

Second Quarter 2013 Earnings Presentation

August 9, 2013



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 expected contribution of recent acquisitions, vessel deliveries and new contracts to cash flow growth; the timing of the *Voyageur Spirit* achieving final acceptance and commencing full operations under the E.ON contract; the timing of the *Lambada Spirit* shuttle tanker commencing its contract with BG; the timing of the HiLoad DP unit commencing its 10-year time-charter contract with Petroleo Brasileiro SA; the potential for the Partnership to acquire future HiLoad projects developed by Remora, including development of the next generation HiLoad DP units with BG Brasil; the timing of and cost of converting the *Navion Clipper* into an FSO unit and the timing of the commencement of its 10-year charter contract with Salamander; the timing of and cost of converting the *Randgrid* into an FSO unit and the timing of the commencement of the commencement of its 3-year charter contract with Statoil; the potential for Teekay Corporation to offer additional vessels to the Partnership and the Partnership's acquisition of any such vessels, including the *Petrojarl Foinaven*, the *Hummingbird Spirit* and the newbuilding FPSO unit that will service the Knarr field under contract with BG Norge Limited; the timing of delivery of vessels under construction or conversion; and the potential for the Partnership to acquire other vessels or offshore projects from Teekay Corporation or directly from third parties. 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; the inability of the *Voyageur Spirit* FPSO to complete the repair of its compressors, achieve full production and receive final acceptance by E.ON during August 2013; the potential for the loss of revenue under the charter with E.ON from the date of acquisition until final acceptance exceeds Teekay Corporation's maximum indemnification of \$54 million; 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; potential delays to the commencement of the BG shuttle tanker time-charters; failure of Teekay Corporation to offer to the Partnership additional vessels; the inability of the joint venture between Teekay Corporation and Odebrecht to secure new Brazil FPSO projects that may be offered for sale to the Partnership; the inability of Remora to develop future HiLoad DP units; 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; delays in vessel deliveries or conversions; 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, 2012. 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 Q2-13 cash flow of \$43.0 million
- Declared Q2-13 cash distribution of \$0.5253 per unit
- Completed \$744 million of FPSO acquisitions including the *Voyageur Spirit* FPSO and a 50% interest in *Cidade de Itajai* FPSO
- Took delivery of first two (of four) shuttle tanker newbuildings for long-term charter to BG in Brazil
 - Financed with new bank facility and a portion of proceeds from \$150 million preferred unit offering in April 2013
 - Financing for second two vessels with proceeds from \$174 million bond private placement which will close just prior to deliveries
- Secured Gina Krog FSO project from Statoil
- Working on multiple FPSO FEED studies



Voyageur Spirit FPSO Operational Start-up Issue

- On April 13, 2013, the *Voyageur Spirit* FPSO unit began production (“first oil”) and was acquired by TOO on May 2, 2013
- Upon achieving first oil, Teekay had a specified time period to receive Certificate of Final Acceptance (full production) from the charterer, E.ON, at which point full revenues would commence under the contract retroactive to first oil
- Due to a defective gas compressor on the *Voyageur Spirit*, the unit was unable to reach full production within the allowable timeframe, resulting in E.ON declaring the unit off-hire from first oil
- Given the unit had not achieved final acceptance from E.ON at the date of acquisition, as per the purchase contract, Teekay Corporation, as seller, has agreed to indemnify TOO for lost revenues until final acceptance by E.ON. Indemnification capped at 10%, or \$54m
- Teekay Corporation’s indemnification effectively treated as a reduction in Teekay Offshore’s May 2013 purchase price of \$540m and has no impact on TOO’s distributable cash flow
 - Indemnification amount for May 2 – June 30, 2013 was ~\$12.5m
- Since April 2013, *Voyageur Spirit* has been operating at partial capacity and is expected to reach full production levels during August, following completion of repairs and testing



Current Business Development

FSO Projects

- Signed contract with Statoil to convert an existing shuttle tanker (*Randgrid*) to an FSO for operation on the Gina Krog field in the North Sea
 - Initial term of 3 years, commencing Q1-17, plus 12x1-year extension options
 - Expected project cost: ~\$220m
 - Expected annual avg. CFVO*: ~\$45m
 - Martin Linge FSO project (North Sea) awarded to our competition
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FEED Studies

- Currently involved in three front end engineering and design (*FEED*) studies for potential new FPSO projects
- Signed agreement to complete a FEED study to develop the next generation of Remora DP HiLoad offtake units

* Cash flow from vessel operations represents income from vessel operations before depreciation and amortization expense and amortization of deferred gains and in-process revenue contract, loss on sale of vessel and write-down of vessels, includes the realized gains (losses) on the settlement of foreign exchange forward contracts and adjusting for direct financing leases to a cash basis. Cash flow from vessel operations is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies.

Financing Update

Project Bond (July 2013):

- Priced a \$174 million, 4.96% 10-year U.S. project bond for two of the four BG shuttle tanker newbuildings, *Bossa Nova Spirit* and *Sertanejo Spirit*
- The bonds are rated “BBB-” by Fitch

Continuous Offering Program (COP) (May 2013)

- In May 2013, TOO commenced selling under a \$100 million COP program
- To date, TOO has issued 85,508 new units under the COP raising net proceeds of approximately \$2.7 million

Preferred Units (April 2013)

- In April 2013, TOO completed a 6,000,000 unit, \$150 million perpetual preferred unit offering with a fixed coupon of 7.25%
- Trading on NYSE under the ticker “TOO.PR.A”

Adjusted Operating Results for Q2 2013 vs. Q1 2013

| UNAUDITED (in thousands of US dollars) | Three Months Ended | | | | Three Months Ended | |
|--|-------------------------|--|--|----------------------------------|----------------------------------|-----------------|
| | June 30, 2013 | | | | March 31, 2013 | |
| As Reported | Appendix A items (1) | Reclass for Realized Gains/Losses on Derivatives (2) | Net Loss Attributable to Dropdown Predecessor (3) | TOO Adjusted Income Statement | TOO Adjusted Income Statement | |
| NET REVENUES | | | | | | |
| Revenues | 222,412 | - | - | 1,090 | 221,322 | 212,112 |
| Voyage expenses | 23,273 | - | - | - | 23,273 | 22,948 |
| Net revenues | 199,139 | - | - | 1,090 | 198,049 | 189,164 |
| OPERATING EXPENSES | | | | | | |
| Vessel operating expenses | 86,519 | - | (218) | 1,354 | 84,947 | 76,971 |
| Time-charter hire expense | 14,093 | - | - | - | 14,093 | 14,777 |
| Depreciation and amortization | 50,265 | - | - | 1,095 | 49,170 | 44,510 |
| General and administrative | 10,417 | - | - | 237 | 10,180 | 10,331 |
| Restructuring charge | 1,395 | (1,395) | - | - | - | - |
| Total operating expenses | 162,689 | (1,395) | (218) | 2,686 | 158,390 | 146,589 |
| Income from vessel operations | 36,450 | 1,395 | 218 | (1,596) | 39,659 | 42,575 |
| OTHER ITEMS | | | | | | |
| Interest expense | (16,035) | - | (14,659) | (218) | (30,476) | (25,526) |
| Interest income | 1,465 | - | - | - | 1,465 | 195 |
| Realized and unrealized gain on derivative instruments | 33,901 | (48,755) | 14,738 | (116) | - | - |
| Equity income | 1,598 | (1,185) | - | - | 413 | - |
| Foreign exchange gain | 3,555 | (3,529) | (297) | (271) | - | - |
| Loss on bond repurchase | - | - | - | - | - | - |
| Other income – net | 260 | 106 | - | (24) | 390 | 417 |
| Income tax expense | (456) | - | - | - | (456) | 234 |
| Total other items | 24,288 | (53,363) | (218) | (629) | (28,664) | (24,680) |
| Net income from continuing operations | 60,738 | (51,968) | - | (2,225) | 10,995 | 17,895 |
| Net loss from discontinued operations | (2,134) | 3,302 | - | - | 1,168 | 2,274 |
| Less: Net income attributable to non-controlling interests | (3,274) | 808 | - | - | (2,466) | (1,307) |
| ADJUSTED NET INCOME ATTRIBUTABLE TO THE PARTNERSHIP | 57,555 | (47,858) | - | - | 9,697 | 18,862 |

(1) See Appendix A to the Partnership's Q2-13 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 footnotes (4) and (5) to the Summary Consolidated Statements of Income (Loss) in the Q2-13 earnings release.

(3) Removal of *Voyageur Spirit* FPSO results from April 13, 2013 through May 1, 2013, the period prior to acquisition by the Partnership but while under control of our sponsor, Teekay Corporation, referred to as the "Dropdown Predecessor".

Distributable Cash Flow and Cash Distribution

| | Three Months Ended | Three Months Ended |
|--|------------------------------|-------------------------------|
| | June 30, 2013 (unaudited) | March 31, 2013 (unaudited) |
| Net income | 58,604 | 21,970 |
| Net loss attributable to Dropdown Predecessor | 2,225 | - |
| | 60,829 | 21,970 |
| Add (subtract): | | |
| Depreciation and amortization | 49,169 | 44,456 |
| Non-cash items in discontinued operations/write down of vessel | 8,179 | 12,140 |
| Distributions relating to equity financing of newbuilding installments | 2,813 | 2,459 |
| Partnership's share of equity accounted joint ventures' distributable cash flow before estimated maintenance capital expenditures | 814 | - |
| Equity income | (1,598) | - |
| Distributions relating to preferred units | (1,817) | - |
| Foreign exchange and other, net | (3,382) | 2,598 |
| Estimated maintenance capital expenditures ⁽¹⁾ | (26,808) | (24,620) |
| Indemnification from Teekay Corporation relating to <i>Voyageur Spirit</i> FPSO revenues (May 2, 2013 to June 30, 2013) ⁽¹⁾ | 12,505 | - |
| Unrealized gains on non-designated derivative instruments | (50,618) | (13,193) |
| Loss on bond repurchase | - | 1,759 |
| Distributable Cash Flow before Non-Controlling Interest | 50,086 | 47,569 |
| Non-controlling interests' share of DCF | (7,046) | (5,813) |
| Distributable Cash Flow | 43,040 | 41,756 |
| Total Distributions | 47,639 | 46,762 |
| Coverage Ratio | 0.90x | 0.89x |

A

B

=A/B

(1) Indemnification of the loss of revenues from the *Voyageur Spirit* FPSO is effectively treated as a reduction to estimated maintenance capital expenditures in the second quarter of 2013, since the indemnification amount received from Teekay Corporation is effectively treated as a reduction to the purchase price of the *Voyageur Spirit* FPSO.

Appendix



2013 TOO Drydock Schedule

| Entity | Segment | March 31, 2013 (A) | | June 30, 2013 (E) | | September 30, 2013 (E) | | December 31, 2013 (E) | | Total 2013 | |
|-----------------|---------------------|--------------------|--------------------|-------------------|--------------------|------------------------|--------------------|-----------------------|--------------------|-------------------|--------------------|
| | | 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 | Conventional Tanker | - | - | - | - | 1 | 25 | - | - | 1 | 25 |
| | FSO | - | - | - | - | - | - | - | - | - | - |
| | Shuttle Tanker | 1 | 32 | 1 | 32 | 2 | 49 | 1 | 32 | 5 | 145 |
| | | 1 | 32 | 1 | 32 | 3 | 74 | 1 | 32 | 6 | 170 |

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