



TEEKAY



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# TEEKAY OFFSHORE PARTNERS L.P.

## INVESTOR PRESENTATION

June 2016

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# Executive Summary

- Teekay Offshore Partners L.P. (“Teekay Offshore” or the “Company”) is an international provider of marine transportation, oil production, storage, towage and maintenance and safety services to the oil industry
  - Fee-based contracts from strong customer group with \$7.8 billion<sup>(1)</sup> of contracted revenue (including existing growth projects) and a remaining average contract duration of ~5 years<sup>(1)</sup>
  - Listed on the NYSE, the Company has total assets of \$5.7 billion<sup>(2)</sup> and \$1.6 billion<sup>(3)</sup> of growth capex in progress mostly on fee-based contracts, which we expect will further grow the Company’s asset base and cash flow
  - TOO is an MLP but treated as C-Corp for tax purposes and investors receive a form 1099 rather than K-1s
- Teekay Offshore is nearing completion of financing initiatives to improve its liquidity and position the Company for future growth
  - Initiatives address upcoming debt amortization and maturities
  - Fully finances \$1.6 billion<sup>(3)</sup> of growth projects through 2018
- As part of these initiatives, Teekay Offshore raised \$200 million of new capital in a combination of i) a private placement of Preferred Units plus common unit warrants and ii) a private investment in public equity (“PIPE”) of common units
  - Proceeds will be used to fund Teekay Offshore’s existing business plan and general working capital
  - Closing of transaction anticipated in June 2016
- Attractive valuation entry point with significant upside potential
  - Current market valuation provides an entry point with significant upside potential
  - Further upside from potential future dividend increases
  - Conversion price on the common unit warrants set around historical share price lows and attractive quarterly distribution yield / coupon



1) As of January 1, 2016, excluding options

2) As of March 31, 2016

3) Excludes \$397 million of capex related to the two UMS newbuilds that TOO plans to defer as part of TOO's financing initiatives and are non-recourse to TOO

# Agenda

**Section 1: Key Investment Highlights**

Section 2: Business update

Appendix

# TOO – Key Investment Highlights

- 
- 1** Attractive valuation entry point
- Current market valuation provides an entry point with significant upside potential (current EV / EBITDA<sup>(1)</sup> of 5.6x)
  - Further upside from potential future dividend increases (current coverage ratio of > 5x and growing DCF<sup>(2)</sup>)
  - Warrant conversion and common unit price set around historical share price lows and attractive dividend yield / coupon
- 
- 2** Stable operating model with built-in growth
- Majority blue-chip customer base and diverse revenue streams; a critical part of our customers' oil production supply chain
  - Forward fee-based revenues of \$5.2 billion<sup>(3)</sup> from existing operations and \$2.6 billion<sup>(3)</sup> from growth projects
  - Average contract length of ~5 years<sup>(3)</sup>
  - Contract options/extensions on 2018 rollovers provides potential incremental forward fee-based revenues and extends average contract length
  - Strong operating track record of delivering stable and growing cash flows
- 
- 3** Leading market positions
- Market leader in harsh weather FPSOs and shuttle tanker segments
  - Strong track record and flexible operating platform allows for high shuttle tanker fleet utilization
  - Proven FPSO redeployment offers low break-even and lifting costs compared to newbuilds
- 
- 4** Strong long-term market fundamentals
- 55+ FPSO projects in TOO's core regions expected to be awarded industry-wide once oil market conditions improve
  - Significant growth in demand for oil and declining production from conventional oilfields are expected to spur new field development, with deepwater and offshore production playing an important role
  - Deepwater production forecasted to increase by 70% from 2014 levels to 10 mb/d by 2040<sup>(4)</sup>, which is expected to drive demand for FPSOs and shuttle tankers
- 
- 5** Nearing completion of financing initiatives to strengthen TOO
- Banks committed \$400 million through various initiatives
  - NOK Bondholders agreed to amend and extend maturities until late-2018 (with partial amortization)
  - Strong de-levering profile with expected Q4-2018 leverage of 3.2x
  - In discussions to defer delivery of two UMS units worth \$397 million and contracts remain non-recourse to TOO

(1) Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA") is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. See 2015 form 20-F for a reconciliation of this non-GAAP measure to the most directly comparable GAAP financial measure. See Slide 6 for further details

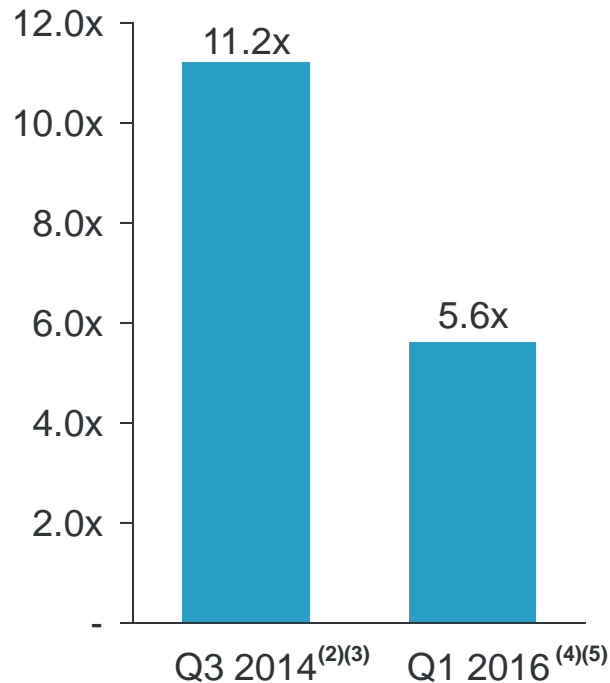
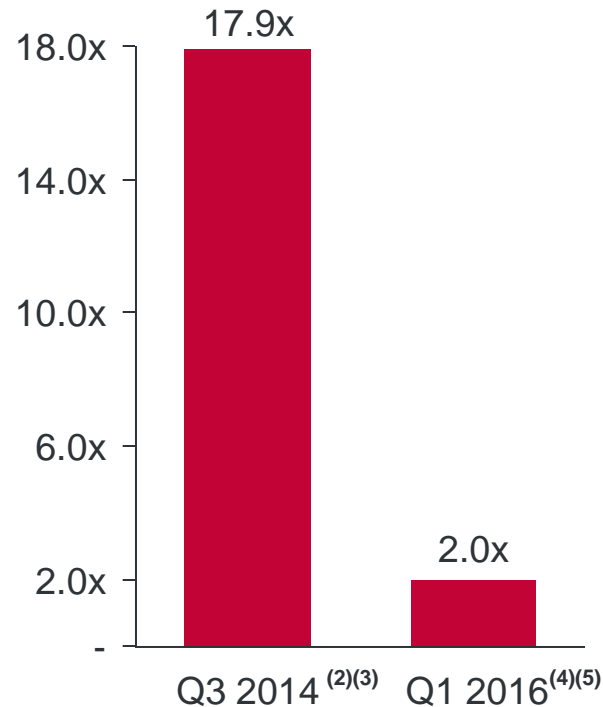
(2) Distributable cash flow ("DCF") is a non-GAAP financial measure used by certain investors to measure the financial performance of Master Limited Partnership companies. See Teekay Offshore Partners' quarterly earnings presentations for a reconciliation of this non-GAAP measure to the most directly comparable GAAP financial measure

(3) As of January 1, 2016, excluding options

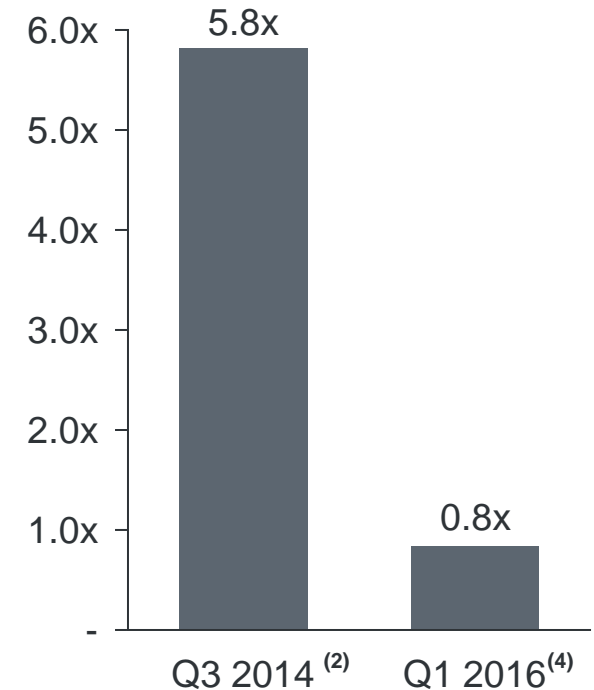
(4) Source: ExxonMobil outlook report 2016



# 1 Teekay Offshore Valuation Metrics

EV / EBITDA<sup>(1)</sup>Price / DCF<sup>(6)</sup>

Price / Book Value



(1) EBITDA is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. See 2015 form 20-F for a reconciliation of this non-GAAP measure to the most directly comparable GAAP financial measure

(2) Based on September 30, 2014 book values and the market values for common and preferred equity

(3) EBITDA and Distributable cash flow (DCF) based on Q3-2014 annualized

(4) Based on March 31, 2016 book values and the market values for common and preferred equity as of June 16, 2016

(5) EBITDA and Distributable cash flow (DCF) based on Q1-2016 annualized

(6) DCF is a non-GAAP financial measure used by certain investors to measure the financial performance of Master Limited Partnership companies. See Teekay Offshore Partners' quarterly earnings presentations for a reconciliation of this non-GAAP measure to the most directly comparable GAAP financial measure



# ① Phased Approach

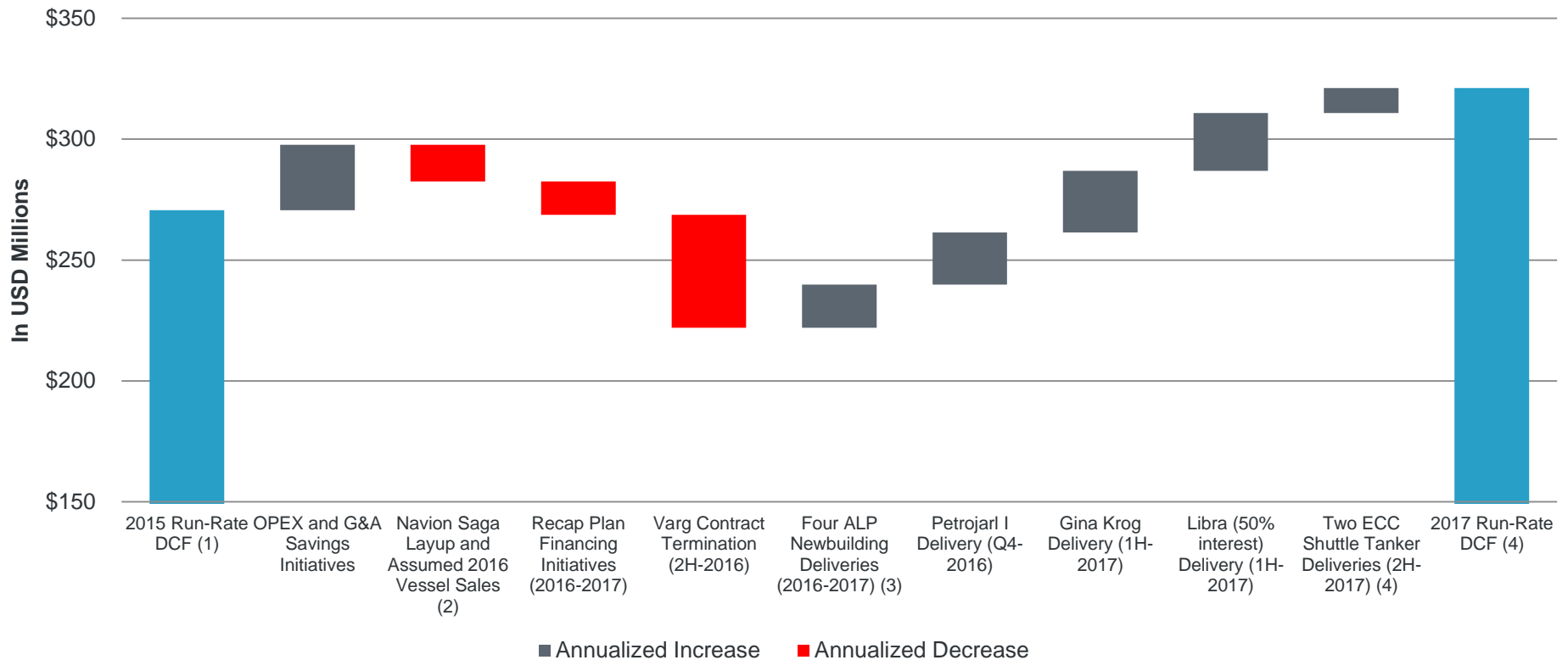
Objective: increase distributable cash flow per common unit

1. Complete financing initiatives with the goal of building liquidity and strengthening balance sheet
  - Majority of financial commitments secured and final signing expected in June 2016
  
2. Optimize asset portfolio and balance sheet
  - Asset sales, redeployment of assets, refinancing and/or repurchasing bonds, etc.
  
3. Increase distributions and access to equity capital markets
  - LP distributions were reduced by 80% in December 2015 in order to provide capital for growth capex program



# 1 Committed Growth Will Increase Distributable Cash Flows

## Estimated Run-Rate DCF



(1) Annualized for Knarr FPSO and Arendal Spirit UMS deliveries, Navigator Spirit and SPT Explorer sales and shuttle tanker contract expirations during 2015. See appendix for a reconciliation of this non-GAAP measure to the most directly comparable financial measure under GAAP.  
 (2) Reduction in DCF from vessel sales: Fuji Spirit (completed), Kilimanjaro Spirit (completed) and Navion Europa  
 (3) Assumes ALP vessels chartered at current market rates  
 (4) Excludes 1 East Coast Canada (ECC) shuttle tanker newbuilding delivering in early-2018 and 2 unchartered UMS units





# 1 Distribution Increase is Key to Growth in Unit Price

		Implied Common Unit Price (1)			
Coverage Ratio		1.10x	1.20x	1.30x	1.40x
<b>Illustrative Run-rate Available Distribution per LP Unit After Delivery of Known Growth Projects</b>		<b>\$1.76</b>	<b>\$1.64</b>	<b>\$1.51</b>	<b>\$1.41</b>
Dividend Yield	7%	\$25.20	\$23.38	\$21.63	\$20.08
	8%	\$22.05	\$20.45	\$18.92	\$17.57
	9%	\$19.60	\$18.18	\$16.82	\$15.62
	10%	\$17.64	\$16.36	\$15.14	\$14.06
	11%	\$16.04	\$14.88	\$13.76	\$12.78

- TOO current annual distribution rate of \$0.44 per unit, representing a current coverage ratio of >5.0x
- Anticipated distributable cash flow growth from the delivery of fully financed growth projects delivering through 2017, enables TOO to pay higher distribution in the future
  - Excludes additional cash flows from redeployment of the Varg FPSO
- TOO leverage projected to reduce significantly
- No additional equity required to fund existing growing projects<sup>(2)</sup>



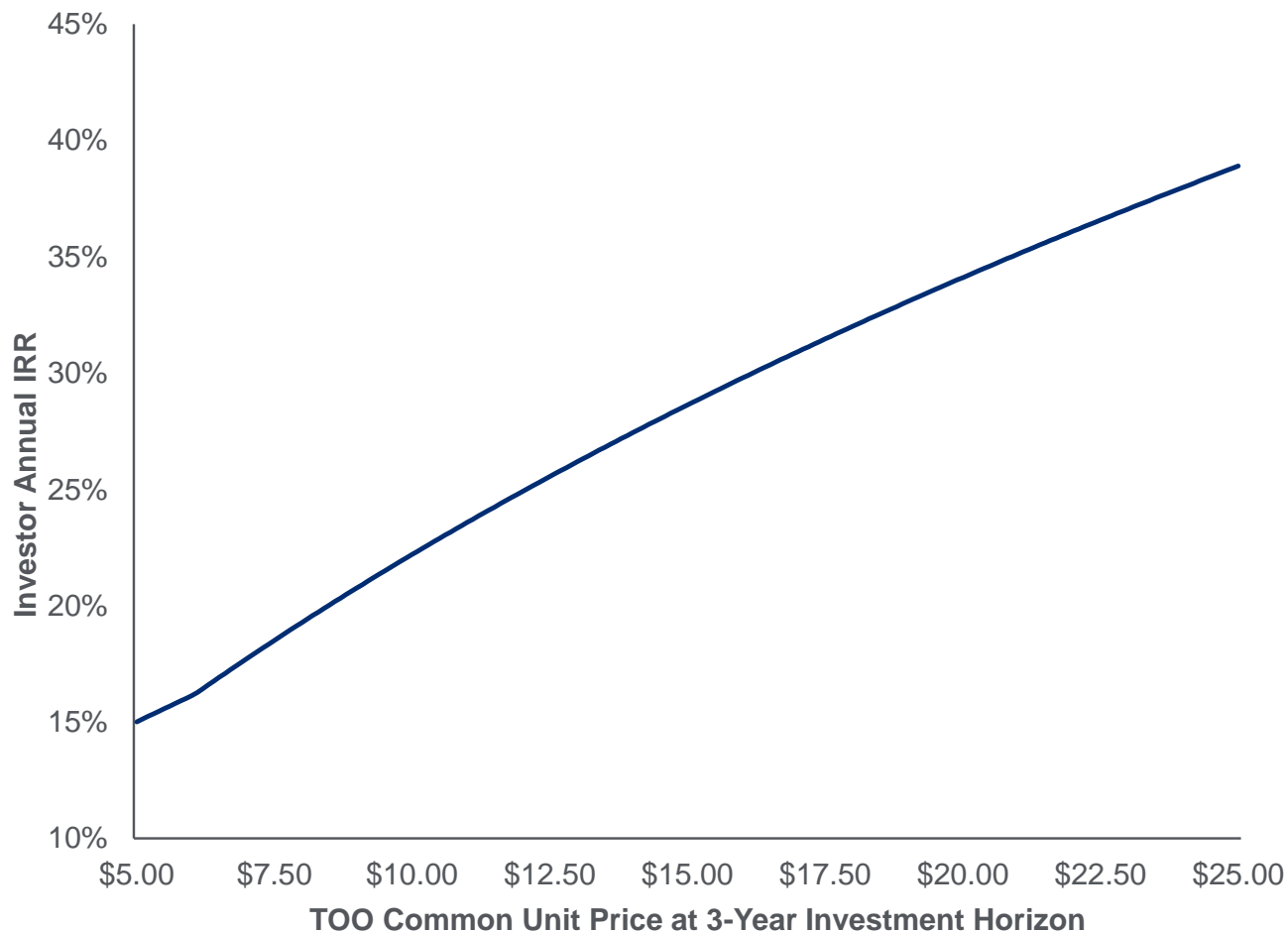
(1) Refer to Appendix for estimated LP units outstanding

(2) Except issuances through ATM and PIK. Existing growth projects excludes the two UMS newbuildings

# 1 Attractive Investment Opportunity

Preferred Series D plus warrants offer an attractive current yield with long-term upside and meaningful structural protection

Illustrative Investor Annual Return at Various Unit Prices over a 3-Year Investment Horizon



- Preferred unit distributions are set at historically attractive levels and are fixed for the life of the security
- Meaningful upside participation through warrants
- Seniority in capital structure relative to common units
- Bifurcated preferred plus warrants structure allows for monetization at different time horizons
- Preferreds are redeemable at a premium to face value starting in year five
- After year 5, investors option to exchange preferred Series D into common units
- Meaningful change of control protections



Assumes a 10.5% preferred plus warrant security with 45 Common Unit warrants struck at Market Price and 22.5 Common Unit warrants struck at a 33% premium to Market Price for each \$1,000 of Investment Amount. Assumes TOO Market Price of \$4.55 as of June 16, 2016. Assumes preferred valuation at year 3 based on a 7.25% YTC (equal to unaffected trading yield on TOO's Series A preferreds in 2013/14). Warrants are valued at their intrinsic value.

## 2 Attractive Portfolio of Fixed-Rate Contracts

- Substantial portfolio of long-term, fixed-rate contracts with high quality oil and gas companies
  - Forward fee-based revenues of \$5.2 billion<sup>(1)</sup> from existing operations and \$2.6 billion<sup>(1)</sup> from growth projects
  - Weighted average remaining contract life of ~5 years<sup>(1)</sup>

	<u>Shuttle Tankers</u>	<u>FPSO Units</u>	<u>FSO Units</u>	<u>UMS Units</u>
# of units	36 <sup>(2)</sup>	8 <sup>(3)</sup>	7 <sup>(4)</sup>	1 <sup>(5)</sup>
Average Contract Life	5.3 years <sup>(1)</sup>	4.9 years <sup>(1)</sup>	4.9 years <sup>(1)</sup>	2.5 years <sup>(1)</sup>
Forward Revenues	\$2.8B <sup>(1)</sup>	\$4.3B <sup>(1)</sup>	\$0.6B <sup>(1)</sup>	\$0.1B <sup>(1)</sup>

(1) As of January 1, 2016, excluding options

(2) Includes six shuttle tankers owned 50% and one owned 67% by TOO and three chartered-in shuttle tankers

(3) Includes two FPSO units owned 50% by TOO

(4) Includes one FSO unit owned 89% by TOO

(5) Excludes \$397 million of capex related to the two UMS newbuilds that TOO plans to defer as part of TOO's financing initiatives



## 2 Strategic Customer Relationships

Teekay benefits from strong relationships with diverse group of majority blue-chip customers

### TOO

#	Customer	Share <sup>(1)</sup>	Credit rating
1	Shell <sup>(2)</sup>	25.6%	Aa2 / A+
2	Petrobras	18.3%	B3 / B+
3	Statoil	10.8%	Aa3 / A+
4	E.ON	10.5%	Baa1 / BBB+
5	Repsol	8.8%	Baa2 / BBB-
6	Teekay	5.6%	B3 / B+
7	Chevron	3.6%	Aa2 / AA-
8	Quadrant	1.2%	NA / NA
9	Suncor	1.0%	Baa1 / A-
10	Occidental	1.0%	A3 / A

### Teekay (consolidated)

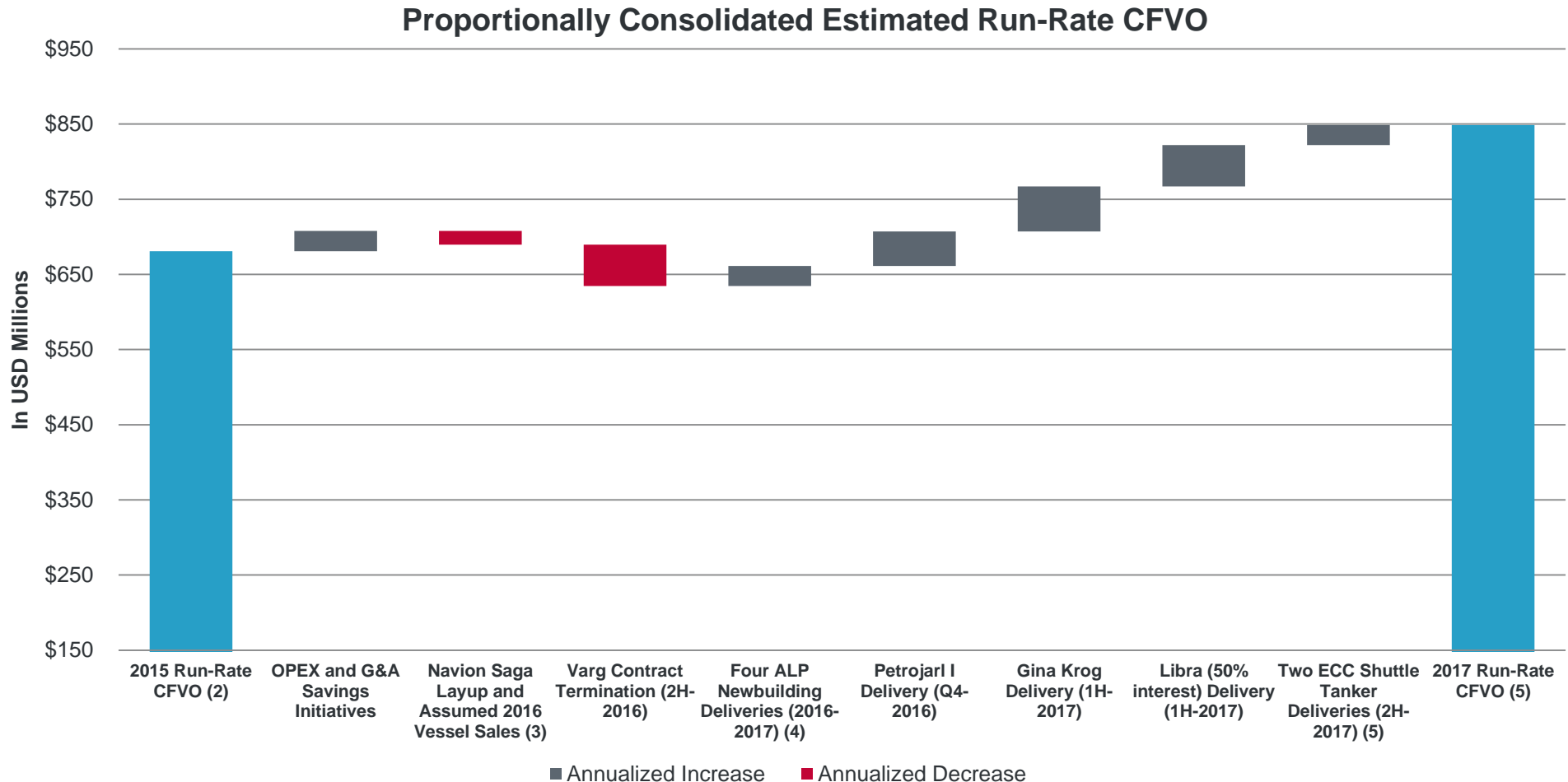
#	Customer	Share <sup>(1)</sup>	Credit rating
1	Shell <sup>(2)</sup>	16.6%	Aa2 / A+
2	Petrobras	9.5%	B3 / B+
3	BP	7.4%	A2 / A-
4	Statoil	7.3%	Aa3 / A+
5	E.ON	5.3%	Baa1 / BBB+
6	Repsol	4.4%	Baa2 / BBB-
7	Canadian Natural	4.0%	Baa3 / BBB+
8	Centrica Energy	2.9%	Baa1 / BBB+
9	RasGas	2.9%	Aa3 <sup>(3)</sup> / A <sup>(3)</sup>
10	Chevron	2.7%	Aa2 / AA-



- (1) Based on fiscal year 2015 revenue  
 (2) Pro forma for acquisition of BG Group  
 (3) Reflects current senior secured debt ratings

## 2 TOO's CFVO<sup>(1)</sup> Anticipated to Continue to Grow

Run-rate CFVO anticipated to approximate up to ~\$850 million per year in 2017



(1) Cash flow from vessel operations ("CFVO") is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. See Teekay Offshore Partners 2015 annual Earnings Report for a reconciliation of this non-GAAP measure to the most directly comparable financial measure under GAAP.

(2) Annualized for Knarr FPSO and Arendal Spirit deliveries, Navigator Spirit and SPT Explorer sales and shuttle tanker contract expirations during 2015. See appendix for a reconciliation of this non-GAAP measure to the most directly comparable financial measure under GAAP.

(3) Assumes vessel sales: Fuji Spirit (completed), Kilimanjaro Spirit (completed) and Navion Europa

(4) Assumes ALP vessels chartered at current market rates

(5) Excludes one East Coast Canada (ECC) shuttle tanker newbuilding delivering in early-2018 and two UMS newbuilds that TOO plans to defer as part of TOO's financing initiatives

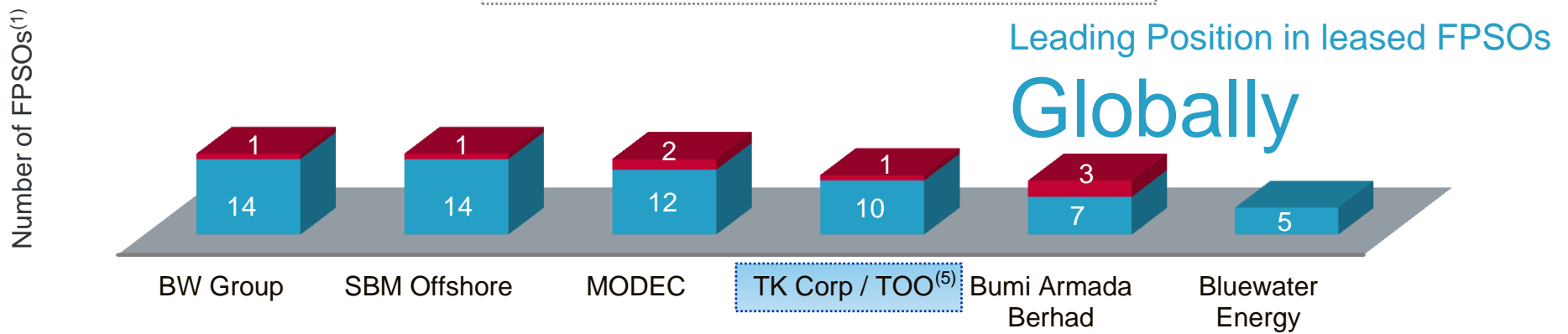
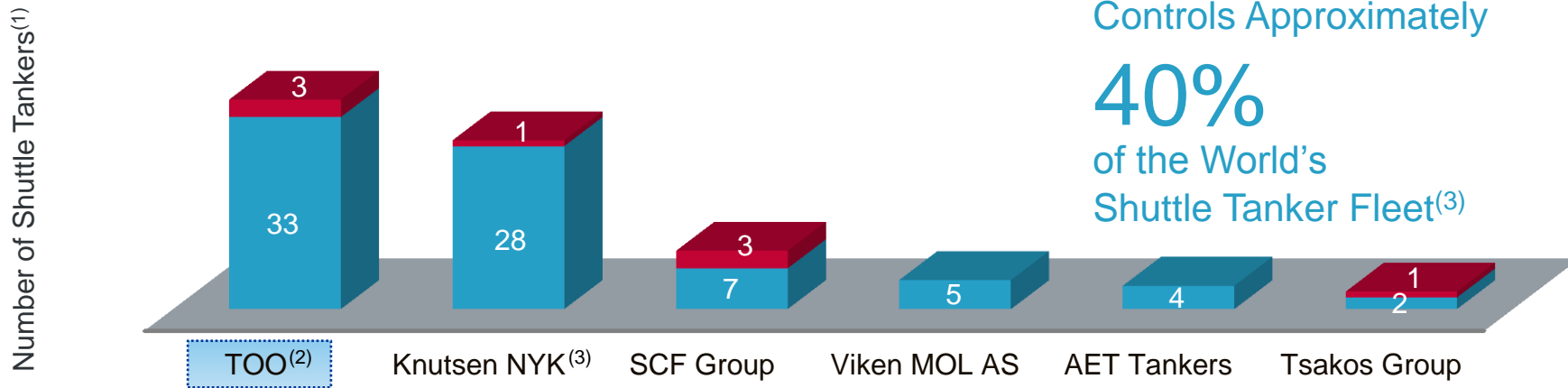


## 2 Asset Redeployment Outcomes and Potential Opportunities

Redeployments provide incremental forward fee-based revenues and extends average contract length

Asset Name	Firm Period Date	Status	Likely Extension/Redeployment Scenario
<b>Petrojarl Varg FPSO</b> (Repsol)	August 2016	Completing operations on the Varg field after ~18 years of service on the field following delivery. The only available FPSO that meets the strict Norwegian standards (NORSOK compliant) with oil production capacity of 57,000 bbl/day (total liquid capacity of 82,000 bbl/day)	Looking at early well test (EWT) opportunities with minimal upgrades prior to a longer-term contract. Tendering on 5 possible contracts in the North Sea (4 in the Norwegian sector and 1 in the UK sector)
<b>Cidade de Rio das Ostras FPSO (Ostras)</b> (Petrobras)	January 2018	Since delivery, Petrobras has used the Ostras as an EWT unit to test various heavy oil fields prior to making a larger investment while at the same time producing positive cash flows	Expected to continue to operate as EWT unit for Petrobras
<b>Voyageur Spirit FPSO</b> (Premier Oil)	April 2018	Operating on the Huntington field in the North Sea (operating on its second field). Premier Oil recently acquired field from E.ON and has expressed desire to extend Voyageur FPSO charter	Will likely stay on Huntington field until end of field life. Meanwhile, also pursuing another opportunity in the UK sector where Voyageur's cylindrical hull design is considered a competitive advantage
<b>Piranema Spirit FPSO</b> (Petrobras)	October 2018	Operating on the Piranema field in Brazil since delivery	Expected to stay on field until the end of field life
<b>Arendal Spirit UMS</b> (Petrobras)	May 2018	Gangway has been replaced and is undergoing testing and is expected to recommence charter contact in mid-June	Upon recommencing charter contract, we expect to finalize a 'blend and extend' agreement, extending the contract firm period out to 2021

### 3 Market Leader in Core Segments



Source: Clarkson Research Services, Fearnley Research Services, International Maritime Associates Research Services and company websites

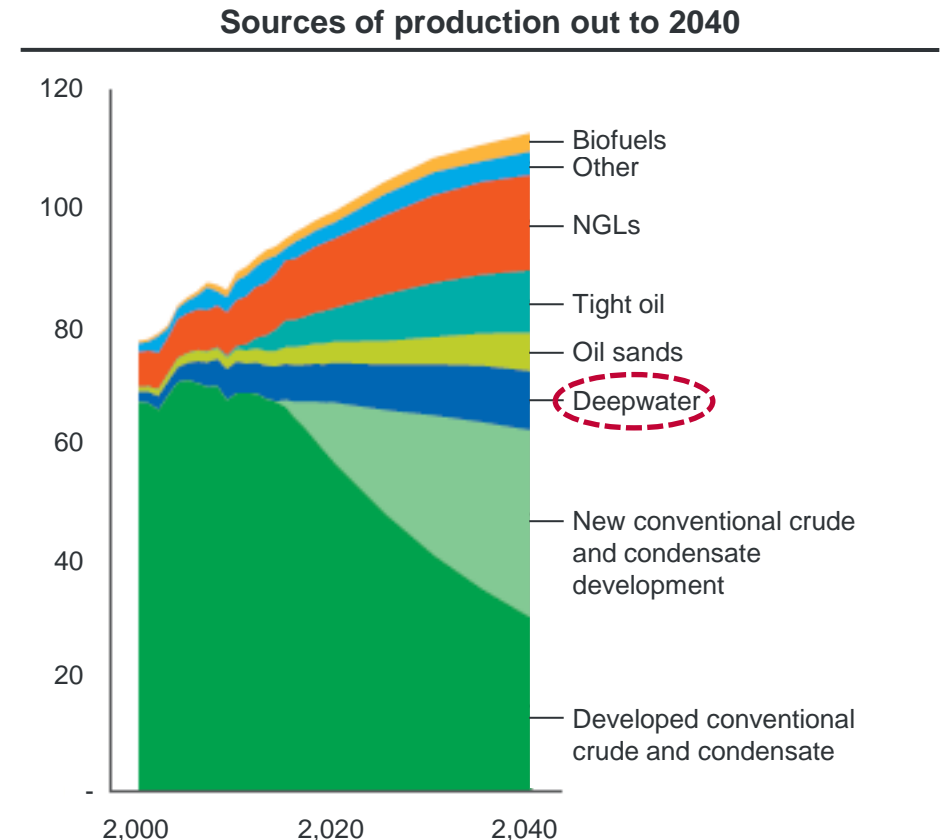
- (1) As of Q2 2016
- (2) Includes six shuttle tankers owned 50% and one owned 67% by TOO and three chartered-in shuttle tankers
- (3) Includes Knutsen NYK and Knutsen Offshore Partners L.P. (KNOP)
- (4) Based on total tonnage as of December 31, 2015
- (5) Includes two FPSO units owned 50% by TOO



## 4 Demand for Oil Expected to Drive New Field Development

Offshore and deepwater expected to continue to play a key role going forward

- Global oil demand is expected to grow significantly in the future due to the needs of a growing global middle class
- Production from existing conventional oilfields is expected to decline by two thirds by 2040, spurring the need for new sources of production
- Deepwater will play an important role with production expected to increase by ~70% from 2014 levels to 10 mb/d by 2040 (CAGR of 2.1%)





## 5 Actions To-Date to Deteriorating Capital Market Environment

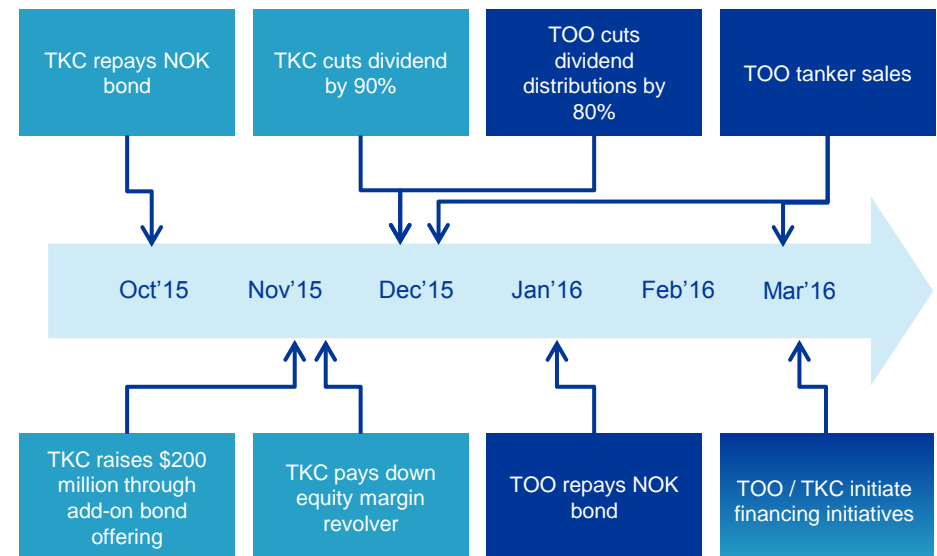
TOO and TK Corp have aggressively cut dividends, implemented cost efficiency and liquidity measures, and are now completing financing initiatives

### TOO

- December 2015
  - Cut dividend distributions by 80%, preserving \$56 million of cash per quarter (\$225 million per year)
- January 2016
  - Repaid \$90 million NOK bond
- December 2015 and March 2016
  - Sold non-core conventional tankers for \$130 million

### TK Corp

- October 2015
  - Repaid \$123 million NOK bond
- November 2015
  - Repaid \$250 million on equity margin revolver
  - Raised \$200 million through add-on bond offering
- December 2015
  - Cut dividends by 90%, preserving \$36 million of cash per quarter (\$144 million per year)
- May 2016
  - Secured commitments for \$100 million of common equity through a PIPE offering

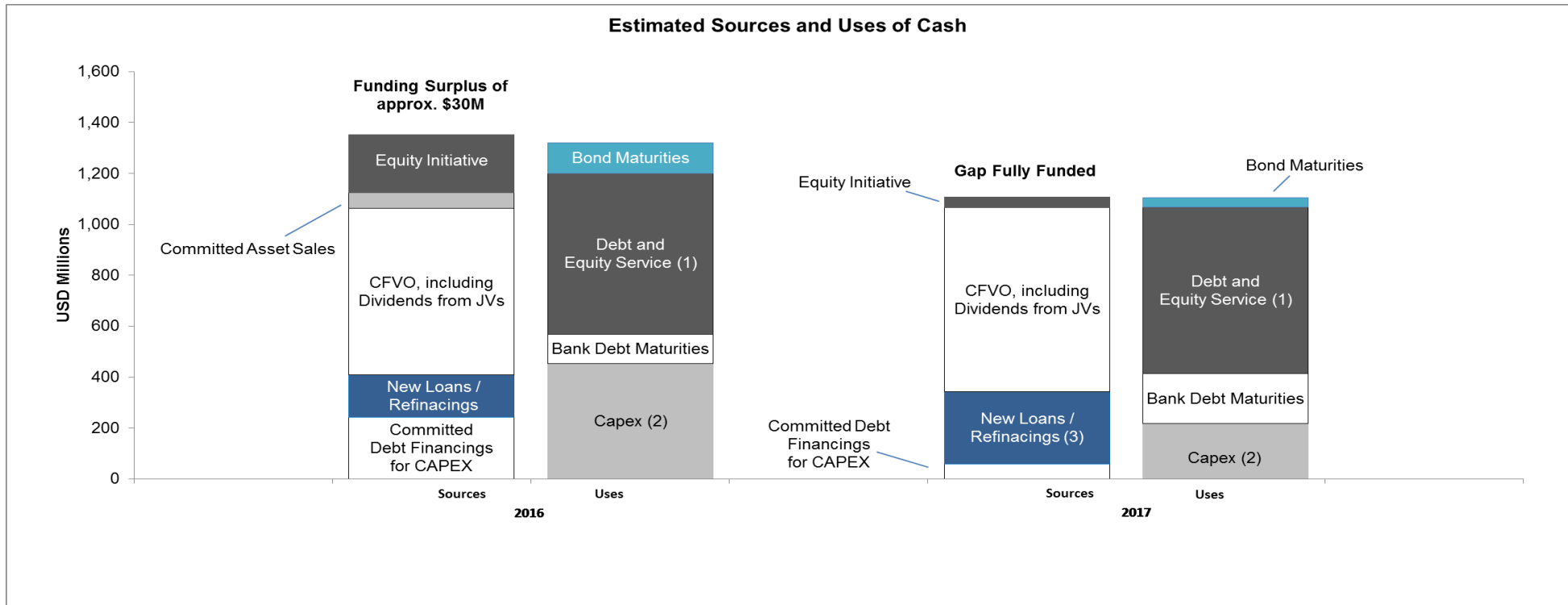


## 5 Summary of TOO's Financing Initiatives

On track to secure remaining commitments in June 2016

	Initiative	Status
<b>Banks</b>	<ul style="list-style-type: none"> <li>• \$250 million debt facility for the East Coast Canada shuttle tanker project</li> <li>• \$40 million debt facility on un-mortgaged vessels (six shuttle tankers and FSO units)</li> <li>• \$35 million from an increased debt facility on two shuttle tankers</li> <li>• \$75 million refinancing for the Varg FPSO</li> </ul>	<ul style="list-style-type: none"> <li>• \$35 million of new loan financing already completed</li> <li>• Commitments received for all other new loan financing</li> <li>• Majority of banks committed to Varg FPSO refinancing</li> </ul>
<b>Norwegian Bondholders</b>	<ul style="list-style-type: none"> <li>• <b>Jan 2017 Bond</b> – New maturity Nov 2018 with 30% amortization in Oct 2016 and Oct 2017</li> <li>• <b>Jan 2018 Bond</b> – New maturity Dec 2018 with 20% amortization in Jan 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Bondholders approved the plan on June 2<sup>nd</sup></li> </ul>
<b>Equity Holders</b>	<ul style="list-style-type: none"> <li>• \$200 million equity raise through a combination of (i) preferred units plus common unit warrants and (ii) common units</li> </ul>	<ul style="list-style-type: none"> <li>• Closing in June 2016</li> </ul>
<b>Capex</b>	<ul style="list-style-type: none"> <li>• In discussions to defer the delivery of the two remaining UMS newbuildings, which would result in capex deferral of approximately \$400 million</li> <li>• Sale of two conventional tankers in Q4-15 and the sale-leaseback of the two remaining conventional tankers in Q1-16</li> </ul>	<ul style="list-style-type: none"> <li>• UMS shipyard contract amendment in documentation</li> <li>• Conventional tanker sales completed, adding approximately \$60 million in liquidity</li> </ul>

# 5 TOO's 2016 & 2017 Cash Flow Forecast



Bank Initiatives

Bond Initiatives

Equity Initiatives

Capex

Liquidity	2016
Opening <sup>(4)</sup>	\$280
Ending <sup>(4)</sup>	~\$310
Minimum covenant <sup>(5)</sup>	~\$165

2017
~\$310
~\$310
~\$160

Note that figures assume all initiatives completed and on contemplated terms

(1) Defined as net interest expense, scheduled debt repayments and revolver amortizations, and current distributions to equity holders

(2) Includes gross CAPEX and equity investment in Joint Venture, excluding the two UMS newbuilds that TOO plans to defer as part of TOO's financing initiatives

(3) Assumes bank maturities of \$111 million for Piranema, Navion Bergen and Navion Gothenburg are refinanced for \$100 million

(4) Comprised of unrestricted cash, and undrawn revolvers

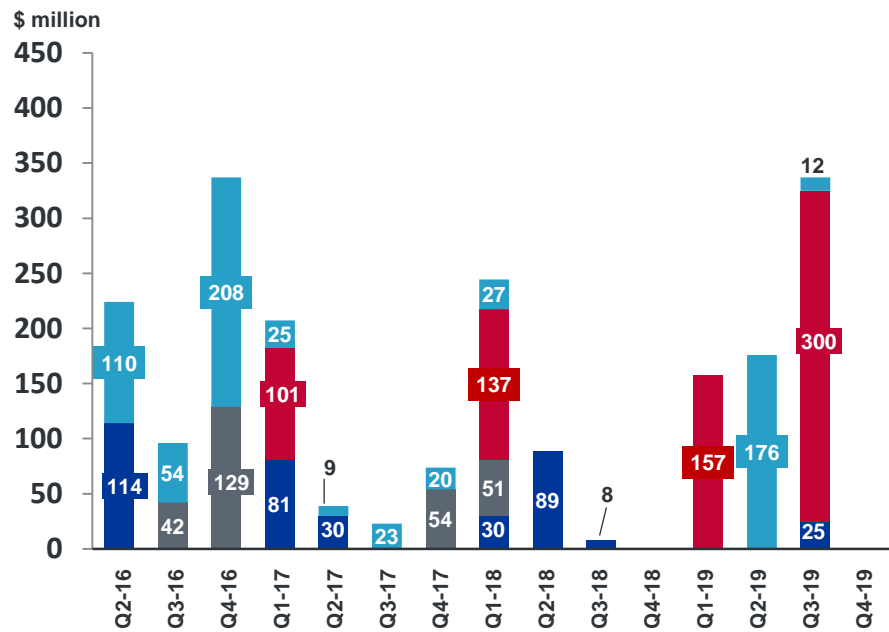
(5) Minimum liquidity requirement, which is based on 5% of total debt as of March 31, 2016 = ~\$165 million



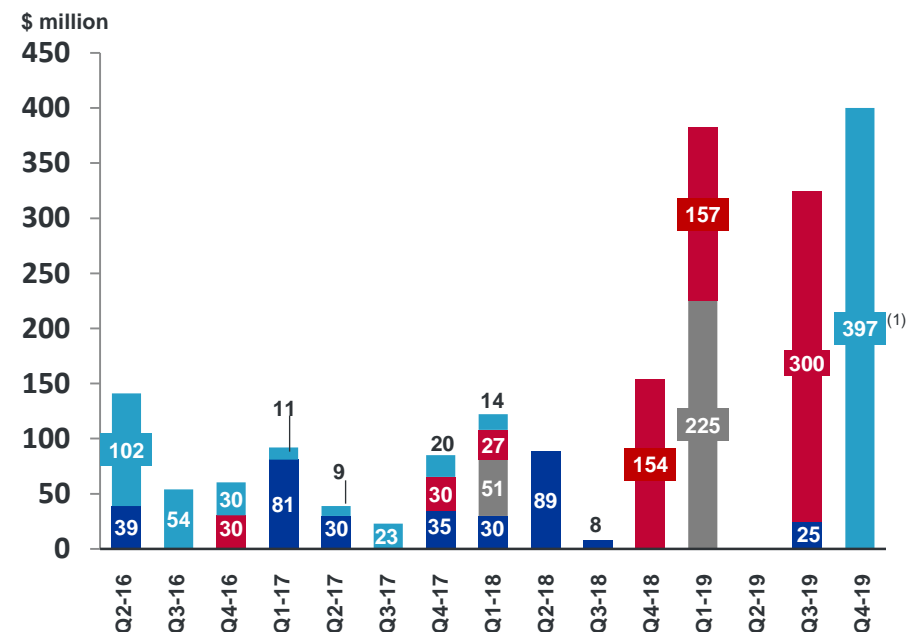
# 5 Anticipated Impact of Financing Initiatives on TOO's Capex and Debt Maturity Profile

## Runway extended to late-2018

Baseline maturity profile



Anticipated maturity profile



■ Capex (net of committed financing) 
 ■ Bond maturities and amortizations<sup>(2)</sup>
■ Interest rate swaps<sup>(3)</sup>
■ Loan maturities

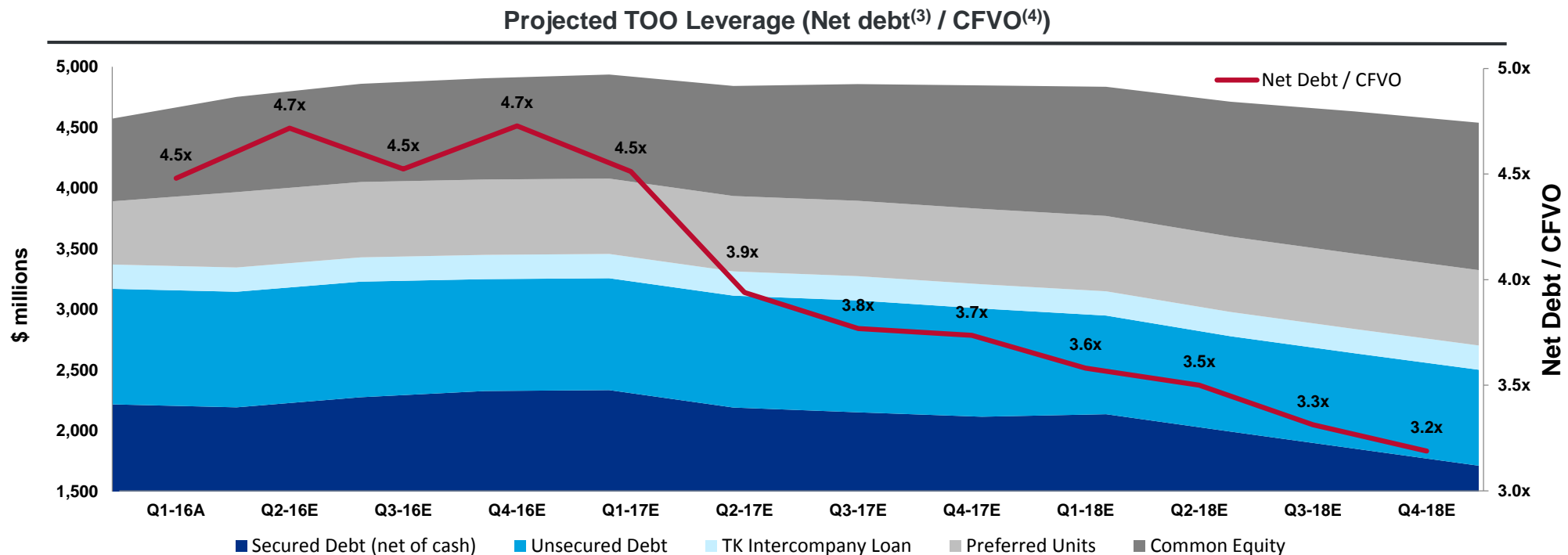
Note that figures assume all initiatives completed and on contemplated terms

- (1) In discussions to defer the delivery of the two remaining UMS newbuilds, which is assumed to be deferred to 2019. Amount does not take into account future debt facilities
- (2) Principal amounts are net of restricted cash and include cross currency swap maturities based on the mark-to-market as of March 29, 2016
- (3) Deferral of interest rate swap terminations based on the mark-to-market as of March 29, 2016. Actual cash settlement amounts for interest rate swaps are expected to be lower than the figures in the graphs above, based on amortization of the mark-to-market value and forward LIBOR rates as at March 29, 2016



## 5 TOO's Balance Sheet Projected to De-lever Significantly<sup>(1)</sup>

TOO expected to be better positioned to refinance bond maturities post – 2017 with higher CFVO<sup>(2)</sup> and lower debt



In USD Billions	Q1 – 2016
Secured Debt (net of cash)	\$2.4
Unsecured Debt <sup>(5)</sup>	\$1.0
Net Debt / Book Cap	72%

**TOO Expected to Delever**

Q4 – 2018 <sup>(5)</sup>
\$1.7
\$0.8
55%

Note that figures assume all initiatives completed and on contemplated terms

- (1) Includes all financing initiatives and based on management's estimates of contract roll-overs. No CFVO assumed for Varg in Q4-16 through 2018
- (2) CFVO is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. See Teekay Offshore Partners 2015 annual Earnings Report for a reconciliation of this non-GAAP measure to the most directly comparable financial measure under GAAP
- (3) Net debt excludes \$200 million TK Intercompany Loan
- (4) Run-rate CFVO annualizes quarterly CFVO performance and excludes temporary off-hire expenses relating to Arendal Spirit gangway replacement in Q2-16
- (5) Secured debt balance is net of cash. Unsecured debt balance is before Q4-2018 NOK bond payments and includes mark-to-market of interest rate swaps.



## 5 Multiple Ways to Refinance 2018/2019 Bond Maturities

TOO well-positioned to refinance new bond maturities when capital markets open assuming implementation of financing initiatives

Financing initiatives expected to provide a liquidity runway until the capital markets reopen

TOO expected to be in a stronger financial position

Strong sponsor

- US and Norwegian bond markets
  - TOO will be seeking third-party credit ratings as energy markets improve, a pre-requisite for conventional US bond market access
    - Optimal first issuance size in the US is \$250 million +
  - Remain committed to issuing in the NOK bond market when the market reopens
- US MLP equity markets
  - Company has the ability to issue incremental equity through an at-the-market (ATM) program on a daily basis (subject to quarterly and any event-specific blackouts) throughout execution of the financing initiatives
- TOO leverage projected to reduce significantly - net debt to CFVO<sup>(1)</sup> of ~3.2x by year-end 2018
  - Investment opportunity attractive to both debt and equity investors
  - Further de-levering anticipated from asset sales
  - Refinancing with banks remains an option
- TK Corp expected to strengthen its financial position and support TOO further if required



(1) CFVO is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. See Teekay Offshore Partners 2015 annual Earnings Report for a reconciliation of this non-GAAP measure to the most directly comparable financial measure under GAAP

# Agenda

Section 1: Key Investment Highlights

**Section 2: Business update**

Appendix

# 2015 in Review

## Strong operational performance driving CFVO<sup>(1)</sup> and DCF<sup>(2)</sup> growth

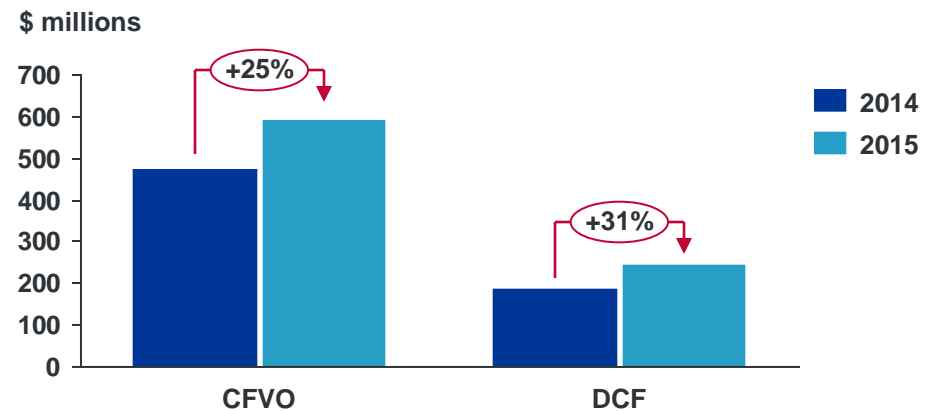
### Financial

- Continued to generate stable and growing cash flows with significant CFVO and DCF growth
- Raised \$2.4 billion of debt and equity financings

### Commercial and Operational

- Completed \$1.7 billion of growth projects
  - Acquisition of the Knarr FPSO, TOO's largest acquisition to date
  - TOO's first unit for maintenance and safety, Arendal Spirit, commenced its 3-year charter contract
  - Acquisition of six long-distance towing and offshore installation vessels
- Signed strategic East Coast Canada contract and TOO is now the sole supplier of shuttle tanker services for the region
- High uptime and fleet utilization in all business segments
- Strong safety and key performance indicators

CFVO and DCF 2014 vs. 2015



(1) CFVO is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. See Teekay Offshore Partners 2015 annual Earnings Report for a reconciliation of this non-GAAP measure to the most directly comparable financial measure under GAAP

(2) DCF is a non-GAAP financial measure used by certain investors to measure the financial performance of Master Limited Partnership companies. See Teekay Offshore Partners quarterly earnings presentations for a reconciliation of this non-GAAP measure to the most directly comparable GAAP financial measure



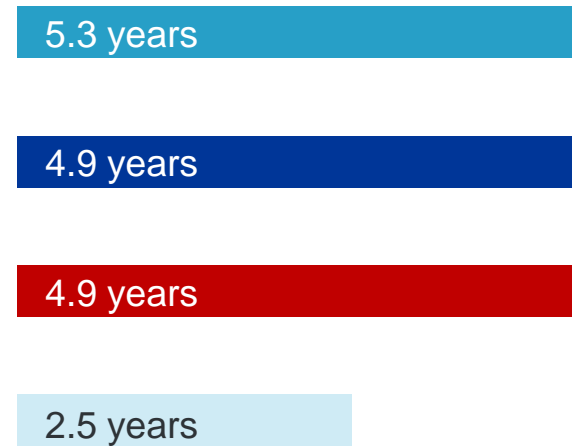
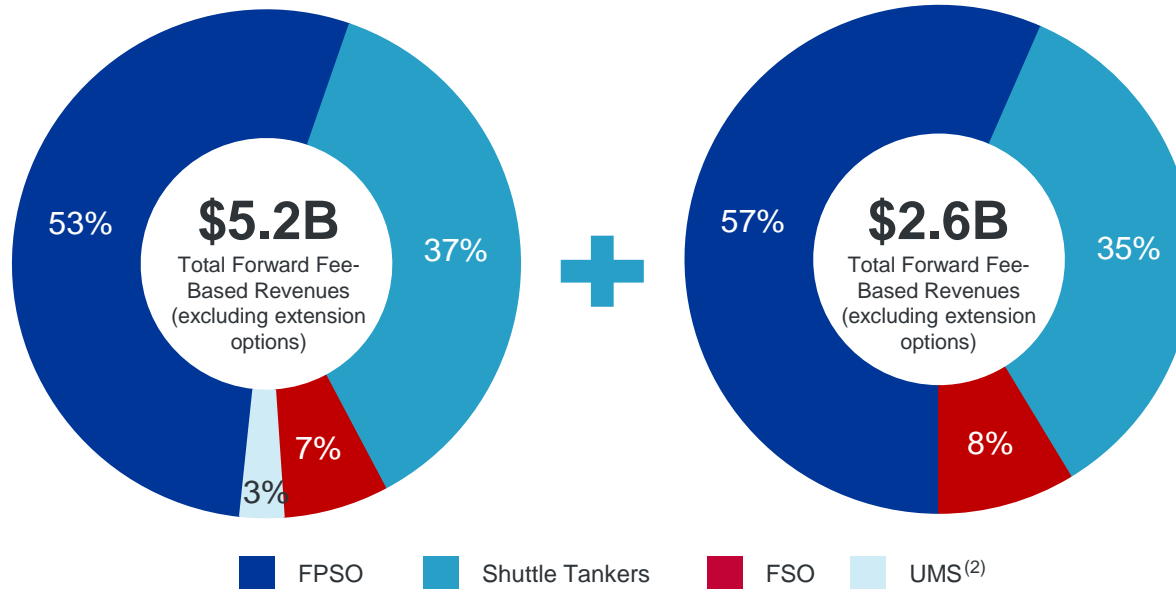
# Diversified Portfolio of Forward Revenues

Contracted forward revenues of \$7.8 billion (excluding options)

Forward revenues from existing operations by segment<sup>(1)</sup>

Forward revenues from growth projects by segment<sup>(1)</sup>

Average remaining contract length by segment<sup>(1)</sup>



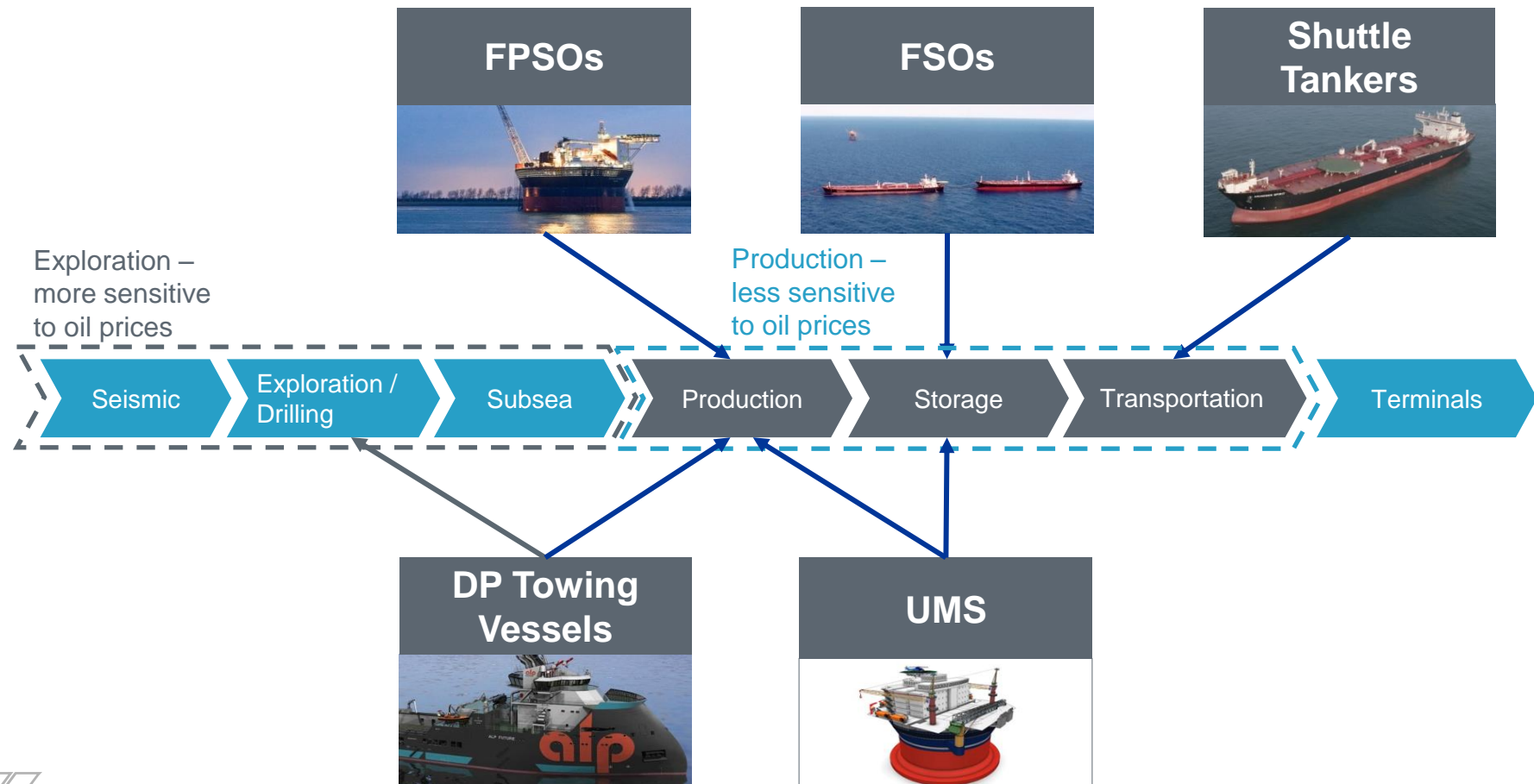
- Increased focus on maximizing cash flows from existing assets
  - Cost management and fleet efficiencies
  - Recontract and / or extend existing contracts
- Execute on committed growth projects
  - Ensure projects are delivered on-time and on-budget
  - Build book of contracts for towage newbuilds



(1) As of January 1, 2016, excluding extension options  
 (2) Excludes two UMS newbuilds that TOO plans to defer as part of TOO's financing initiatives

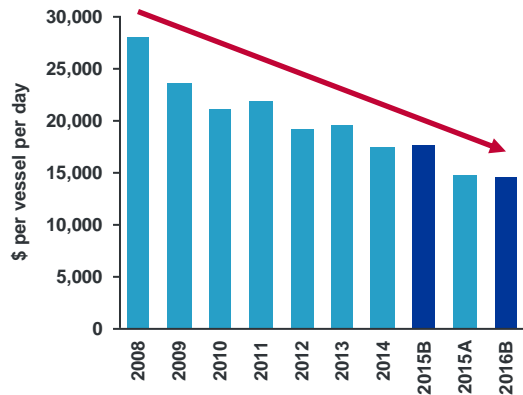
# TOO Earnings Relatively Insulated from Oil Price Volatility

TOO's fee-based businesses are primarily focused on the transportation and production side of the oil & gas value chain with no direct commodity exposure and our assets are critical to our customers' production chain



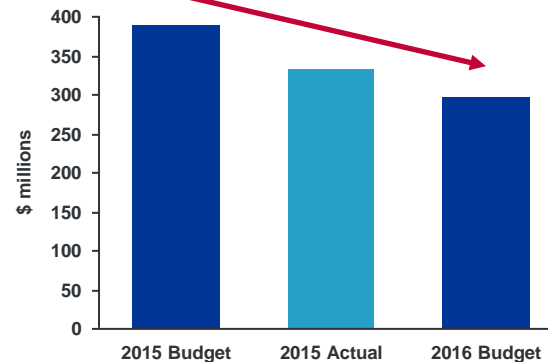
# Significant Efficiency Initiatives

## Shuttle tanker opex<sup>(1)</sup>



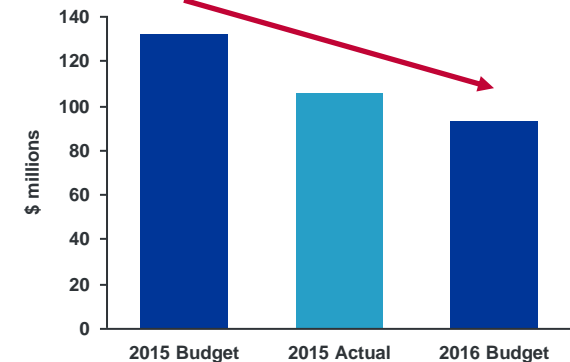
- North Sea shuttle tanker OPEX down 46% from \$27,800/day peak in 2008, to less than \$15,000/day in 2015
- Savings achieved through:
  - Shift in manning model to employ more ratings and officers from the Philippines
  - Greater integration of ship management with the overall business
  - Strong focus on supply chain costs

## FPSO opex



- 2015 actual cost 15% less than 2015 budget
- 2016 budget 11% less than 2015 actuals
- Total projected OPEX savings from Efficiency Project
  - Supply chain management - \$15 million run rate savings
  - Changes on-board FPSOs - \$15 million run rate savings

## TOO G&A expense



- 2015 actual G&A cost 20% less than 2015 budget
- 2016 G&A budget 13% less than 2015 actuals – would result in 30% reduction compared to 2015 budget
- Major efficiency initiative currently underway and expected to be completed in first half 2016
- Efficiency initiatives expected to result in a significantly leaner organization, with ~20-30% of organization to be affected



# Business Strategy Update

## Shifting from growth to execution

- Pivot Business Development Strategy
  - In response to current macro environment, new business development is focused on extending contracts and redeploying existing assets
  - No new organic growth projects
- Project Management and Execution
  - Execute existing growth pipeline, on time and on budget
- Seek Efficiencies, While Maintaining High HSEQ Standards
  - Increasing relevance to customers by working together to reduce production costs and find efficiencies
  - Implement various cost saving initiatives



# Current FPSO Fleet Contract Status

Unit	Charterer	Ownership	2016	2017	2018	2019	2020	2021	2022	2023
Petrojarl Varg	Repsol	100%	Firm period	Available	Available	Available	Available	Available	Available	Available
Cidade de Rio das Ostras	Petrobras	100%	Firm period	Firm period	Available	Available	Available	Available	Available	Available
Voyageur Spirit	Premier Oil	100%	Firm period	Firm period	Option period	Option period	Option period	Option period	Option period	Available
Piranema Spirit	Petrobras	100%	Firm period	Firm period	Option period	Option period	Option period	Option period	Options to 2029	Options to 2029
Cidade de Itajai	Petrobras	50%	Firm period	Firm period	Firm period	Firm period	Firm period	Firm period	Options to 2028	Options to 2028
Petrojarl Knarr	BG / Shell	100%	Firm period	Firm period	Firm period	Firm period	Firm period	Firm period	Firm period	Firm period to 2025, options to 2035
Petrojarl I (upgrade)	QGEP	100%	Available	Firm period	Firm period	Firm period	Firm period	Firm period	Available	Available
Libra (conversion)	Petrobras / Total / Shell / CNPC / CNOOC	50%	Available	Available	Firm period	Firm period	Firm period	Firm period	Firm period	Firm period to 2029

■ Firm period ■ Option period ■ Available

FPSO operating fleet produces at an average cost of approximately \$11 per barrel<sup>(1)</sup>



(1) Excludes the Petrojarl Varg FPSO

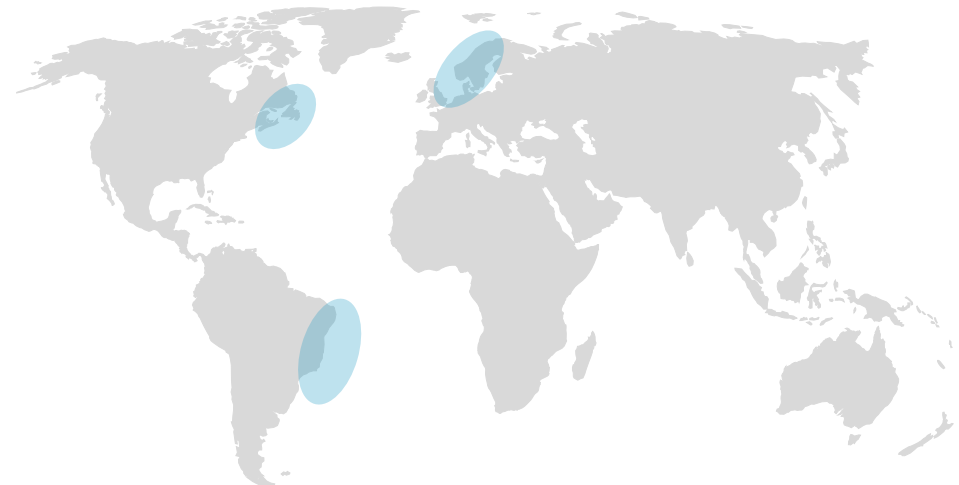
# Shuttle Tanker Market Remains Tight

## TOO's shuttle tanker fleet largely sold out for 2016

- Global shuttle tanker utilization increasing
  - Combination of more lifting points and new fields coming on-stream faster than old fields rolling off
  - North Sea shuttle tanker fleet tightly balanced
  - No uncommitted newbuildings on order
- Only two key players in the shuttle tanker segment
- Leading market positions in all three shuttle tanker basins and strong operating platform supports higher fleet utilization
  - Flexibility to interchange assets between basins
  - CoA fleet flexibility a differentiator to win new business
    - Recently awarded a 3-year firm CoA contract plus options with an oil major for the equivalent of two shuttle tankers commencing in H1-2017 in the North Sea at a premium rate. Currently on subjects that are expected to be lifted in July 2016



TOO's core shuttle tanker regions



# Medium-Term FPSO Opportunities

Project awards expected to increase as oil market recovers

- There are currently 55+ potential FPSO projects in the North Sea and Brazil
  - A number of these projects are expected to be awarded once oil market conditions improve
- Oil price cost break-even decreasing rapidly due to deflation in field development and production costs
- Oil companies expected to prefer lower cost and quick-to-market solutions
  - TOO's FPSO units represent cost-effective, quick-to-market solutions compared to newbuildings

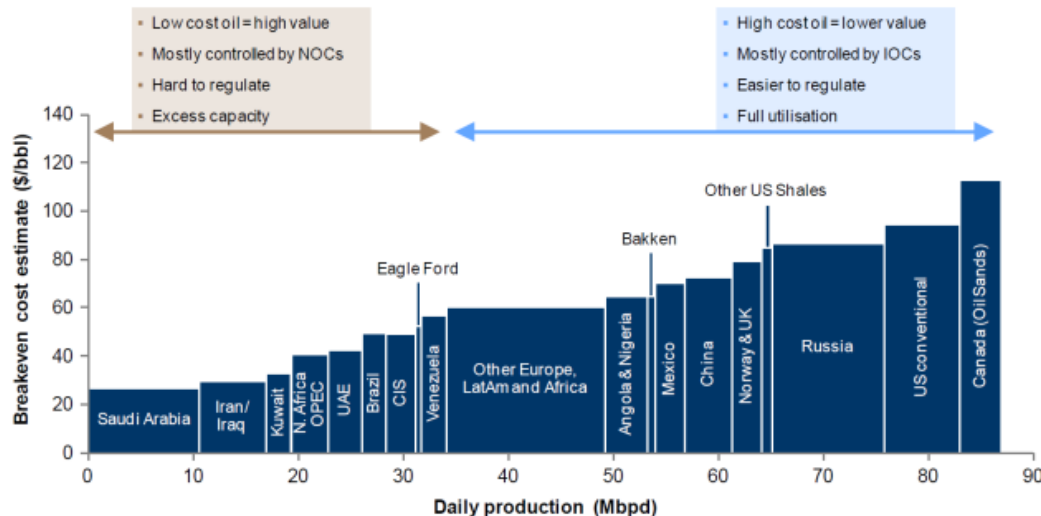


## TOO's core FPSO regions



# Redeployment of Existing FPSOs Economic Below \$30/bbl Oil Price

- Redeployment FBUC<sup>(1)</sup> typically 25-50% of newbuild
- Reuse of existing asset offers significantly lower break-even and lifting cost than comparable newbuild solution for the same field development
- With limited modifications TOO can offer an oil price or production linked tariff, which can make marginal fields economical at oil prices in the low \$20/bbl range



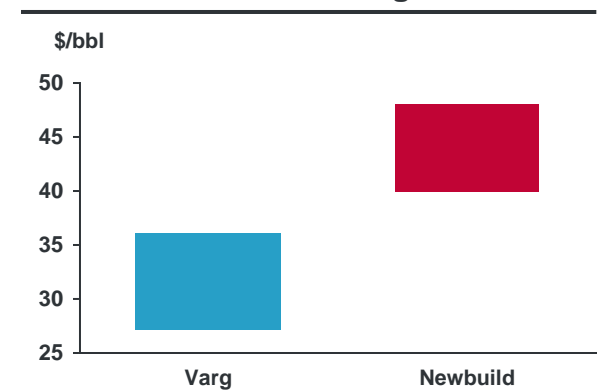
Source: Alliance Bernstein

(1) FBUC = Fully built-up cost

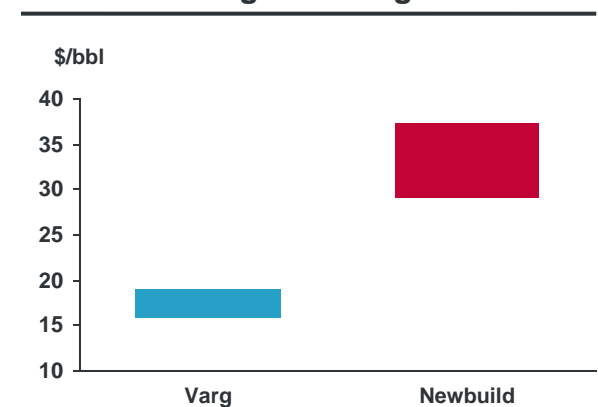
(2) Example based on 60M bbl over 7 years with cost spread representing different specifications and investments to achieve the same production. Assumes full depreciation of subsea, umbilicals, risers and flowlines ("SURF") capex over the 7 year term

(3) Example lifting cost based on 30,000bbl/d average production. Lifting cost refers to the total daily running costs of producing oil after drilling is complete, including FPSO cost (lease and operate), oil company's production support, logistics and supply, standby and other daily costs

Break even range<sup>(2)</sup>



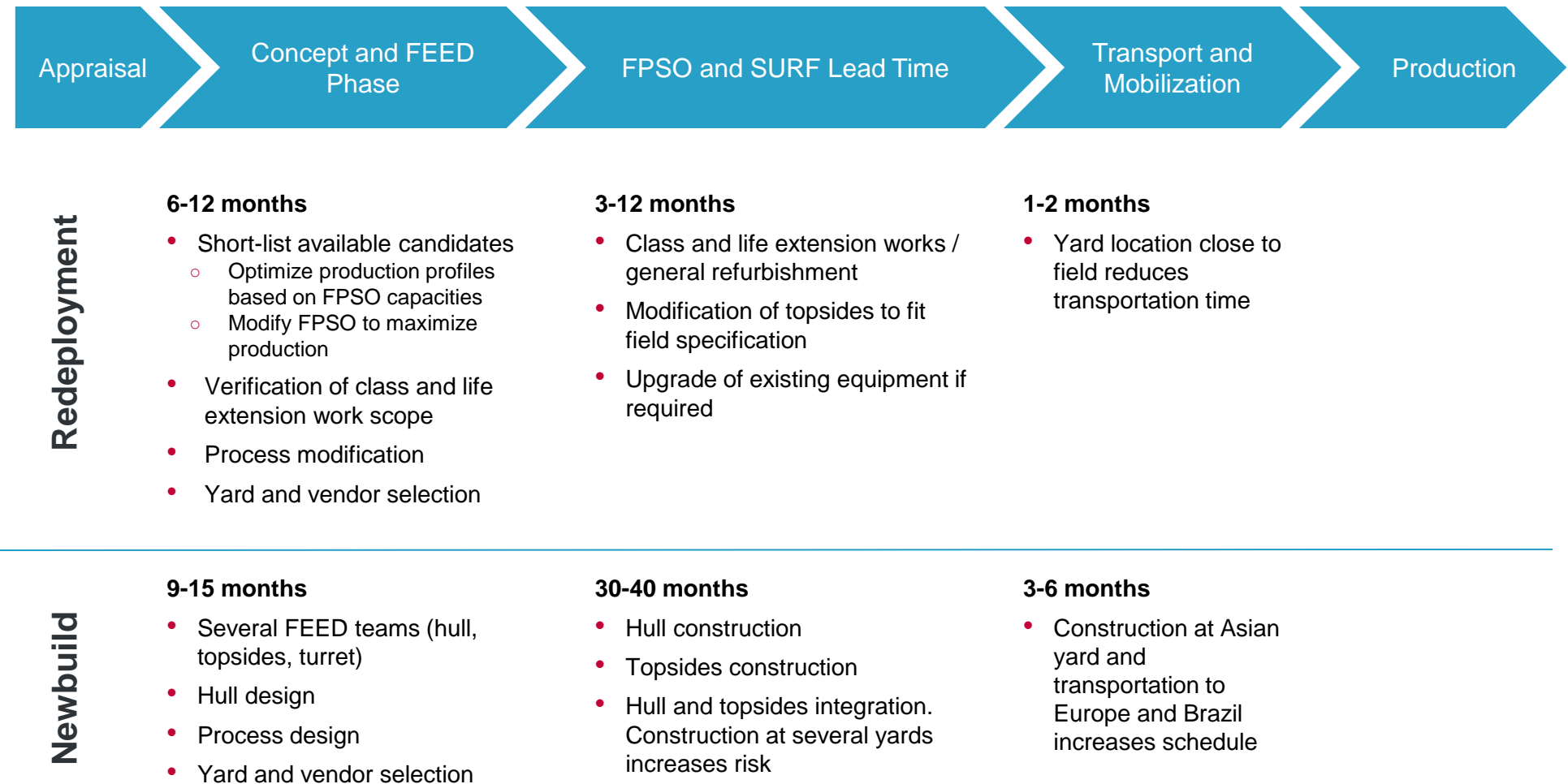
Lifting cost range<sup>(3)</sup>





# FPSO Redeployment Allows Faster Field Development

Redeployment can fast-track development timeframe by 2-3 years

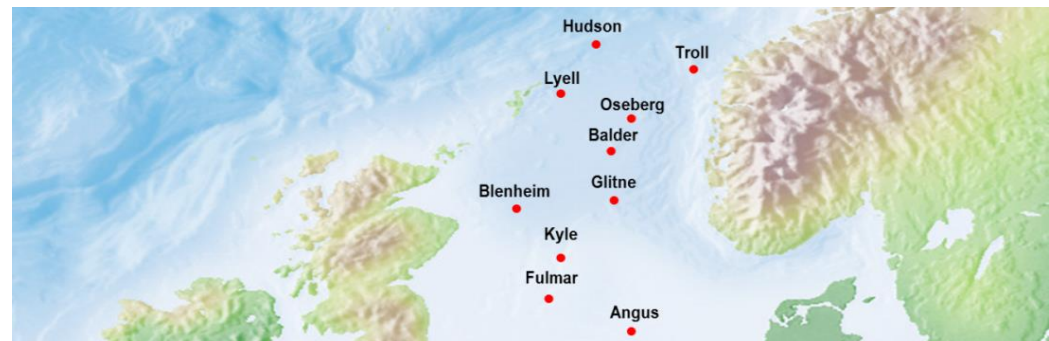


# TOO with Proven Track Record in FPSO Redeployment

Petrojarl I FPSO currently being upgraded for 10<sup>th</sup> redeployment

Field	Country	Operator	Start date	End date	Max production (barrels per day)	Water depth	Unit availability
1. Oseberg	Norway	Norsk Hydro	August 1986	June 1988	26,000	105m	98 %
2. Lyell	UK	Conoco	June 1988	August 1988	6,400	125m	98 %
3. Fulmar	UK	Shell	February 1989	November 1989	230,000 <sup>(1)</sup>	85m	100 %
4. Troll	Norway	Norsk Hydro	December 1989	May 1991	30,200	330m	99 %
5. Balder	Norway	Esso	May 1991	November 1991	9,400	125m	99 %
6. Angus	UK	Amerada Hess	December 1991	July 1993	33,500	71m	96 %
7. Hudson	UK	Amerada Hess	July 1993	January 1995	44,000	157m	96 %
8. Blenheim / Bladon <sup>(2)</sup>	UK	ARCO / Talisman Energy	March 1995	May 2000	35,000	148m	98 %
9. Kyle	UK	Ranger Oil	May 2000	November 2000	13,500	85m	99 %
10. Glitne	Norway	Statoil	August 2001	May 2013	47,000	110m	98 %

- Produced ~150 million bbls of oil on 10 fields with 98% uptime
- 1,500 offloadings performed with no accidents or oil spills



- (1) Only storage and offloading  
 (2) Teekay Petrojarl acted as operator

# Summary

1

## Attractive valuation entry point

- Current market valuation provides an entry point with significant upside potential (current EV / EBITDA<sup>(1)</sup> of 5.6x)
- Further upside from potential future dividend increases (current coverage ratio of > 5x and growing DCF<sup>(2)</sup>)
- Warrant conversion and common unit price set around historical share price lows and attractive dividend yield / coupon

2

## Stable operating model with built-in growth

- Majority blue-chip customer base and diverse revenue streams; a critical part of our customers' oil production supply chain
- Forward fee-based revenues of \$5.2 billion<sup>(3)</sup> from existing operations and \$2.6 billion<sup>(3)</sup> from growth projects
- Average contract length of ~5 years<sup>(3)</sup>
- Contract options/extensions on 2018 rollovers provides potential incremental forward fee-based revenues and extends average contract length
- Strong operating track record of delivering stable and growing cash flows

3

## Leading market positions

- Market leader in harsh weather FPSOs and shuttle tanker segments
- Strong track record and flexible operating platform allows for high shuttle tanker fleet utilization
- Proven FPSO redeployment offers low break-even and lifting costs compared to newbuilds

4

## Strong long-term market fundamentals

- 55+ FPSO projects in TOO's core regions expected to be awarded industry-wide once oil market conditions improve
- Significant growth in demand for oil and declining production from conventional oilfields are expected to spur new field development, with deepwater and offshore production playing an important role
- Deepwater production forecasted to increase by 70% from 2014 levels to 10 mb/d by 2040<sup>(4)</sup>, which is expected to drive demand for FPSOs and shuttle tankers

5

## Nearing completion of financing initiatives to strengthen TOO

- Banks committed \$400 million through various initiatives
- NOK Bondholders agreed to amend and extend maturities until late-2018 (with partial amortization)
- Strong de-levering profile with expected Q4-2018 leverage of 3.2x
- In discussions to defer delivery of two UMS units worth \$397 million and contracts remain non-recourse to TOO

(1) Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA") is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. See 2015 form 20-F for a reconciliation of this non-GAAP measure to the most directly comparable GAAP financial measure. See Slide 6 for further details

(2) Distributable cash flow ("DCF") is a non-GAAP financial measure used by certain investors to measure the financial performance of Master Limited Partnership companies. See Teekay Offshore Partners' quarterly earnings presentations for a reconciliation of this non-GAAP measure to the most directly comparable GAAP financial measure

(3) As of January 1, 2016, excluding options

(4) Source: ExxonMobil outlook report 2016



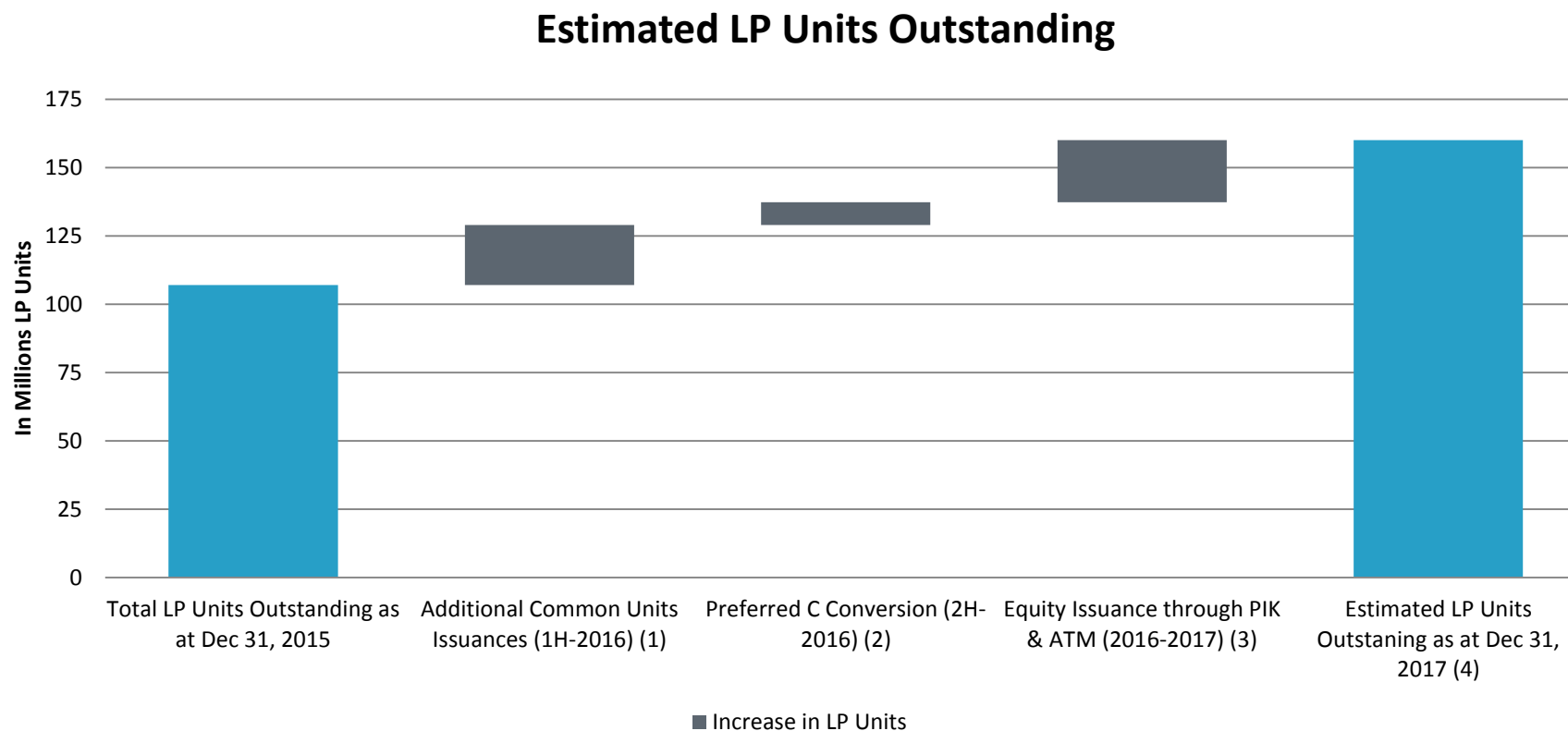
# Agenda

Section 1: Key Investment Highlights

Section 2: Business update

**Appendix**

# Estimated LP Units Outstanding at the End of 2017



- (1) Assumes \$100M common LP unit issuance through PIPE at common unit price of \$4.55 per LP unit as at June 16, 2016.
- (2) \$46M of the \$250M series C preferred shares is being exchanged for 8.3M common units
- (3) Assumed unit price range is \$5.40 per unit to \$9.00 per unit during the period
- (4) Assumes Series D warrants and remaining \$204M Series C conversion do not get exercised until post-2017.



# TOO Capitalization of March 31, 2016

Item	Amount	% of capitalization	Rate	Financial covenants
Cash and cash equivalents	\$336M			
Restricted cash	\$23M			
Aggregate drawn revolvers	\$405M	8.1%	L+50 – L+290	Minimum liquidity <sup>(1)</sup> ; Minimum asset coverage <sup>(2)</sup>
Aggregate term loans and other	\$2,354M	46.8%	L+30 – L+496	Minimum asset coverage <sup>(2)</sup>
<b>Total secured debt</b>	<b>\$2,759M</b>	<b>54.9%</b>		
2017 NOK bonds <sup>(3)</sup>	\$73M	1.5%	N+575	Minimum liquidity : Greater of i) 5% of total debt and ii) \$75 million
2018 NOK bonds <sup>(3)</sup>	\$97M	1.9%	N+575	Minimum liquidity : Greater of i) 5% of total debt and ii) \$75 million
2019 NOK bonds <sup>(3)</sup>	\$121M	2.4%	N+425	Minimum liquidity : Greater of i) 5% of total debt and ii) \$75 million
2019 USD bonds	\$300M	6.0%	6.00%	Minimum liquidity : Greater of i) 5% of total debt and ii) \$50 million
Derivative instruments <sup>(4)</sup>	\$416M	8.3%		
Due to affiliates <sup>(5)</sup>	\$247M	4.9%		
<b>Total debt</b>	<b>\$4,013M</b>	<b>79.9%</b>		
Pref. units - Series A	\$150M	3.0%		
Pref. units - Series B	\$125M	2.4%		
Conv. pref. units - Series C	\$250M	5.0%		
Market equity (6/16/2016)	\$487M	9.7%		
<b>Total equity</b>	<b>\$1,012M</b>	<b>20.1%</b>		
<b>Total capitalization</b>	<b>\$5,025M</b>	<b>100.0%</b>		

(1) Four revolvers require TOO to maintain minimum liquidity of the greater of i) 5% of total debt and ii) \$75 million; one revolver requires TKC to maintain minimum liquidity of the greater of i) 5% of total debt and ii) \$50 million

(2) One revolver and four term loans require TOO to maintain vessel values to drawn principal balance ratios of a minimum range of 113% to 125%

(3) Based on prevailing USD / NOK exchange rate as of March 31, 2016

(4) Based on the mark-to-market as of March 31, 2016

(5) A \$200 million promissory note due to TK Corp related to the *Knarr* FPSO acquisition



# Existing Preferred Equity Terms

	Series A	Series B	Series C <sup>(1)</sup>
<b>Issue Description:</b>	• <b>7.25% Series A Cumulative Redeemable Preferred Units</b>	• <b>8.50% Series B Cumulative Redeemable Preferred Units</b>	• <b>8.60% Series C Cumulative Convertible Perpetual Preferred Units</b>
Original Issue Date:	• April 23, 2013	• April 13, 2015	• July 1 / 14, 2015
Maturity:	• Perpetual	• Perpetual	• Perpetual
Par Amount:	• \$25	• \$25	• \$23.95
Units Outstanding:	• 6,000,000	• 5,000,000	• 10,438,413 <sup>(1)</sup>
Amount:	• \$150M	• \$125M	• \$250M <sup>(1)</sup>
Dividend Rate:	• 7.25% p.a.	• 8.50% p.a.	• 8.60% p.a.
Cumulative:	• Yes	• Yes	• Yes (paid at 12.6% p.a. prospective if not paid in full when due, with increased rate to apply until all accrued and unpaid distributions are paid)
Dividend Frequency:	• Quarterly	• Quarterly	• Quarterly
Unitholders Optional Conversion Right:	• None	• None	• Convertible into common units after 18 months after Original Issue Date at \$23.95 per unit <sup>(1)</sup>
Mandatory Conversion Right:	• None	• None	• If common unit VWAP <sup>(2)</sup> is greater than 150% of the Par Amount <sup>(1)</sup> for 20 trading days over a 30 day trading period, following the third anniversary of the Original Issue Date the GP may convert Series C into common units
First Call:	• April 30, 2018	• April 20, 2020	• If TOO offers to redeem, each holder may elect to redeem all, but not less than all, of the Series C units <sup>(3)</sup>
Call Level:	• \$25	• \$25	• \$23.95
Listing:	• NYSE	• NYSE	• None – Privately held
Board Representation Rights:	• Right to elect one director to Board of General Partner if 6 quarterly distributions are in arrears (consecutive or not)		

(1) TOO has secured a two-year PIK arrangement on the Series C preferred units (requirement of NOK bondholder amendments) by agreeing to (i) convert \$46million of face value of the \$250 million Series C preferred units for 8.3 million common units, and (ii) exchange the remaining Series C preferred units on a one-for-one basis into Series C-1 Preferred Units. The terms of the Series C-1 Preferred Units will be modified from the terms of the existing Series C preferred units such that the Special Distribution will not require additional cash payments to the Series C-1 holders when TOO increases its cash distributions by more than 30% in any particular quarter in the future; and the mandatory conversion right will be reduced to 150% of \$16.25 per unit (from 150% of the \$23.95 par value). As part of making these changes, TOO agreed to reduce the conversion price on the Series C-1 preferred units to \$16.25 per unit (from \$23.95 per unit), which is a 257% premium to TOO's unit price on June 16, 2016.

(2) Volume Weighted Average Price (VWAP)

(3) If the Partnership elects to redeem Series A or Series B preferred units, it must also offer to redeem a corresponding percentage of outstanding Series C Preferred Units



# New Series D Preferred Units – Summary of Key Terms

TOO	Key Terms
Issuer	<ul style="list-style-type: none"> <li>• Teekay Offshore Partners L.P. (“Issuer“)</li> </ul>
Security Type(s)	<ul style="list-style-type: none"> <li>• \$100mm in 10.5% Series D Preferred Units (“Preferred Units”)</li> <li>• 4.5mm common unit warrants with a strike price of \$4.55 per unit</li> <li>• 2.25mm common unit warrants with a strike price of \$6.05 per unit</li> </ul>
Preferred Unit Rate	<ul style="list-style-type: none"> <li>• 10.5% p.a.</li> <li>• Distribution will be payable in cash or Issuer Common Units at the Issuer’s option for the first two years, cash only thereafter</li> </ul>
Other Key terms	<ul style="list-style-type: none"> <li>• Preferred Redemption Right: The Issuer shall have the right to redeem the Preferred Units in cash at 110% of the purchase price after the five year anniversary and at 105% anytime after the six year anniversary</li> <li>• Conversion: Anytime after the five year anniversary, holders of the Preferred Units shall have the right to convert their Preferred Units into Common Units at the then common unit market price</li> <li>• Warrants: Seven year warrants, exercisable anytime after the six month anniversary of closing. Net settlement in cash or shares</li> </ul>
Use of proceeds	<ul style="list-style-type: none"> <li>• To fund Teekay Offshore’s existing business plan and general working capital</li> </ul>
Closing	<ul style="list-style-type: none"> <li>• Prior to June 30, 2016, subject to completion of Teekay Offshore’s financing initiatives</li> </ul>





# Appendix

# Non-GAAP Reconciliations - DCF

(USD \$millions)	Year Ended December 31, 2015
Net income	100
Net income attributable to Dropdown Predecessor	(10)
Net income attributable to the partners and non-controlling interests'	90
Depreciation and amortization	252
Vessel and business acquisition costs <sup>(1)</sup>	14
Realized loss on termination of interest rate swap	11
Equity income from joint ventures	(8)
Distributions relating to equity financing of new buildings and conversion costs	19
Partnership's share of equity accounted joint venture's distributable cash flow net of estimated maintenance capital expenditures <sup>(2)</sup>	17
Write-down and (gain on sale) of vessels	70
Distributions relating to preferred units	(29)
Estimated maintenance capital expenditures	(137)
Unrealized (gains) losses on derivative instruments <sup>(3)</sup>	(10)
Foreign currency exchange and other, net	(23)
<b>Distributable cash flow before non-controlling interests</b>	<b>267</b>
Non-controlling interests' share of DCF	(23)
<b>Distributable Cash Flow</b>	<b>245</b>
Pro forma adjustments <sup>(4)</sup>	
Knarr partial year	29
Arendal partial year	5
SPT Navigator and Explorer vessel sales	(7)
Piranema offhire	6
Part year towage delivery	5
Heidrun roll-off (Randgrid and Europa)	(12)
<b>2015 run-rate Distributable cash flow</b>	<b>271</b>

- 1) Vessel and business acquisition costs relate to business development fees of \$13.9 million paid to Teekay Corporation relating to the purchases of the *Knarr* FPSO unit, the six towage vessels and the *Arendal Spirit* UMS.
- 2) Estimated maintenance capital expenditures relating to the Partnership's equity accounted joint venture for the year ended December 31, 2015 was \$4.2 million.
- 3) Derivative instruments include interest rate swaps and foreign exchange forward contracts.
- 4) Annualized for *Knarr* FPSO and *Arendal Spirit* UMS deliveries, *Navigator Spirit* and *SPT Explorer* sales and shuttle tanker contract expirations during 2015.



# Non-GAAP Reconciliations - CFVO

<i>(USD \$millions)</i>	Year Ended December 31, 2015
Income from vessel operations	260
Depreciation and amortization	252
Realized losses from the settlements of non-designated foreign exchange forward contracts	(12)
Amortization of non-cash portion of revenue contracts	(14)
Write-down of vessels	70
Falcon Spirit revenue accounted for as direct financing lease	(4)
Falcon Spirit cash flow from time-charter contracts	9
<b>Cash flow from vessel operations from consolidated vessels</b>	<b>560</b>
<b>Cash flow from vessel operations from equity accounted vessels (See next slide)</b>	<b>27</b>
Pro forma adjustments <sup>(1)</sup>	
Knarr partial year	82
Arendal partial year	16
SPT Navigator and Explorer vessel sales	(8)
Piranema offhire	6
Part year tow age delivery	10
Heidrun roll-off (Randgrid and Europa)	(12)
<b>2015 run-rate cash flow from vessel operations</b>	<b>681</b>



1) Annualized for Knarr FPSO and Arendal Spirit UMS deliveries, Navigator Spirit and SPT Explorer sales and shuttle tanker contract expirations during 2015.

# Non-GAAP Reconciliations – CFVO Cont'd

<i>(USD \$millions)</i>	Year Ended December 31, 2015
	TOO's 50%
Voyage revenues	41
Vessel and other operating expenses	(14)
Depreciation and amortization	(8)
General and administrative	-
Loss on sale of asset	-
<b>Income from vessel operations of equity accounted vessels</b>	<b>19</b>
Net interest expense	(4)
Realized and unrealized losses on derivative instruments	(7)
<b>Total other items</b>	<b>(11)</b>
Net income / equity income of equity accounted vessel before income tax recovery	
tax recovery	8
Income tax (expense) recovery	-
<b>Net income / equity income of equity accounted vessels</b>	<b>8</b>
Income from vessel operations of equity accounted vessels	19
Depreciation and amortization	8
Loss on sale of asset	-
<b>Cash flow from vessel operations from equity accounted vessels</b>	<b>27</b>

The background is a solid dark blue. Overlaid on this are several thick, light blue lines that form a series of parallel zigzag paths. A prominent white zigzag shape is centered in the lower half of the image, partially overlapping the light blue lines. The overall aesthetic is clean, modern, and industrial.

BRINGING ENERGY TO THE WORLD