First Quarter 2014 Earnings Presentation

May 16, 2014

TEEKAY OFFSHORE PARTNERS L.P.

Forward Looking Statements

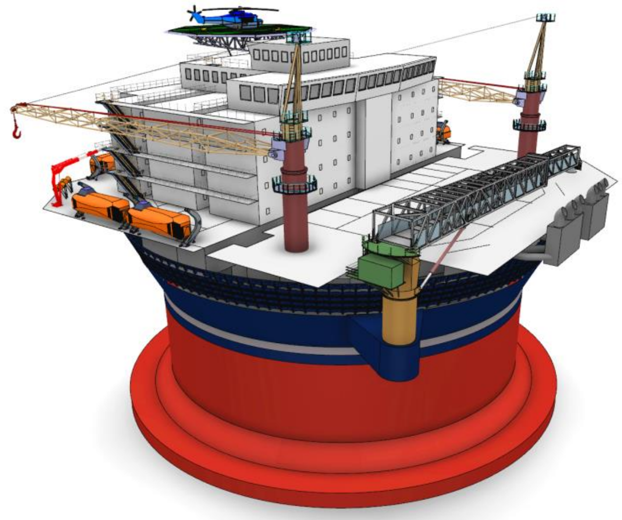
This presentation contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: the fundamentals in the offshore industry; future growth opportunities, including the Partnership's ability to successfully bid for new offshore projects or to grow organically; future increases in the Partnership's distributable cash flows; the results of proposed projects; 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 timing and certainty of completion of the Partnership's acquisition of Logitel; 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 for the FAU newbuildings prior to their deliveries; the timing and certainty of securing a charter contract for the second FAU newbuilding prior to its delivery; the estimated cost of building or converting vessels or offshore units; the effect of the *Dampier Spirit* FSO contract extension on the Partnership's cash flow from vessel operations; 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 *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 to complete the Partnership's acquisition of Logitel; failure by the Partnership to secure financing on the two FAU newbuildings and secure a charter contract for the second FAU newbuilding; change in exploration, production and storage of offshore oil and gas, either generally or in particular regions that would impact the expected future growth in the floating accommodation and services rig market; 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; potential delays in the construction of the *Knarr FPSO* and/or commencement of operations under its charter contract; 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 $51.1 million in Q1-14, a 22% increase from Q1-13
- Declared Q1-14 cash distribution of $0.5384 per unit
- Signed a letter of intent (*LOI*) to acquire Logitel Offshore, a company focused on the floating accommodation market
  - Potential to grow **to a $1.0+ billion investment for Teekay Offshore**
- Completed $261 million acquisition of ALP Maritime Services and ordered four towing and anchor handling vessel newbuilds
- Signed a contract extension for the *Dampier Spirit* FSO contract with Apache Energy for an additional 10-years

Signed LOI to Acquire Logitel Offshore

- In May 2014, TOO signed an LOI to acquire Logitel Offshore Holdings Ltd. (*Logitel*), an offshore floating accommodation company carved out of Sevan Marine ASA (*Sevan*)
  - Logitel owns two floating accommodation units (*FAUs*), which are based on the Sevan cylindrical hull design, plus options to order up to an additional six FAUs
  - Both units are currently under construction at the COSCO shipyard in China

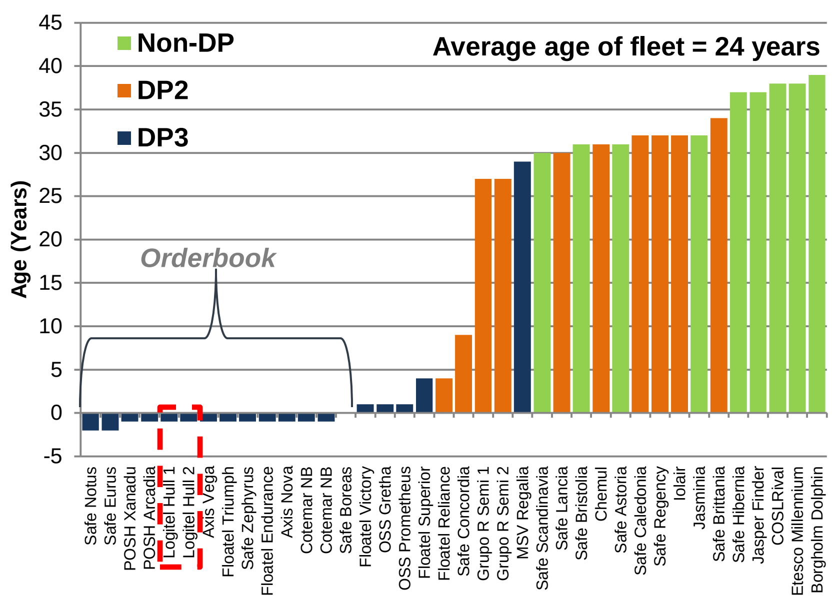


- First unit has secured a 3-yr charter contract, plus extension options, with Petrobras in Brazil and is scheduled to deliver in Q1-2015
- Expect to secure charter contract for the second unit prior to its scheduled delivery in Q4-2015
- Natural complement to TOO's existing offshore business and provides a new channel for accretive growth

Floating Accommodation Market

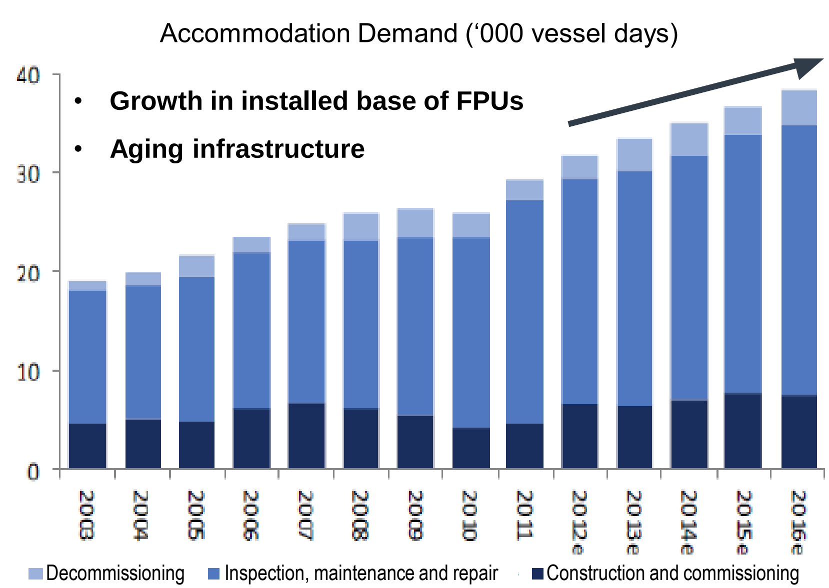
- Employed where there is a need for additional offshore accommodation, storage and support
- Mainly used for maintenance and modification projects on existing offshore installations
- Can also be used during the hook-up of new installations and decommissioning of old facilities
- Current fleet of 23 floating accommodation units worldwide with 14 more on order
- Main regions are Mexico and the North Sea with future demand from Brazil, Asia and West Africa

Aging Floating Accommodation Fleet



Source: Fearnleys

Strong Demand Fundamentals



Source: DNB / Pareto

Dampier Spirit FSO Accretive Life Extension

- In May 2014, the 1987-built *Dampier Spirit* FSO contract was extended for an additional 10 years by Apache Energy

- The FSO will continue to operate on the Stag oil field offshore Western Australia

- The FSO is expected to be drydocked for 45 days for upgrades during Q2-2014 for a total cost of approximately $11 million

- The FSO contract is expected to earn approximately $5.7 million in annual CFVO[1]

1) Cash flow from vessel operations (*CFVO*) from consolidated vessels 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, and cash flow from vessel operations relating to its discontinued operations and adjusting for direct financing leases to a cash basis. CFVO is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies.

Adjusted Operating Results for Q1 2014 vs. Q4 2013

UNAUDITED (in thousands of US dollars)	Three Months Ended March 31, 2014				Three Months Ended December 31, 2013
	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	259,234	-	-	259,234	260,654
Voyage expenses	33,454	-	-	33,454	29,173
Net revenues	225,780	-	-	225,780	231,481
OPERATING EXPENSES					
Vessel operating expenses	88,130	637	378	89,145	90,343
Time-charter hire expense	11,412	-		11,412	13,670
Depreciation and amortization	48,488	-	-	48,488	52,311
General and administrative	14,849	(1,000)	119	13,968	11,209
Restructuring charge	559	(559)	-	-	-
Total operating expenses	163,438	(922)	497	163,013	167,533
Income from vessel operations	62,342	922	(497)	62,767	63,948
OTHER ITEMS					
Interest expense	(18,920)	-	(14,047)	(32,967)	(33,211)
Interest income	177	-	-	177	434
Realized and unrealized (losses) gains on derivative instruments	(36,632)	22,072	14,560	-	-
Equity income from joint venture	3,703	(151)	-	3,552	2,756
Foreign exchange loss	(775)	791	(16)	-	-
Other income – net	390	-	-	390	260
Income tax expense	(1,263)	-	-	(1,263)	(87)
Total other items	(53,320)	22,712	497	(30,111)	(29,848)
Net income from continuing operations	9,022	23,634	-	32,656	34,100
Less: Net income attributable to non-controlling interests	(1,679)	199	-	(1,480)	(417)
ADJUSTED NET INCOME ATTRIBUTABLE TO THE PARTNERSHIP	**7,343**	**23,833**	**-**	**31,176**	**33,683**

(1) See Appendix A to the Partnership's Q1-14 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 (2) and (3) to the Summary Consolidated Statements of Income in the Q1-14 earnings release.

Distributable Cash Flow and Cash Distribution

	Three Months Ended March 31, 2014 (unaudited)	Three Months Ended December 31, 2013 (unaudited)	
Net income	9,022	35,612	
Add (subtract):			
Depreciation and amortization	48,488	52,311	
Unrealized losses (gains) on derivative instruments	22,072	(25,219)	
Write-down of vessels	-	19,280	
Partnership's share of equity accounted joint venture's distributable cash flow before estimated maintenance capital expenditures	5,907	4,787	
Distributions relating to equity financing of newbuildings	1,707	2,914	
Distributions relating to preferred units	(2,719)	(2,719)	
Equity income from joint venture	(3,703)	(3,934)	
Estimated maintenance capital expenditures (1)	(29,924)	(28,859)	
Indemnification from Teekay Corporation relating to the *Voyageur Spirit* FPSO (1)	3,474	4,911	
Foreign exchange and other, net	1,106	2,969	
Distributable Cash Flow before Non-Controlling Interests	**55,430**	**62,053**	
Non-controlling interests' share of DCF	(4,370)	(4,650)	
Distributable Cash Flow	**51,060**	**57,403**	**A**
Total Distributions	**50,884**	**50,875**	**B**
Coverage Ratio	**1.00x**	**1.13x**	***=A/B***

(1) Indemnification of *Voyageur Spirit* FPSO's revenues and certain unrecovered vessel operating expenses are effectively treated as a reduction to estimated maintenance capital expenditures.

Visible Existing and Potential Growth Opportunities for TOO

Visible Growth

	2014	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 - Two Accommodation unit Newbuilds, not including options

Teekay Corp. Project

FPSO
- *Petrojarl Knarr* Newbuild

Potential Future Growth

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

Partnering for Adjacent Offshore Growth

Logitel Acquisition

LOGITEL OFFSHORE

SEVAN marine

Engineering prowess and intellectual property (cylindrical hull technology)

+

TEEKAY OFFSHORE PARTNERS L.P.

Access to capital, operational platform and market leading positions in the offshore industry

New Growth Channel for TOO in the Floating Accommodation Market (Potential to grow to $1.5 billion segment)

ALP Acquisition

ULSTEIN

Ulstein X-BOW® design used on the new vessels

+

alp maritime services

Operational platform, customer relationships and experience in the long-haul towing industry

+

TEEKAY OFFSHORE PARTNERS L.P.

Access to capital and market leading positions in the offshore oil industry

New Growth Channel for TOO in Long-Haul Towing and Anchor Handling Market ($261 million acquisition/order)

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 Coffee

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
emily.yee@teekay.com
No RSVP required.

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

www.teekay.com

Appendix

2014 Drydock Schedule

Entity	Segment	March 31, 2014 (A)		June 30, 2014 (E)		September 30, 2014 (E)		December 31, 2014 (E)		Total 2014	
		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
Teekay Offshore	Fixed-Rate Tanker	-	-	1	23	-	-	-	-	1	23
	FSO	-	-	1	70	1	40	-	-	2	110
	Shuttle Tanker	2	54	1	32	2	64	1	55	6	205
		2	54	3	125	3	104	1	55	9	338

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