TEEKAY

TEEKAY OFFSHORE PARTNERS THIRD QUARTER 2014 EARNINGS PRESENTATION

November 7, 2014

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 Partnership's growth projects, including new organic offshore projects and future acquisitions, and the impact of these projects on the Partnership's future distributable cash flows; the timing of newbuilding and conversion vessel deliveries and commencement of their respective time-charter contracts; the Partnership's acquisition of future Hi-Load projects and potential for improved features of new Hi-Load DP vessel designs; the impact on cash flow from the Hi-Load DP unit delay; the timing and purchase price of the Partnership's acquisition of six towing and anchor handling vessels; the timing and certainty of entering into charter contracts for the FAU newbuildings prior to their deliveries; the estimated cost of building or converting vessels or offshore units; the timing and certainty of the Partnership, through its joint venture with Odebrecht, achieving the final contract signing with Petrobras for the Libra FPSO project; the Partnership's potential acquisition of the *Petrojarl Knarr* FPSO, including the purchase price, the timing of completion of field installation and contract start-up for this FPSO unit, the timing and certainty of the Partnership completing the acquisition, and the consideration for the acquisition; 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. 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 by the Partnership to secure charter contracts for FAU newbuildings; 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; the inability to successfully complete the operational testing of the Hi-Load DP unit and achieve final acceptance of the unit from Petrobras, including the impact on cash flow from delays; inability of Remora to develop innovations for future Hi-Load DP unit designs; failure of the Partnership to receive offers for additional vessels or offshore units from Teekay Corporation, Sevan, Remora or third parties; failure to develop new offshore projects with Odebrecht in Brazil; failure by the Partnership to complete the acquisition of the six towing and anchor handling vessels, including the transition of technical and commercial management of the vessels to ALP; failure by the Partnership's joint venture with Odebrecht to complete and sign the final contract with Petrobras for the Libra FPSO project; potential delays in the commencement of operations of the *Petrojarl Knarr* FPSO unit; 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, including the *Petrojarl Knarr* FPSO offer; 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, 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 $45.2 million in Q3-14, an increase of 5% from Q3-13
- Declared Q3-14 cash distribution of $0.5384 per unit
- ALP subsidiary agreed to acquire six on-the-water long-distance towing and anchor handling vessels for ~$220m
- 50/50 JV with Odebrecht signed Letter of Intent with Petrobras for Libra FPSO
  - Total Capex of ~$1 billion (100% basis)
  - 12-year fee-based contract with Petrobras commencing in early-2017
- *Petrojarl Knarr* FPSO anticipated to achieve first oil in December 2014
  - Offer to acquire from Teekay Corporation being reviewed by TOO Conflicts Committee

* 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

Accretive ALP Acquisition of Long-Distance Towing and Anchor-Handling Vessels

- TOO's wholly-owned subsidiary ALP agreed to acquire six long-distance towage and anchor-handling vessels
  - En bloc price of ~$220 million
  - All vessels currently on-the-water
  - Vessels formerly managed by ALP
  - Deliveries during Q4-14 and Q1-15

Vessel	Bollard Pull	Fuel Capacity	Year Built	Country Built
AHT Orcus	306 tonnes	3420 cbm	2010	Germany
AHT Uranus	301 tonnes	3420 cbm	2009	Germany
AHT Ursus	220 tonnes	2440 cbm	2008	Germany
AHT Janus	220 tonnes	2440 cbm	2007	Germany
AHT Taurus	207 tonnes	1115 cbm	2007	Germany
AHT Magnus	197 tonnes	1115 cbm	2006	Germany

Strategic Rationale

- Positions ALP as the clear leader in long-distance DPII towing vessel segment (fleet of 10 vessels)
- Enhances value of ALP's existing business platform given the greater scale to bid on a broader range of projects

Libra FPSO Status Update

- In October, 50/50 JV with Odebrecht signed Letter of Intent with Petrobras for a 12-year contract commencing early-2017
- Total Capex: ~$1 billion (100% basis)
- In October, signed contract with Jurong Shipyard in Singapore for FPSO conversion utilizing TOO's 1995-built shuttle tanker, *Navion Norvegia*
- Conversion project has now commenced

Knarr FPSO Status Update

- Arrived in Norway in September and currently being towed to field
- Mooring and riser installation scheduled for November and targeting first oil in December (weather dependent)
- Offer to acquire from Teekay Corporation for fully built-up cost of ~$1.16 billion currently being reviewed by the TOO Conflicts Committee
- Expected to generate annual DCF* of approximately $70 million
  - Key driver for achieving 7.5% TOO distribution growth target in 2015

* 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

Distributable Cash Flow and Coverage

Q3-14 vs. Q2-14

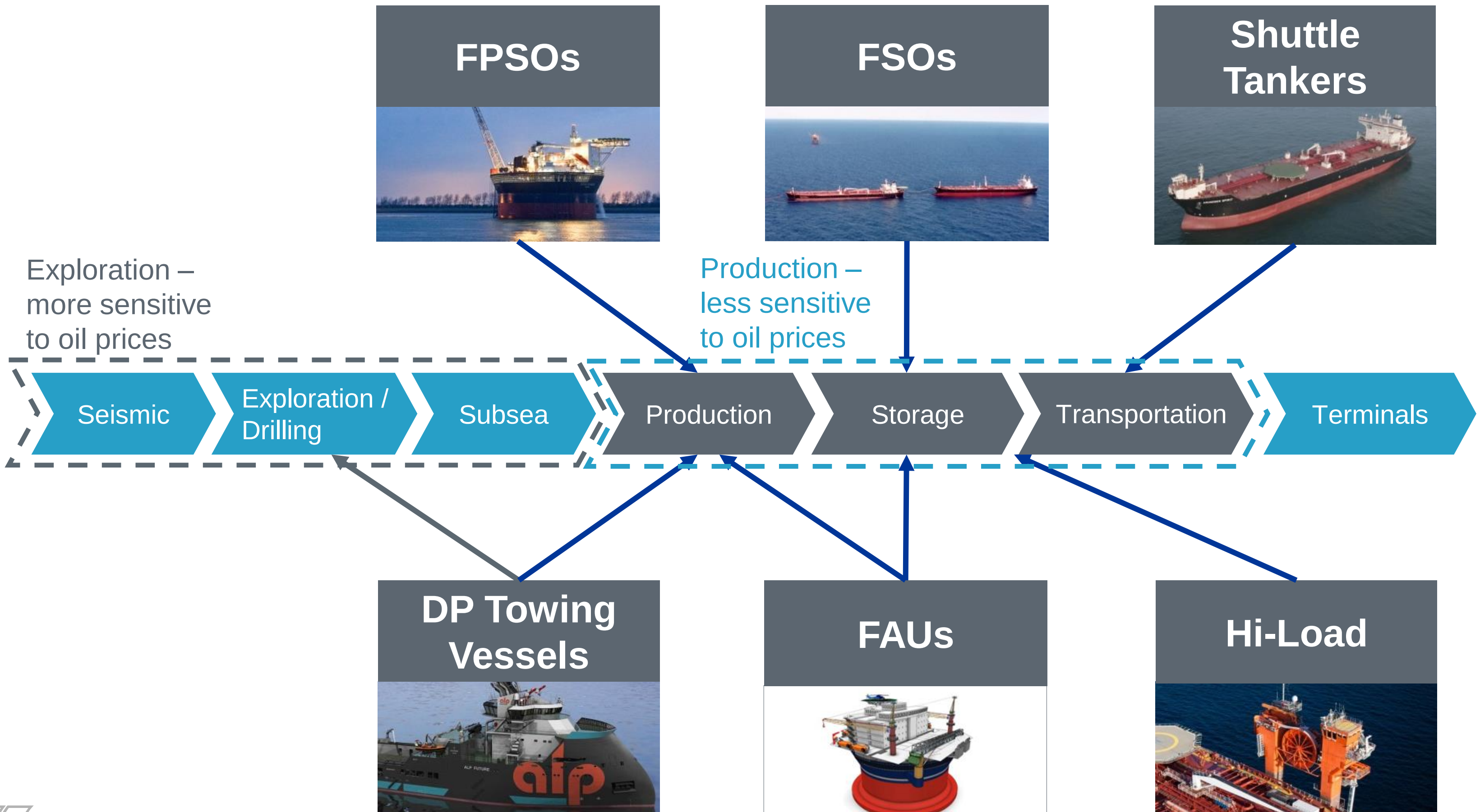
(Thousands of U.S. Dollars except coverage ratio information)	Three Months Ended September 30, 2014 (unaudited)	Three Months Ended June 30, 2014 (unaudited)	
Net revenues	229,820	215,146	
Vessel operating expenses	(91,638)	(88,184)	
Time charter hire expense	(7,085)	(4,975)	
Estimated maintenance capital expenditures	(28,979)	(28,354)	
General and administrative expenses	(14,038)	(18,054)	
Partnership's share of equity accounted joint venture's			
DCF net of estimated maintenance capital expenditures	2,774	4,292	
Interest expense (1)	(37,207)	(35,604)	
Interest income	145	190	
Income tax expense	(1,468)	(182)	
Distributions relating to equity financing of new buildings and conversion costs	1,678	2,184	
Distributions relating to preferred units	(2,719)	(2,719)	
Other - net	(1,727)	809	
Distributable Cash Flow before Non-Controlling Interests	**49,556**	**44,549**	
Non-controlling interests' share of DCF	(4,393)	(4,412)	
Distributable Cash Flow (2)	**45,163**	**40,137**	**A**
Total Distributions	**51,011**	**51,011**	**B**
Coverage Ratio	**0.89x**	**0.79x**	**=*A/B***

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 and Comprehensive Income in the Q3-14 and Q2-14 earnings release.

2) For a reconciliation of Distributable Cash Flow, a non-GAAP measure, to the most directly comparable GAAP figures, see Appendix B in the Q3-14 and Q2-14 Earnings Releases.

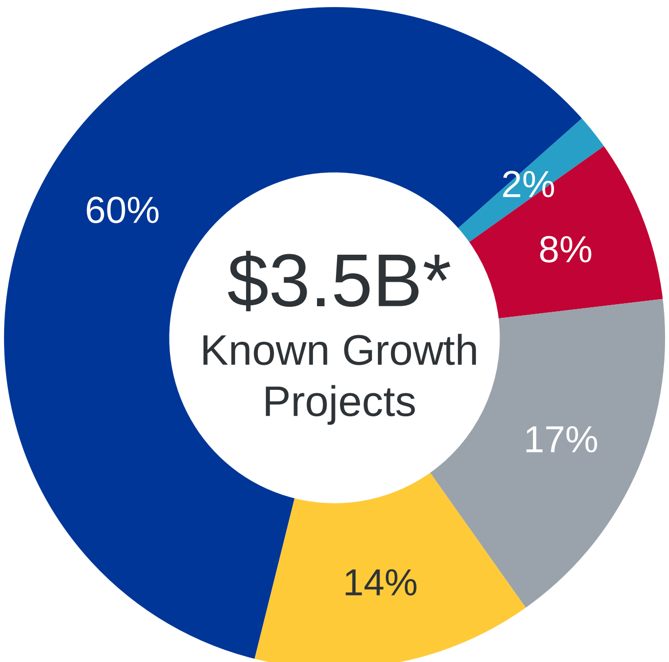
TOO's Earnings Insulated from Oil Price Movement

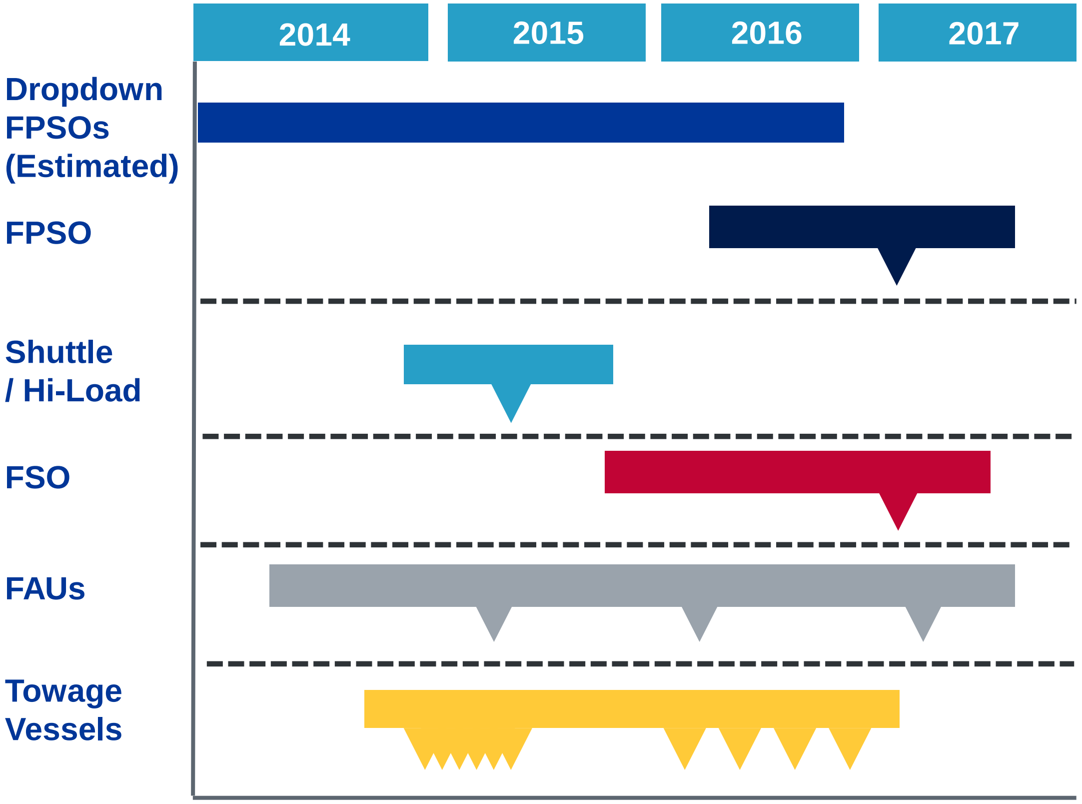
TOO's fee-based businesses are primarily focused on the production side of the oil value chain with no commodity exposure



Strong Visible Growth Pipeline Supports Future TOO Distribution Increases

Known Growth Capex by Segment





* Includes ALP's pending acquisition of 6 long-distance towing and anchor-handling vessels for a total purchase price of approximately $220 million.

Appendix

Committed Known Growth Capex

(in Millions)*	2014	2015	2016	2017	Total
Offshore Production					
FPSO (incl. Dropdowns)	$1,160	$450		$485	$2,095
Offshore Logistics					
Shuttles (incl. Hi-Load)	-	$60	-	-	$60
FSO	-	-	-	$280	$280
Towage	-	$220	$260	-	$480
FAU	-	$400	$200	-	$600
Total	$1,160	$905	$685	$765	**$3,515**

* Project Capex included in the period in which the vessel or unit is delivered and does not represent timing of cash installments payments

Adjusted Operating Results

Q3-14

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 September 30, 2014			
NET REVENUES				
Revenues	258,442	-	-	258,442
Voyage expenses	(28,622)	-	-	(28,622)
Net revenues	229,820	-	-	229,820
OPERATING EXPENSES				
Vessel operating expenses	(91,638)	-	54	(91,584)
Time-charter hire expense	(7,085)	-	-	(7,085)
Depreciation and amortization	(49,759)	-	-	(49,759)
General and administrative	(14,038)	-	(332)	(14,370)
Write-down of vessels	(4,759)	4,759	-	-
Total operating expenses	(167,279)	4,759	(278)	(162,798)
Income from vessel operations	62,541	4,759	(278)	67,022
OTHER ITEMS				
Interest expense	(22,911)	-	(14,296)	(37,207)
Interest income	145	-	-	145
Realized and unrealized losses on derivative instruments	(9,432)	(4,645)	14,077	-
Equity income from joint venture	2,486	(1,045)	-	1,441
Foreign exchange loss	(939)	442	497	-
Other (expense) income– net	(278)	278	-	-
Income tax expense	(1,468)	-	-	(1,468)
Total other items	(32,397)	(4,970)	278	(37,089)
Net income (loss) from continuing operations	30,144	(211)	-	29,933
Less: Net income attributable to non-controlling interests	(1,623)	494	-	(1,129)
ADJUSTED NET INCOME ATTRIBUTABLE TO THE PARTNERSHIP	**28,521**	**283**	**-**	**28,804**

1) See Appendix A to the Partnership's Q3-14 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 (4) and (5) to the Summary Consolidated Statements of Income (loss) in the Q3-14 earnings release.

Adjusted Operating Results

Q2-14

UNAUDITED (in thousands of US dollars)	Three Months Ended June 30, 2014 As Reported	Appendix A items (1)	Reclass for Realized Gains/Losses on Derivatives (2)	TOO Adjusted Income Statement
NET REVENUES				
Revenues	241,402	-	-	241,402
Voyage expenses	(26,256)	-	-	(26,256)
Net revenues	215,146	-	-	215,146
OPERATING EXPENSES				
Vessel operating expenses	(88,184)	-	49	(88,135)
Time-charter hire expense	(4,975)	-	-	(4,975)
Depreciation and amortization	(48,474)	-	-	(48,474)
General and administrative	(18,054)	1,600	148	(16,306)
Restructuring recovery	821	(821)	-	-
Total operating expenses	(158,866)	779	197	(157,890)
Income from vessel operations	56,280	779	197	57,256
OTHER ITEMS				
Interest expense	(21,568)	-	(14,036)	(35,604)
Interest income	190	-	-	190
Realized and unrealized losses on derivative instruments	(38,144)	24,343	13,801	-
Equity income from joint venture	2,388	894	-	3,282
Foreign exchange loss	(2,836)	2,798	38	-
Other (expense) income– net	72	-	-	72
Income tax expense	(182)	-	-	(182)
Total other items	(60,080)	28,035	(197)	(32,242)
Net income (loss) from continuing operations	(3,800)	28,814	-	25,014
Less: Net income attributable to non-controlling interests	(1,654)	401	-	(1,253)
ADJUSTED NET INCOME ATTRIBUTABLE TO THE PARTNERSHIP	**(5,454)**	**29,215**	**-**	**23,761**

1) See Appendix A to the Partnership's Q2-14 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 (loss) Income in the Q2-14 earnings release.

2014 & 2015 Drydock Schedule

	March 31, 2014 (A)		June 30, 2014 (A)		September 30, 2014 (A)		December 31, 2014 (E)		Total 2014		Total 2015	
Segment	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	Vessels Drydocked	Total Offhire Days
Fixed-Rate Tanker	-	-	-	-	1	24	-	-	1	24	-	-
FSO	-	-	1	83	1	40	-	-	2	123	-	-
Shuttle Tanker	2	54	1	32	2	64	1	37	6	187	6	157
	2	54	2	115	4	128	1	37	9	334	6	157

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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