
# TEEKAY OFFSHORE PARTNERS Q2-2015 EARNINGS PRESENTATION

August 6, 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: a potential cash distribution increase in the third quarter of 2015; the impact of the *Knarr* FPSO, the Partnership's first UMS and the acquired towage vessels on the Partnership's distributable cash flow; the accretive nature of the *Knarr* FPSO acquisition; the offshore market growth potential in the East Coast of Canada; the impact of the East Coast Canada shuttle tanker project on the Partnership's distributable cash flow; the Partnership's expected future revenues and remaining average contract duration; fundamentals in the offshore industry; the timing of newbuilding, conversion and upgrade vessel or offshore unit deliveries and commencement of their respective charter contracts; the estimated cost of building vessels; the Partnership's access to competitive bank financing and multiple capital markets; and the impact of growth projects on the Partnership's distributable cash flow. 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; delays in the commencement of time-charters; failure by the Partnership's Board of Directors to approve future distribution increases; 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 $58.3 million in Q2-15
  - Coverage ratio of 1.06x
- Declared Q2-15 cash distribution of $0.5384 per unit
- Management recommending a 4% cash distribution increase to the Board of Directors, effective for Q3-15

Offshore Production

- Completed the acquisition of the Knarr FPSO and equity financing
- Three-year extension option on the Petrojarl Varg FPSO exercised, extending the firm period to mid-2019

Offshore Logistics

- TOO's first unit for maintenance and safety (UMS), Arendal Spirit, commenced its 3-year charter contract
- Completed the acquisition of six on-the-water towage vessels
- Teekay Offshore has taken over as operator and is now the sole supplier of shuttle tanker services for East Coast Canada


* 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.

# Completed Knarr FPSO Acquisition

- Acquired the Knarr for $1.26 billion from Teekay Corp on July 1, 2015
    - Fully-financed with assumed debt ($745 million), $300 million common unit issuance to Teekay Corp and a $250 million convertible preferred unit issuance
- Expected to generate annual DCF* of approximately $80 million

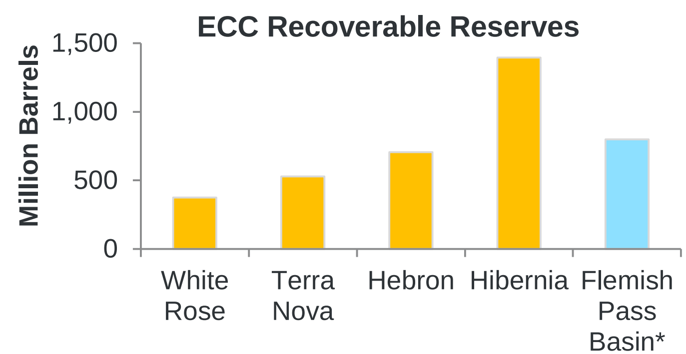
* Distributable Cash Flow is a non-GAAP measure used by certain investors to measure the financial performance of Teekay Offshore and other master limited partnerships, excluding cash distributions relating to the $250 million convertible preferred units

# Units for Maintenance and Safety (UMS)

- Arendal Spirit commenced its 3+3-year charter with Petrobras in June 2015
- Strong focus from oil majors on maintaining existing production levels
- TOO delayed the delivery dates for UMS #2 and #3 to better match expected charter contract awards

# East Coast Canada Shuttle Contracts

- Teekay Offshore has taken over as operator and is now the sole supplier of shuttle tanker services for East Coast Canada (ECC):
  - 15-year contracts (plus extension options)
  - More cost-efficient solution
  - As production volumes increase, Teekay Offshore could be called on to provide additional services to ECC customers
- Ordered three Suezmax DP2 shuttle tanker newbuildings for $365 million for delivery in late-2017 and 2018, plus an option for one additional newbuild
  - Extends growth pipeline into 2018
- Teekay Offshore now has leading market positions in all three, DP shuttle tanker basins

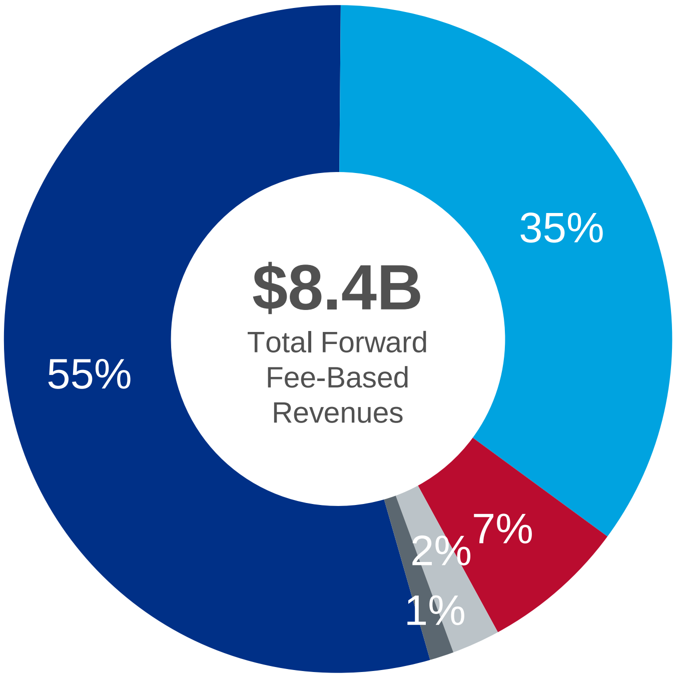

* Recent significant oil field discovery

Chevron Husky Energy Murphy Oil Corporation Statoil

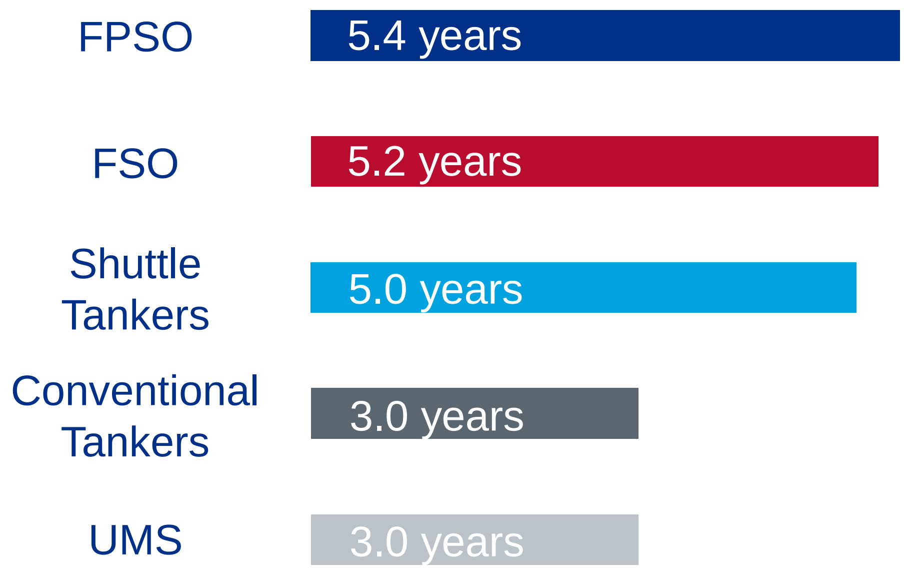
ExxonMobil Mosbacher Operating Ltd. nalcor energy Suncor Energy

# Stable Portfolio of Fee-Based Contracts With Strong Customer Base

**Forward Fee-Based Revenues by Segment***



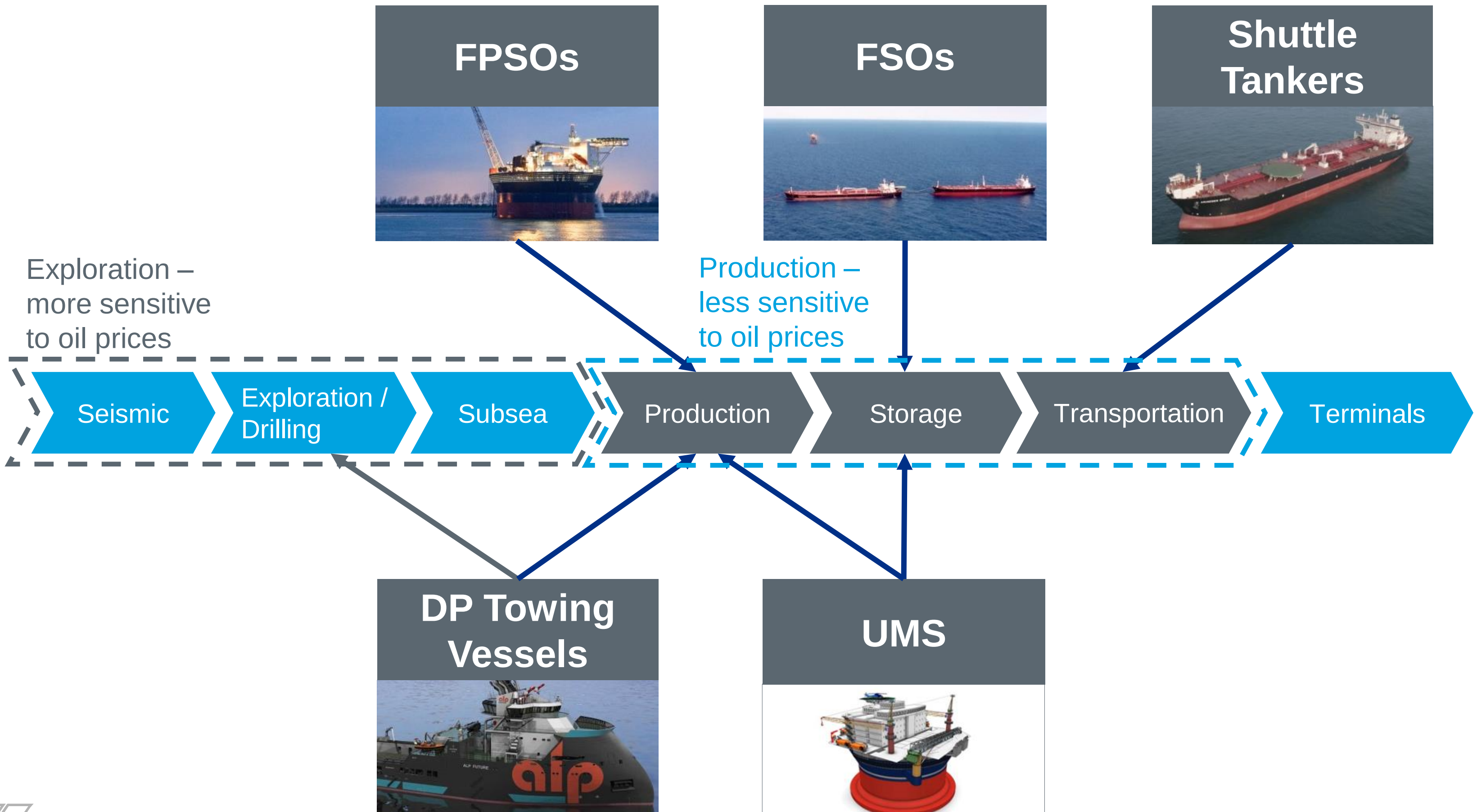

**Average Remaining Contract Length by Segment***




* Excludes extension options

# TOO’s Earnings Insulated from Oil Price Volatility

TOO’s fee-based businesses are primarily focused on the production side of the oil value chain with no direct commodity exposure



# Distributable Cash Flow and Cash Distribution

## Q2-15 vs. Q1-15

| ($'000's, except coverage ratio information) | Three Months Ended June 30, 2015 (unaudited) | Three Months Ended March 31, 2015 (unaudited) | Comments |
|---|---|---|---|
| Net revenues | 235,042 | 228,394 | Increase mainly due to the commencement of the east coast of Canada shuttle tanker contract and the *Arendal Spirit* UMS charter in June 2015 and the delivery of the five towage vessels throughout the first half of 2015, partially offset by the redelivery of the *Amundsen Spirit* during Q2-15 and the sale of the *Navion Svenita* in Q1-15. |
| Vessel operating expenses | (77,935) | (74,034) | Increase mainly due to the commencement of operations for the *Arendal Spirit* UMS in June 2015, the delivery of the five towage vessels throughout the first half of 2015 and increased FPSO repairs and maintenance expenses in Q2-15, partially offset by decreased repairs and maintenance expenses for the shuttle tanker fleet, the sale of the *Navion Svenita* during Q1-15 and the commencement of the *Randgrid* FSO conversion in June 2015. |
| Time charter hire expense | (10,762) | (6,983) | Increase mainly due to the in-chartering of three vessels for the east coast of Canada shuttle tanker contract in Q2-15. |
| Estimated maintenance capital expenditures | (29,483) | (29,254) | |
| General and administrative expenses | (14,202) | (14,880) | |
| Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures | 4,143 | 5,654 | Decrease due to a credit received during Q1-15 for unused maintenance days for the *Itajai* FPSO unit. |
| Interest expense (1) | (39,087) | (38,421) | Increase mainly due to the debt facilities for the five towage vessels delivered throughout the first half of 2015. |
| Interest income | 135 | 134 | |
| Income tax expense | (353) | (845) | |
| Distributions relating to equity financing of newbuildings and conversion costs add-back | 5,433 | 3,749 | Increase due to payments made during Q2-15 for committed newbuildings and conversions. |
| Distributions relating to preferred units | (4,791) | (2,719) | Increase due to the Series B preferred units issued during Q2-15. |
| Other - net | (3,777) | (3,097) | |
| **Distributable Cash Flow before Non-Controlling Interests** | **64,363** | **67,698** | |
| Non-controlling interests' share of DCF | (6,092) | (7,086) | Decrease mainly due to fewer CoA shuttle tanker days in a consolidated joint venture. |
| **Distributable Cash Flow (2)** | **58,271** | **60,612** | |
| **Total Distributions** | **55,019** | **55,019** | |
| **Coverage Ratio** | **1.06x** | **1.10x** | |

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 (Loss) in the Q2-15 and Q1-15 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 Q2-15 and Q1-15 Earnings Releases.

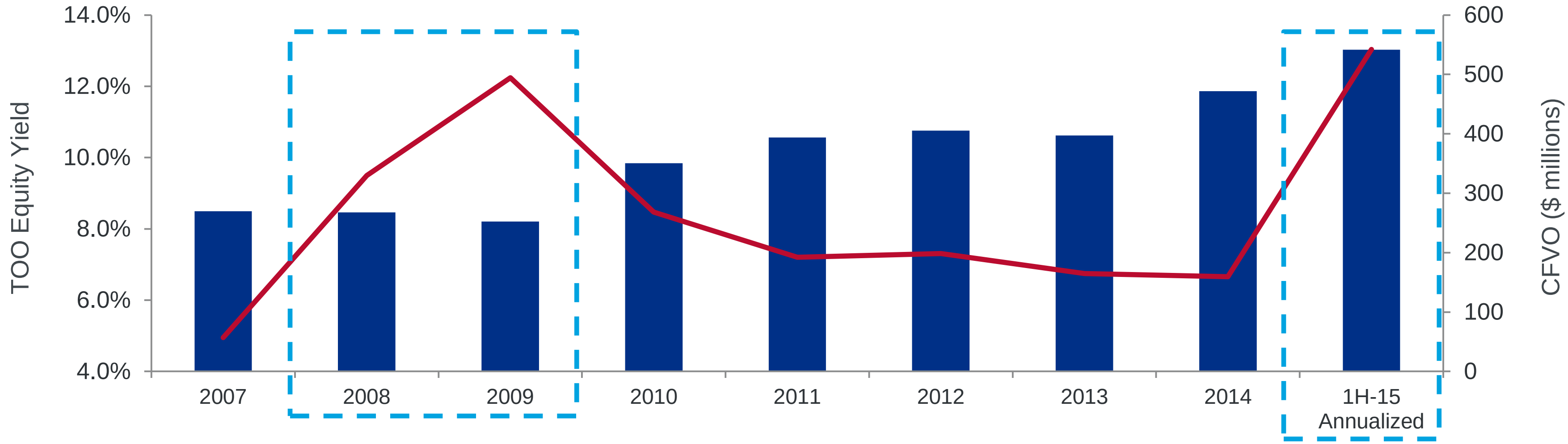
# Q3 2015 Outlook – Teekay Offshore Partners

| Distributable Cash Flow Item | Q3 2015 Outlook |
|---|---|
| Net revenues | • $56m increase from the *Knarr* FPSO, acquired from Teekay Corporation on July 1, 2015;<br>• $11m increase from the delivery of the *Arendal Spirit* UMS early-June 2015;<br>• $11m increase from a full quarter of operations under the east cost of Canada contract;<br>• $7m decrease from other FPSO units primarily due to a temporary shutdown of the *Piranema Spirit* in Q3-15 for unscheduled repairs; and<br>• $14m decrease from the shuttle tanker fleet due to the expiration of a CoA contract in Q2-15, the seasonal decrease in CoA days in Q3-15 and the drydocking of the *Nansen Spirit* in Q3-15. |
| Vessel operating expenses | • $23m increase primarily due to the *Knarr* FPSO acquisition on July 1, 2015, a full quarter of operations for the *Arendal Spirit* UMS and the towing and offshore installation vessels delivered during Q3-15 and Q2-15. |
| Time-charter hire expense | • $7m increase primarily due to the in-chartering of three vessels for the east coast of Canada contract. |
| Estimated maintenance capital expenditures | • $9m increase primarily due to the *Knarr* FPSO acquisition on July 1, 2015, a full quarter of operations for the *Arendal Spirit* UMS and the towing and offshore installation vessels delivered during Q3-15 and Q2-15. |
| General and administrative expenses | • Expected to be in line with Q2-15. |
| Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures | • Expected to be in line with Q2-15. |
| Net interest expense | • $14m increase primarily due to the debt facility relating to the *Knarr* FPSO acquisition on July 1, 2015 and a full quarter of interest expense for the debt facility relating to the *Arendal Spirit* UMS. |
| Distributions relating to equity financing of newbuildings and conversion costs add-back | • $2m increase due to expected payments made during Q3-15 for committed newbuildings and conversions. |
| Distributions relating to preferred units | • $5.5m increase mainly due to the $250m Series C convertible preferred units issued in Q3-15 in connection with the *Knarr* FPSO acquisition. |
| Non-controlling interest's share of DCF | • $2m decrease primarily due to the expiration of a CoA contract in Q2-15. |
| Distributions relating to common and general partner units | • $13m increase on common unit distributions due to $300m of common units issued to Teekay Corporation in connection to the *Knarr* FPSO acquisition and an expected 4% increase in distributions in Q3-15. |

# TOO Cash Flows are Stable and Growing

- Large and diversified portfolio of fixed-rate charter contracts
- No direct commodity price exposure
- High switching costs, yet low break-even for customers
- Longer-term, offshore oil production will be needed to rebuild reserves
- Strong pipeline of contracted growth projects
- Low cost debt financing

**TOO Equity Yield* vs. Annual CFVO**




Similar to 2008/09, recent macro headwinds have led to a disconnect between equity yield and underlying cash flow stability/growth

* Average equity yield, except 1H-2015 Annualized which is based on the closing unit price on 4 Aug. 2015.

# TOO CAPEX Financing On-Track

- Debt costs, which make-up ~65-80% of asset financing have reduced, partially offsetting higher cost of equity
- Committed CAPEX typically spread-out over multiple years and tail-weighted
- Large portion of equity component has already been paid upfront

| Segment | Project | # Vessels | % Ownership | TOO Remaining Committed CAPEX* 2015 | 2016 | 2017 | 2018 | Total | Committed/ Anticipated Debt Financing | Minimum Equity Requirement |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | ($ millions) | | | | | | |
| Production | Libra FPSO Conversion | 1 | 50% | 178 | 249 | 13 | - | 440 | 356 | 84 |
| | Petrojarl I FPSO Upgrade | 1 | 100% | 128 | 16 | - | - | 144 | 123** | 21 |
| | Gina Krog FSO Conversion | 1 | 100% | 76 | 110 | 1 | - | 187 | 180 | 7 |
| Logistics | East Coast Canada Shuttle Tanker Newbuildings | 3 | 100% | 3 | 55 | 207 | 69 | 334 | 260 | 74 |
| | ALP Towage Vessel Newbuildings | 4 | 100% | 51 | 136 | - | - | 187 | 185 | 2 |
| | UMS newbuildings | 2 | 100% | 6 | 188 | 174 | 12 | 380 | 300 | 80 |
| **Total** | | **12** | | **442** | **754** | **395** | **81** | **1,672** | **1,404** | **268** |

* As of June 30, 2015

** Net of $57 million Seller's Credit owing to Teekay Parent

# Continued Access to Capital

- Strong support from banks/ECAs to finance quality projects, as illustrated by recently completed FPSO financings:

$800 million Libra FPSO debt financing:

- Support from 7 international banks
- Libra FPSO Project:
  - ~$1 billion FPSO conversion to be owned and operated within Teekay Offshore's 50/50 J/V with Odebrecht Oil and Gas
  - Will commence 12-year fixed-rate contract with Petrobras and its international partners in early-2017

$180 million Petrojarl I / QGEP debt financing:

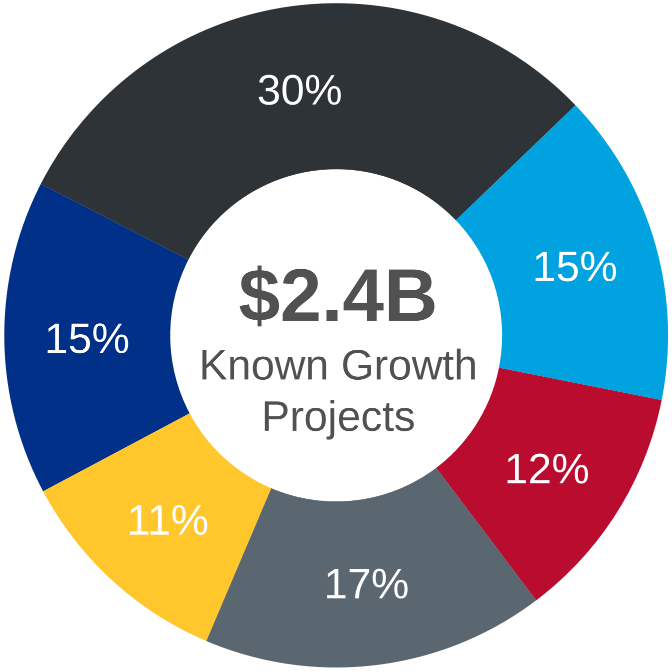
- Support from international banks and ECAs
- QGEP FPSO Project:
  - ~$230 million FPSO conversion
  - Will commence 5-year, fixed-rate contract with a consortium led by Queiroz Galvão Exploração e Produção SA (QGEP) in mid-2016

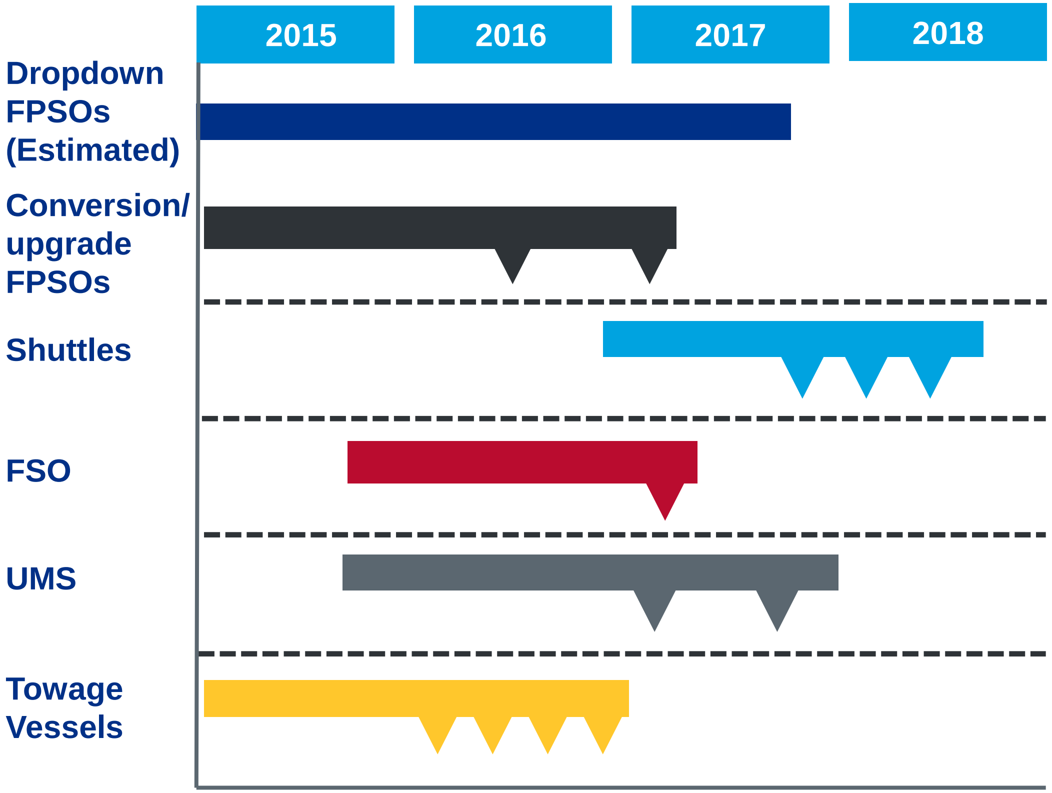
- Capital markets also supportive of Teekay Offshore

# 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

# Adjusted Operating Results

## Q2-15

| UNAUDITED<br>(in thousands of US dollars) | Three Months Ended June 30, 2015<br>As Reported | Appendix A items (1) | Reclass for Realized Gains/Losses on Derivatives (2) | TOO Adjusted Income Statement |
|---|---|---|---|---|
| **NET REVENUES** | | | | |
| Revenues | 255,758 | - | - | 255,758 |
| Voyage expenses | (20,716) | - | - | (20,716) |
| **Net revenues** | 235,042 | - | - | 235,042 |
| **OPERATING EXPENSES** | | | | |
| Vessel operating expenses | (77,935) | - | (1,292) | (79,227) |
| Time-charter hire expense | (10,762) | - | - | (10,762) |
| Depreciation and amortization | (53,864) | 1,497 | - | (52,367) |
| General and administrative | (14,202) | - | (1,068) | (15,270) |
| (Write-down) and gain on sale of vessels | (500) | 500 | - | - |
| Restructuring charge | (135) | 135 | - | - |
| **Total operating expenses** | (157,398) | 2,132 | (2,360) | (157,626) |
| **Income from vessel operations** | 77,644 | 2,132 | (2,360) | 77,416 |
| **OTHER ITEMS** | | | | |
| Interest expense | (24,741) | - | (13,084) | (37,825) |
| Interest income | 135 | - | - | 135 |
| Realized and unrealized gains (losses) on derivative instruments | 42,282 | (55,773) | 13,491 | - |
| Equity income from joint ventures | 9,720 | (6,735) | - | 2,985 |
| Foreign exchange gain (loss) | 2,789 | (4,742) | 1,953 | - |
| Other income – net | 388 | - | - | 388 |
| Income tax expense | (353) | - | - | (353) |
| **Total other items** | 30,220 | (67,250) | 2,360 | (34,670) |
| Net income (loss) from continuing operations | 107,864 | (65,118) | - | 42,746 |
| Less: Net income (loss) attributable to non-controlling interests | (3,638) | 342 | - | (3,296) |
| **ADJUSTED NET INCOME ATTRIBUTABLE TO THE PARTNERSHIP** | **104,226** | **(64,776)** | **-** | **39,450** |

1. See Appendix A to the Partnership's Q2-15 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 Q2-15 earnings release.

# Adjusted Operating Results

## Q1-15

| 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 March 31, 2015 | | | |
| **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.

# 2015 Drydock Schedule

**2015 Drydock/Offhire Schedule**

| TOO (TSO) | March 31, 2015 (A) | | June 30, 2015 (A) | | September 30, 2015 (E) | | December 31, 2015 (E) | | Total 2015 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Segment | 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 |
| Shuttle | 1 | 32 | 1 | 11 | 1 | 35 | 1 | 28 | 4 | 106 |
| | 1 | 32 | 1 | 11 | 1 | 35 | 1 | 28 | 4 | 106 |

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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