TEEKAY

TEEKAY OFFSHORE PARTNERS Q2-17 EARNINGS PRESENTATION

August 3, 2017

Photo Credit: Hans Erik Unneland

Forward Looking Statement

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 proposed Brookfield Transaction; the timing and completion of the Brookfield Transaction; the expected effects of the completion of the Brookfield Transaction on the Partnership's operations and financial condition, including its ability to benefit from an energy market recovery, reduced financial leverage, enhanced liquidity, future access to capital, and ability to better service customers and take advantage of future growth opportunities; completion of the restructuring of the shuttle tanker business; proposed refinancings or amendments of credit facilities and bonds; the expected effects of the completion of the Brookfield Transaction on Teekay, including a release of Teekay from financial guarantees; the future cash flow from vessel operations to be provided by the Partnership's existing growth projects once delivered; required capital expenditures for newbuilding vessels and the expected full financing of existing growth projects; the expected employment of the newbuilding shuttle tankers under the Partnership's agreement with Statoil and the expected required capacity in the Partnership's CoA fleet in the North Sea; the timing of start-up and the vessel equivalent requirements of the new CoAs; the Partnership's timing of delivery and start-up of various newbuildings and conversion/upgrade projects and the commencement of related contracts; and the outcome of claims and disputes relating to order cancellations and other matters. 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: failure to satisfy the closing conditions of the Brookfield Transaction, including, without limitation, obtaining the required approvals from relevant regulatory authorities; any failure of counterparties to agreements with Teekay or the Partnership to perform their commitments relating to the Brookfield Transaction; failure to realize the expected benefits of the Brookfield Transaction; changes in exploration, production and storage of offshore oil and gas, either generally or in particular regions that would impact expected future growth, particularly in or related to North Sea, Brazil and East Coast of Canada offshore fields; vessel operations; significant changes in oil prices; variations in expected levels of field maintenance; increased operating expenses; potential early termination of contracts; shipyard delivery or vessel conversion and upgrade delays and cost overruns; the inability of the Partnership to successfully defend against claims or disputes, or the significant cost of undertaking such defenses; delays in the commencement of charter contracts; 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, 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 Q2-17 DCF* of $27.2 million
  - Q2-17 DCF* per common unit of $0.18
- Announced comprehensive financial transaction with Brookfield, which will significantly strengthen Teekay Offshore's financial position and fully finance the Partnership's existing growth projects
- Entered into shipbuilding contract to construct two Suezmax DP2 shuttle tanker newbuildings.
- Signed amendment to the *Petrojarl I* FPSO charter contract, extending field start-up to the first quarter of 2018
- *Randgrid* FSO unit currently in transit to the Gina Krog Field to commence its charter contract with Statoil in early-October 2017

*Distributable Cash Flow (DCF) is a non-GAAP measure. Please see Teekay Offshore's Q2-17 earnings release for a description and reconciliation of this non-GAAP measure.

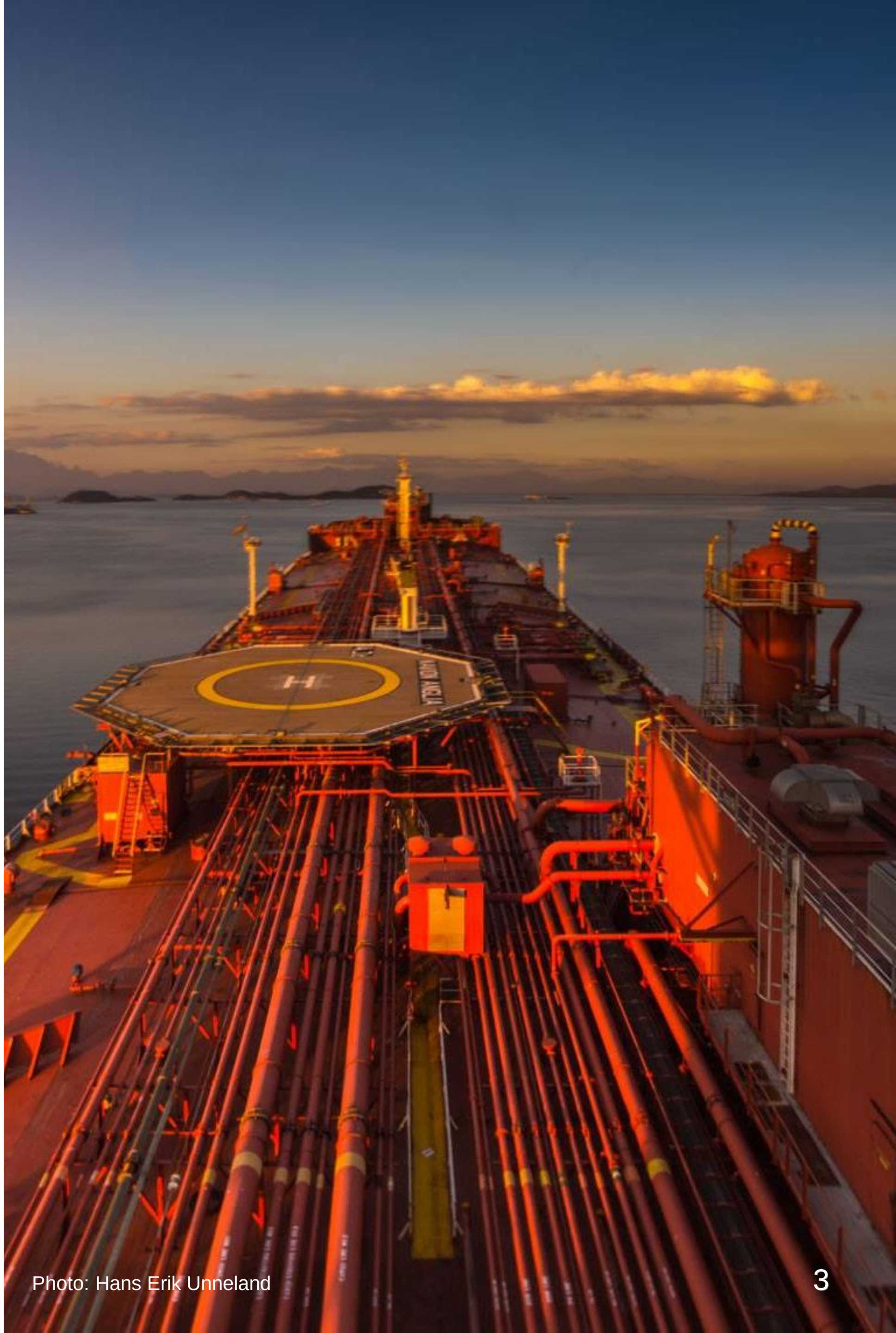

Photo: Hans Erik Unneland

Brookfield Strategic Partnership will Transform TOO's Capital Structure

Stabilizing equity base	• $610m (Brookfield) + $30m (TK) of new TOO common equity at $2.50 per unit plus warrants • Common unit distributions reduced to $0.01/quarter
Reducing high cost capital on preferred equity	• Pref. C-1s – to be retired with cash, at a discount to par (cash savings of $18m p.a.) • Pref. Ds – to be retired with cash, at a discount to par (cash savings of $10m p.a.), plus a reduction in the exercise price of the existing Series B warrants
Extending maturities on debt and swaps	• TK to sell existing $200m parent loan to Brookfield at a discount to par and Brookfield to extend loan maturity to 2022 • Refinanced a significant portion of existing TOO NOK bonds due in late-2018 with proceeds from a new, 5-year, up to $250m unsecured bond at 'carve out' Teekay Shuttle Tankers • New, 5-year, $600m facility at Teekay Shuttle Tankers to refinance a majority of the shuttle tanker fleet and extend term • Agreement in principle to extend the mandatory prepayment on the *Arendal Spirit* UMS out to September 30, 2018 • Extending termination options on interest rate swaps by 2-years (2021), releasing TK guarantee and resetting rate
Enhancing capacity for growth	• Fully finances existing growth projects delivering through Q1-18* • Ordered two shuttle tanker newbuilds + options for two additional vessels

*See appendix for summary of remaining capital expenditures and undrawn financing for existing growth projects as of June 30, 2017.

Focused on Delivering Existing Projects

Libra FPSO Field Hook-up In Progress

- Currently on location in Brazil and approved by Petrobras for installation
- Libra FPSO unit is 99% complete - currently completing riser pull-in operations and other commissioning activities
- **Production start-up under the 12-year contract with the Libra consortium expected in early-Sep 2017**

Randgrid FSO In Transit to Gina Krog Field

- FSO departed shipyard in Singapore early-July 2017
- Expected to arrive in North Sea in early-Sep 2017
- Gina Krog field production start-up occurred Jun 30th – TOO providing an interim shuttle tanker loading solution until FSO available
- **Charter with Statoil is scheduled commence following hook-up and commissioning in early-Oct 2017**

Petrojarl I FPSO Expected to Start-up by early 2018

- *Petrojarl I* upgrade 95% complete as of end-July 2017
- Yard sail-away expected in Oct 2017
- Recently signed charter contract amendment with QGEP
  - Charter rate reduced for first 18 months of the 5-year firm contract period and increased in the final 3.5 years, with additional TOO upside from oil price and production tariffs
- **Field start-up expected by early Q1-18**

ECC Shuttle Tanker Newbuilds on Schedule

Vessel	% Complete	Yard Delivery	Comments
Beothuk Spirit	94%	Sep 2017	Sea and DP trials in progress
Norse Spirit	83%	Oct 2017	Launched in July; commission in progress
Dorset Spirit	67%	Jan 2018	Keel laying commenced mid-July

- **Vessels expected to be on-hire in Canada 2 months after yard deliveries**; will replace 1 owned and 2 chartered-in vessels currently servicing ECC charter

$200 million of additional annual CFVO from growth projects*

*Including projected cash flows from the four long-haul towage newbuildings delivering through January 2018.

Appendix

TOO's Growth Pipeline Now Fully Financed

$ millions

Project	Remaining CAPEX ($ millions as at Jun 30, 2017)	Remaining Undrawn Financing ($ millions as at Jun 30, 2017)	2017	2018
Libra FPSO[1] (conversion)	62	45	Petrobras / Total / Shell / CNPC / CNOOC`	Out to 2029
East Coast Canada Shuttle Tankers	259	173	Chevron / Husky / Nalcor / Murphy / CHH / Exxon / Statoil / Suncor / Mosbacher	Firm Period out to 2030; Options out to 2035
Gina Krog FSO[2] (conversion)	64	7	Statoil	Firm period out to 2020; Options out to 2032
ALP Towage Newbuildings	41	45		
Petrojarl I FPSO (upgrade)	94	60 [3]		QGEP Out to end-2022
Total	**520**	**330**		

Remaining equity CAPEX fully financed → **190**

Short-term charters — Charter contract

(1) Includes only TOO's 50% proportionate share of the *Libra* FPSO unit.
(2) Excludes amounts reimbursable upon delivery.
(3) Cash funds held in escrow.

DCF and DCF per Limited Partner Unit

Q2-17 vs. Q1-17

($'000's, except per unit information)	Three Months Ended June 30, 2017 (unaudited)	Three Months Ended March 31, 2017 (unaudited)	Comments
Revenues	264,792	276,138	
Voyage expenses	(20,196)	(25,141)	
Net revenues	244,596	250,997	• Decrease due to lower utilization in the towage fleet in Q2-17 and an increase in a provision relating to retroactive claims from Petrobras associated with an agency agreement related to the *Piranema Spirit* in Q2-17, partially offset by an increase due to the write-off of deferred revenue upon the termination of the *Arendal Spirit* UMS charter contract in Q2-17.
Vessel operating expenses	(89,705)	(78,990)	• Increase mainly due to the write-off of deferred operating expenses upon the termination of the *Arendal Spirit* UMS charter contract in Q2-17.
Time charter hire expenses	(19,507)	(21,756)	• Decrease due to fewer shuttle spot-in days during Q2-17.
Estimated maintenance capital expenditures	(32,676)	(41,124)	• Decrease due to liquidated damages received during Q2-17 as compensation for the late delivery of the *ALP Defender* towage vessel.
General and administrative	(13,379)	(14,617)	
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures (1)	4,441	5,894	• Decrease mainly due to an annual maintenance bonus relating to the *Itajai* FPSO unit earned during Q1-17.
Interest expense	(36,602)	(36,104)	
Interest income	406	346	
Realized losses on derivative instruments (2)	(10,605)	(10,766)	
Income tax expense	(418)	(1,379)	
Distributions relating to equity financing of newbuildings and conversion costs add-back	6,249	1,774	• Increase mainly due to expected instalments for newbuildings and conversion projects and the utilization of higher cost preferred equity.
Distributions relating to preferred units	(12,386)	(12,386)	
Adjustments to non-cash revenue	(1,962)	(4,051)	• Increase due to an increase in a provision relating to retroactive claims from Petrobras associated with an agency agreement related to the *Piranema Spirit* in Q2-17.
Other - net	(4,462)	(1,578)	
Distributable Cash Flow before non-controlling interests	**33,990**	**36,260**	
Non-controlling interests' share of DCF (3)	(6,748)	(5,627)	
Distributable Cash Flow (4)	**27,242**	**30,633**	
Amount attributable to the General Partner	(31)	(336)	
Limited partners' Distributable Cash Flow	27,211	30,297	
Weighted-average number of common units outstanding	151,365	148,634	
Distributable Cash Flow per limited partner unit	**0.18**	**0.20**	

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 loss on derivative instruments to realized loss 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 Q2-17 and Q1-17 Earnings Releases.

Reconciliations of Non-GAAP Financial Measures

Q2-17 vs. Q1-17

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 June 30, 2017 (unaudited)	Three Months Ended March 31, 2017 (unaudited)
Equity income as reported	3,425	4,475
Depreciation and amortization	2,220	2,203
Pre-operational realized loss on derivative instruments	320	-
Unrealized loss on derivative instruments	(434)	290
Unrealized foreign exchange gain	(43)	(27)
Estimated maintenance capital expenditures	(1,047)	(1,047)
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures	4,441	5,894

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

($'000's)	Three Months Ended June 30, 2017 (unaudited)	Three Months Ended March 31, 2017 (unaudited)
Realized and unrealized loss on derivative instruments as reported	(21,797)	(6,532)
Unrealized (gain) loss on derivative instruments	11,192	(4,234)
Realized loss on derivative instruments	(10,605)	(10,766)

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

($'000's)	Three Months Ended June 30, 2017 (unaudited)	Three Months Ended March 31, 2017 (unaudited)
Non-controlling interests in net income as reported	3,539	2,372
Depreciation and amortization	3,209	3,255
Non-controlling interests' share of DCF	6,748	5,627

Q3 2017 Outlook – Teekay Offshore Partners

Distributable Cash Flow Item	Q3 2017 Outlook (compared to Q2 2017)
Net revenues	• $4.0m increase due to higher project revenues and higher CoA days in the shuttle tanker fleet, net of drydocks and redeliveries. • $4.0m increase due to higher rates and utilization in the towage fleet in Q3-17. • $3.0m decrease due to the write-off of deferred revenue upon termination of the *Arendal Spirit* UMS contract in Q2-17.
Vessel operating expenses	• $6.0m increase from the seasonal maintenance costs in the FPSO and shuttle tanker fleets. • $1.0m increase from the costs associated with the delivery and transit of one shuttle tanker newbuilding in Q3-17 servicing the East Coast of Canada contract. • $12.0M decrease due to the write-off of the deferred costs upon termination of the *Arendal Spirit* UMS contract in Q2-17 and lower operating expenditures resulting from the decommissioning of the unit.
Time-charter hire expense	• Expected to be in line with Q2-17.
Estimated maintenance capital expenditures	• $2.5m increase due to the expected start-up of the *Libra* FPSO in early September 2017 and the deliveries of the *ALP Defender* and *ALP Sweeper* in Q2-17 and Q3-17, respectively.
General and administrative expenses	• Expected to be in line with Q2-17.
Partnership's share of equity accounted joint venture's DCF net of estimated maintenance capital expenditures	• $2.5m increase due to the expected start-up of the *Libra* FPSO in early September 2017.
Net interest expense	• Expected to be in line with Q2-17.
Distributions relating to equity financing of newbuildings and conversion costs add-back	• $3.0m decrease due to the repurchase of Series C-1 and D preferred units.
Distributions relating to preferred units	• $1.0m decrease due to the repurchase of Series C-1 and D preferred units.
Non-controlling interest's share of DCF	• Expected to be in line with Q2-17.
Distributions relating to common and general partner units	• $2.5m increase mainly due to Brookfield and TKC investment of $610M and $30M, respectively, in common units forecasted in Q3-17.

2017(E) Drydock Schedule

Entity	Segment	March 31, 2017 (A)		June 30, 2017 (A)		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	-	-	1	50	3	88	-	-	4	138

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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