Pioneer Marine Inc. Announces First Quarter 2015 Results

MAJURO -- (Marketwired – May 27, 2015) – Pioneer Marine Inc. and its subsidiaries (OSLO-OTC: PNRM) ("Pioneer Marine," or the "Company") a leading shipowner and global drybulk handysize transportation service provider announced its financial and operating results for the first quarter ended March 31, 2015.

<u>Highlights:</u>

- Net loss of $4.4 million, or $0.19 basic and diluted loss per share for the first quarter of 2015 as compared to a net loss of $1.7 million, or $0.09 basic and diluted loss per share for the first quarter of 2014.

- Net Revenue amounted to $10.3 million for the first quarter of 2015 as compared to $6.1 million for the first quarter of 2014.

- During first quarter of 2015 the Company made progress payments to the shipyards of $8.6 million relating to our vessels under construction.

Pankaj Khanna, Chief Executive Officer, commented, "The first quarter proved to be the worst freight market experienced in over 30 years with earnings for drybulk carriers dropping to levels last seen in the quarter post Lehman or previously in the 1980s. A marked slowdown in trade during the first quarter combined with the overcapacity built over the last 4 years were responsible for this decline. Coal imports into China are the main cause of demand weakness with a 36% year on year decline in the January-April period. Significantly increased hydro-electric production and the government's desire to curb pollution are behind this decline but this seems over exaggerated in the first half of the year. Minor bulks on the other hand continue to grow and are projected to grow by 3% in 2015.

"There has been a marked supply reaction in response to the freight weakness with 16.6 million deadweight sold for scrap in January to May versus the same total in all of 2014. 82 Handys of 2.6 Mdwt with an average age of 28 years were scrapped so far this year and there are still just under 600 Handys that are 20 years or older. Interestingly this old fleet also matches the Handysize orderbook that is to be delivered over the next three years. This relief valve provides the opportunity for the supply-demand balance in the Handy sector to be rectified. The Handy fleet has experienced zero growth so far this year.

"With the signing of the $150 million loan for the newbuildings, we have the debt financing required for the entire 12 ship program. We highly appreciate the support offered by our banks in a difficult market. The sharp decline in asset values for second-hand ships is offering an interesting long-term investment opportunity. We remain constructive on the geared vessel sector and continue to work on opportunities to leverage the platform that we have built."

Financial Review: First quarter of 2015

Net Revenue for the first quarter of 2015 amounted to $10.3 million as compared to $6.1 million in the first quarter of 2014. Net revenue increased by $4.2 million mainly due to the increased number of operating vessels and operating days of the fleet which increased to 1,145 days in the three month ended March 31, 2015 compared to 573.5 days for the three month ended March 31, 2014, partly offset by the lower average daily hires earned in the first quarter of 2015 compared to the same period in 2014.

Time Charter Equivalent ("TCE") revenue (Net Revenue less Voyage Expenses) amounted to $6.3 million in the first quarter of 2015 compared to $4.8 million for the first quarter of 2014. TCE per day for the first quarter of 2015 amounted to $5,489 as compared to $8,403 per day for the three month ended March 31, 2014.

Vessel Operating Expenses ("OPEX") amounted to $5.6 million for the first quarter of 2015 as compared to $3.9 million in the first quarter of 2014. The increase is attributable to the increased number of average operating vessels that amounted to 13 vessels in the first quarter of 2015 as compared to 7 vessels in the first quarter of 2014. First quarter 2015 ship days increased to 1,170 as compared to 627.3 days for the first quarter of 2014.

Depreciation expense for the first quarter of 2015 increased to $2.7 million from $1.5 million in the first quarter of 2014 due to the increased number of operating vessels as discussed above.

General and administration expenses for the first quarter of 2015 increased to $1.3 million as compared to $0.6 million in the three month period ended March 31, 2014. The increase is mainly attributable to an increase in personnel costs due to an increase in head count, professional fees, directors’ fees and various other expenses attributable to the increased operations and planned growth of the Company.

Fleet List as of March 31, 2015

	Type	DWT	Year Built	Delivery Date (1)
Current fleet:				
Paradise Bay	Handymax	46,232	2003	Nov 11, 2013
Azure Bay	Handysize	31,700	2005	Mar 10, 2014
Fortune Bay	Handysize	28,671	2006	Mar 4, 2014
Calm Bay	Handysize	37,534	2006	Mar 4, 2014
Reunion Bay	Handysize	32,354	2006	Nov 1, 2013
Ha Long Bay	Handysize	32,311	2007	Feb 14, 2014
Teal Bay	Handysize	32,327	2007	Jan 17, 2014
Eden Bay	Handysize	28,342	2008	Dec 2, 2013
Emerald Bay	Handysize	32,258	2008	Jan 27, 2014
Mykonos Bay	Handysize	32,411	2009	Dec 2, 2013
Venus Bay	Handysize	30,003	2012	Mar 31, 2014
Jupiter Bay	Handysize	29,997	2012	Apr 22, 2014
Orion Bay	Handysize	30,009	2012	Mar 25, 2014
Vessels under construction:				
GY311(2)	Handysize	38,800	-	2015
GY312(2)	Handysize	38,800	-	2015
GY313(2)	Handysize	38,800	-	2015
GY314(2)	Handysize	38,800	-	2016
GY315(2)	Handysize	38,800	-	2015
GY316(2)	Handysize	38,800	-	2016
GY317(2)	Handysize	38,800	-	2016
GY318(2)	Handysize	38,800	-	2016
GY319(2)	Handysize	38,800	-	2016
GY320(2)	Handysize	38,800	-	2016
GY321(2)	Handysize	38,800	-	2016
GY322(2)	Handysize	38,800	-	2016

(1) Estimated year of completion for vessels under construction
(2) Green Dolphin Newbuilding being constructed by Yangzhou Guoyu Shipbuilding Co., LTD (Guoyu)

<u>Summary of Operating Data (unaudited)</u>

(US Dollars (USD) in Thousands, except per share data expressed in USD)

	Three months Ended March 31, 2015	Three months Ended March 31, 2014
Revenue, net	10,304	6,126
Voyage expenses	(4,020)	(1,307)
Time charter equivalent revenue	6,284	4,819
Vessel operating expense	(5,582)	(3,866)
Drydock expense	(228)	(511)
Depreciation expense	(2,693)	(1,511)
General and administration expense	(1,282)	(593)
Interest expense and finance cost	(735)	-
Interest income	18	-
Other taxes and expenses	(161)	-
Net loss	(4,379)	(1,662)
Net loss per share, basic and diluted	(0.19)	(0.09)

(US Dollars in thousands)

	Three months Ended March 31, 2015	Three months Ended March 31, 2014
Net loss	(4,379)	(1,662)
Add: Depreciation expense	2,693	1,511
Add: Drydocking expense	228	511
Add: Interest expense and finance cost	735	-
Add: Other taxes	33	-
Less: Interest income	(18)	-
Adjusted EBITDA[(1)]	(708)	360

(1) Adjusted EBITDA represents net loss before interest, other taxes, depreciation and amortization and drydocking expense and is used as a supplemental financial measure by management to assess our financial and operating performance. We believe that Adjusted EBITDA assists our management and investors by increasing the comparability of our performance from period to period. We believe that including Adjusted EBITDA as a financial and operating measure benefits investors in selecting between investing in us and other investment alternatives. Adjusted EBITDA does not represent and should not be considered as an alternative to net income/(loss) or cash flow from operations, as determined by United States generally accepted accounting principles, or U.S. GAAP, and our calculation of EBITDA may not be comparable to that reported by other companies.

Vessel Utilization:	**Three months Ended March 31, 2015**	**Three months Ended March 31, 2014**
Ship days (2)	1,170	627.3
Off-hire days	15.2	28.9
Off-hire days due to dry-dock	9.8	24.9
Operating days (3)	1,145	573.5
Fleet Utilization (4)	98%	91%
TCE per day- $ (1)	5,488	8,403
Opex per day- $	4,771	6,163
Vessels at period end	13	13
Average number of vessels during the period (5)	13	7

(1) Time Charter Equivalent, or TCE revenue, are non-GAAP measures. Our method of computing TCE revenue is determined by voyage revenues less voyage expenses (including bunkers and port charges). Such TCE revenue, divided by the number of our operating days during the period, is TCE per day, which is consistent with industry standards. TCE revenue is included because it is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance irrespective of changes in the mix of charter types (i.e., spot charters and time charters), and it provides useful information to investors and management.

(2) Ship days: We define ship days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ship days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

(3) Operating days: We define operating days as the number of our ship days in a period less days required to prepare vessels acquired for their initial voyage and off-hire days associated with off-hire for undergoing repairs, drydockings or special surveys. The Company uses operating days to measure the number of days in a relevant period during which vessels should be capable of generating revenues.

(4) Fleet utilization is defined as the ratio of operating days to ship days.

(5) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of ship days divided by the number of calendar days in that period.

Condensed Consolidated Balance Sheets (Unaudited)
(US Dollars in Thousands)

As at	**March 31, 2015**	**December 31, 2014**
ASSETS		
Cash & cash equivalents and restricted cash (current and noncurrent)	90,709	105,005
Other current assets	5,661	5,489
Vessels, net	216,571	219,264
Advances for vessel acquisition and vessels under construction	58,608	48,775
Other non-current assets	237	222
Total assets	**371,786**	**378,755**
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	3,712	5,042
Deferred revenue	988	1,286
Total debt, net of deferred finance costs	112,265	113,227
Other non-current liabilities	680	680
Total liabilities	**117,645**	**120,235**
Shareholders' equity	254,141	258,520
Total liabilities and shareholders' equity	**371,786**	**378,755**

Condensed Consolidated Statement of Cash Flows (Unaudited)

(US Dollars in Thousands)

	March 31, 2015	March 31, 2014
Cash flows from operating activities		
Net Loss	(4,379)	(1,662)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation	2,693	1,511
Amortization of deferred finance fees	196	-
Changes in operating assets and liabilities	(1,800)	(1,405)
Net cash used in operating activities	**(3,290)**	**(1,556)**
Cash flows from investing activities		
Acquisition of vessels	-	(136,549)
Payments for vessel acquisition and vessels under construction	(9,833)	(1,904)
Purchase of other fixed assets	(15)	(4)
Restricted cash	(2,371)	-
Net cash used in investing activities	**(12,219)**	**(138,457)**
Cash flows from financing activities		
Loan repayments	(1,158)	-
Cash contributions and proceeds from sale of shares	-	186,549
Net cash (used in)/provided by financing activities	**(1,158)**	**186,549**
Net (decrease)/increase in cash and cash equivalents	**(16,667)**	**46,536**
Cash and cash equivalents at the beginning of the period	98,829	1,358
Cash and cash equivalents at year end	**82,162**	**47,894**

About Pioneer Marine Inc.

Pioneer Marine Inc. is a leading shipowner and global drybulk handysize transportation service provider. Pioneer Marine currently owns twelve Handysize and one Handymax drybulk carriers with an additional 12 Handysize newbuildings on order for delivery through 2016. The Handysize Green Dolphins newbuildings are ‘Eco’ vessels designed by SDARI.

Forward-Looking Statements

Matters discussed in this press release may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words "believe," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements.

The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors, other important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the failure of counterparties to fully perform their contracts with us, the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand for dry bulk vessel capacity, changes in our operating expenses, including bunker prices, drydocking and insurance costs, the market for our vessels, availability of financing and refinancing, charter counterparty performance, ability to obtain financing and comply with covenants in such financing arrangements, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, vessels breakdowns and instances of off-hires and other factors.

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