instruments	(250)	(294)
Gain on sale of vessel	(2,269)	-
Depreciation and amortization	3,294	3,175
Non-controlling interests' share of DCF	5,088	6,042

Q1 2017 Outlook – Teekay Offshore Partners

Distributable Cash Flow Item	Q1 2017 Outlook (compared to Q4 2016)
Net revenues	• \$5m decrease from the FPSO units due to fewer calendar days in Q1-17 and Q4-16 recognition of annual FPSO bonuses; and • \$4m decrease from the charterer of the *Arendal Spirit* UMS suspending charter hire payments relating to an operational incident in early-November 2016; partially offset by • \$3m increase from higher rates in the towage fleet; and • \$3m increase from higher project revenues and higher CoA days in the shuttle tanker fleet.
Vessel operating expenses	• Expected to be in line with Q4-16.
Time-charter hire expense	• \$2m decrease from the redelivery of an in-chartered shuttle tanker in late Q4-16.
Estimated maintenance capital expenditures	• Expected to be in line with Q4-16.
General and administrative expenses	• Expected to be in line with Q4-16.
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures	• Expected to be in line with Q4-16.
Net interest expense	• \$2m decrease mainly due to the maturity of interest rate swaps and a NOK bond and various loan repayments in Q4-16.
Distributions relating to equity financing of newbuildings and conversion costs add-back	• Expected to be in line with Q4-16.
Distributions relating to preferred units	• Expected to be in line with Q4-16.
Non-controlling interest's share of DCF	• Expected to be in line with Q4-16.
Distributions relating to common and general partner units	• Expected to be in line with Q4-16.

2016(A) / 2017(E) Drydock Schedule

Entity	Segment	March 31, 2016 (A)		June 30, 2016 (A)		September 30, 2016 (A)		December 31, 2016 (A)		Total 2016 (A)	
		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
Teekay Offshore	Shuttle Tanker	-	-	3	99	2	57	1	36	6	192

Entity	Segment	March 31, 2017 (E)		June 30, 2017 (E)		September 30, 2017 (E)		December 31, 2017 (E)		Total 2017 (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	-	-	2	64	1	28	-	-	3	92

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