Pioneer Marine Inc. Announces Fourth Quarter 2015 Results

MAJURO -- (Marketwired – February 26th, 2016) – 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 fourth quarter ended December 31, 2015.

Recent events:

- On January 7, 2016, Pioneer Marine accepted delivery of a 38,464 DWT Green Dolphin eco-design handysize vessel, the M.V. Kite Bay. The vessel commenced a one year charter based on index linked rate. The charterer may extend the charter for up to one additional year.

- During the fourth quarter, Pioneer Marine drew down on a $12 million facility with ABN AMRO Bank, N.V, Deutsche Bank AG and Norddeutche Landesbank to provide post-delivery financing of the M.V. Kite Bay with insurance cover provided from China Export & Credit Insurance Corporation (‘’Sinosure’’).

Financial Highlights:

- Net loss of $80.6 million, or $2.66 basic and diluted loss per share for the fourth quarter of 2015 and a net loss of $96.9 million, or $3.72 basic and diluted loss per share for the year ended December 31, 2015, which includes a $74.4 million non-cash impairment loss. Excluding the effect of the impairment loss, net loss as adjusted would have been $22.5 million for the year ended December 31, 2015 or $0.87 adjusted loss per share basic and diluted and $6.2 million for the fourth quarter of 2015 or $0.21 adjusted loss per share basic and diluted.

- Time Charter Equivalent ("TCE") revenue (Net Revenue less Voyage Expenses) amounted to $6.8 million for the fourth quarter of 2015 and $26.5 million for the year ended December 31, 2015.

- During the twelve months of 2015 the Company made progress payments to the shipyards of $38.8 million relating to our eight vessels under construction.

- In the fourth quarter the Company pre-paid CIT bank the amortization due for the next four quarters and an additional amount applied against balloon. A waiver was secured on the EBITDA to debt service ratio and minimum asset coverage ratio covenants until 31 March 2017.

- In the fourth quarter the Company put in place a permanent cure mechanism for the EBITDA to debt service ratio covenant for the ABN-DVB facility on 8 existing vessels.

Pankaj Khanna, Chief Executive Officer, commented, "2015 proved to be a challenging year for the drybulk industry with excess supply overwhelming anaemic demand growth, particularly in the fourth quarter. Although the Chinese official figures show GDP growth of around 7% it is widely believed that growth was much slower. Iron ore and coal imports into China suffered the most as iron ore imports grew by just 2% compared to 2014 and coal imports declined by almost 30%. Most of the minor bulk commodities saw healthy growth in demand but the trickle down effect of weakness in the larger vessels impacted geared vessels. Additionally the decline in oil prices and consequently bunker fuel prices meant that charterers instructed vessels to increase speed from 12 knots to 13 knots, which added 4-5% capacity in an already oversupplied market. Couple all of the above with what seems to be a developing global recession meant that freight rates in January and February have set record lows every day.

Freight rates for all classes are today below operating cost levels and consequently we have seen a sharp pick up in demolition with 4.5 million tonnes scrapped in January alone. We are also seeing enquiry for layup with 600 applications reported in Greece alone but we haven't yet seen mass layup. We currently count around 25 ships laid up in Greece. We expect these challenging conditions to continue in the first half of 2016 and then a gradual improvement as the supply side measures kick in.

In this environment Pioneer has positioned itself with a strong balance sheet as a result of the equity raise in August last year and the cancellation of 3 newbuilding announced in November 2015. We are also working with the yard to rationalize the program further in light of the current market conditions. We are taking all measures possible to reduce costs across the company. Last year we reduced OPEX by $500 per day as compared to 2014 and this year we are striving for further reductions and we have no drydockings this year. We have reached out to all our suppliers and vendors to help reduce costs in this dire environment. We have been proactive with our banks and have received covenant waivers or put in place cures for covenant breaches.

We expect 2016 to be very challenging for the drybulk market and have accordingly prepared the company to weather this dire market."

<u>Liquidity & Capital Resources:</u>

As of December 31, 2015, the Company had cash and cash equivalents of $60 million and restricted cash of $12.9 million. The Company's commitments on its newbuilding program amount to $107.2 million which will be funded from committed loan facilities available on delivery of the newbuildings of up to $88.1 million and from existing cash and cash equivalents.

Financial Review: Three months ended December 31, 2015

Time Charter Equivalent ("TCE") revenue (Net Revenue less Voyage Expenses) amounted to $6.8 million in the fourth quarter of 2015 compared to $8.6 million for the fourth quarter of 2014. TCE per day for the fourth quarter of 2015 amounted to $5,361 as compared to $7,456 per day for the fourth quarter of 2014. The decrease of the TCE per day is attributed to the decrease revenue as discussed above and partially due to the loss incurred from the reduced bunker prices.

Vessel Operating Expenses ("OPEX") amounted to $6.2 million for the fourth quarter of 2015 as compared to $5.9 million in the fourth quarter of 2014. OPEX rate per day for the fourth quarter of 2015 amounted to $4,833 per day as compared to $4,944 per day for the fourth quarter of 2014. The decrease in daily Opex rate is attributed to operating efficiencies since the change of technical managers for the Company's fleet.

Drydock expense for the fourth quarter of 2015 decreased by $0.7 million due to the fact that no vessels were drydocked during the fourth quarter of 2014.

Depreciation expense for the three month period ended December 31, 2015 increased to $2.9 million from $2.7 million in the same period during 2014 due to the increase in the average number of vessels.

General and administration expenses for the fourth quarter of 2015 remained the same with those of fourth quarter of 2014.

Write off of capitalised expenses and fees amounting to $1.7 million during the three months ended December 31, 2015 is attributable to the cancellation of the three shipbuilding contracts on November 3, 2015 and relates to the capitalised expenses during the construction period as well as deferred finance fees and cancellation costs attributable to the loan agreements entered for the post-delivery financing of these newbuildings.

The impairment loss of $74.4 million recognized in the year ended December 31, 2015 relates to the write down of the carrying value of all our vessels excluding our new-buildings to their estimated fair value.

Financial Review: Year ended December 31, 2015

Time Charter Equivalent ("TCE") revenue (Net Revenue less Voyage Expenses) amounted to $26.5 million in the twelve months ended December 31, 2015 as compared to $27.7 million in the twelve months ended December 31, 2014. The decrease of $1.2 million is attributable to the lower average daily hire rate achieved despite an increase in fleet size as well as due to the loss incurred from the reduced bunker prices. There were 13.3 average vessels during the year ended December 31, 2015 as compared to 11.5 average vessels in the same period during 2014. TCE per day for 2015 amounted to $5,750 compared to $6,827 per day for 2014.

Vessel Operating Expenses ("OPEX") amounted to $24.4 million for the twelve month period ended December 31, 2015 compared to $23.1 million in the twelve month period ended December 31, 2014. The increase of $1.3 million is attributable to the increased number of operating vessels offset by a decrease of OPEX per day rate. OPEX per day for the twelve months of 2015 amounted to $5,012 per day as compared to $5,517 per day for the respective period during 2014. During the twelve month period ended December 31, 2015, there were 4,870 ship days as compared to 4,182 ship days in the same period during 2014. The decrease in daily opex rate is attributed to operating efficiencies since the change of technical managers for the Company's fleet.

Drydock expense for the twelve months ended December 31, 2015 amounted to $3.4 million compared to $1.2 million in the same prior year period. Drydock expense increased by $2.2 million due to the eight vessels that underwent drydock, whereas during prior year only two vessels underwent drydock.

Depreciation expense for the twelve month period ended December 31, 2015 increased to $11.1 million from $9.6 million in the same period during 2014 due to the increase in the average number of vessels as discussed above.

General and administration expenses for the twelve month period ended December 31, 2015 amounted to $5.8 million compared to $4.4 million in the same period during 2014. The increase of $1.4 million is mainly attributable to higher personnel costs as a result of increased head count, professional fees, directors' fees and various other expenses attributable to the growth of the Company.

Write off of capitalised expenses and fees amounting to $1.7 million during the twelve months ended December 31, 2015 is attributable to the cancellation of the three shipbuilding contracts on November 3, 2015 and relates to the capitalised expenses during the construction period as well as deferred finance fees and cancellation costs attributable to the loan agreements entered for the post-delivery financing of these newbuildings.

The impairment loss of $74.4 million recognized in the year ended December 31, 2015 relates to the write down of the carrying value of all our vessels excluding our new-buildings to their estimated fair value.

Fleet List

	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
Falcon Bay	Handysize	38,464	2015	Aug 28, 2015
Kite Bay	Handysize	38,419	2016	Jan 7, 2016

	Type	DWT		Delivery Date
Vessels under construction:				
GY313(2)	Handysize	38,800	-	2016
GY314(2)	Handysize	38,800	-	2016
GY315(2)	Handysize	38,800	-	2016
GY316(2)	Handysize	38,800	-	2016
GY317(2)	Handysize	38,800	-	2017
GY318(2)	Handysize	38,800	-	2017
GY319(2)	Handysize	38,800	-	2017

(1) Date vessel delivered to Pioneer Marine.
(2) Green Dolphin Newbuilding being constructed by Yangzhou Guoyu Shipbuilding Co., LTD (Guoyu).

Summary of Operating Data (unaudited)

(In thousands of U.S. Dollars except per share data)

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2014
Revenue, net	9,357	12,113	38,132	41,498
Voyage expenses	(2,512)	(3,471)	(11,584)	(13,822)
Time charter equivalent revenue	6,845	8,642	26,548	27,676
Vessel operating expense	(6,225)	(5,912)	(24,408)	(23,068)
Drydock expense	(33)	(723)	(3,421)	(1,233)
Depreciation expense	(2,935)	(2,737)	(11,136)	(9,631)
General and administration expense	(1,569)	(1,574)	(5,762)	(4,361)
Write off of capitalised expenses and fees	(1,708)	-	(1,708)	-
Impairment of vessels	(74,379)	-	(74,379)	-
Interest expense and finance cost	(651)	(935)	(2,541)	(1,809)
Interest income	15	22	63	39
Other income/(expense), net	29	-	(89)	9
Other taxes	(31)	(172)	(88)	(206)
Net loss	(80,642)	(3,389)	(96,921)	(12,584)
Net loss per share, basic and diluted	(2.66)	(0.15)	(3.72)	(0.58)

(US Dollars in Thousands)

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2014
Net loss	(80,642)	(3,389)	(96,921)	(12,584)
Add: Depreciation expense	2,935	2,737	11,136	9,631
Add: Drydock expense	33	723	3,421	1,233
Add: Write off of capitalised expenses and fees	1,708	-	1,708	-
Add: Impairment Charge	74,379	-	74,379	-
Add: Interest expense and finance cost	651	935	2,541	1,809
Add: Other taxes	31	172	88	206
Less: Interest income	(15)	(22)	(63)	(39)
Adjusted EBITDA[1]	(920)	1,156	(3,711)	256

(1) Adjusted EBITDA represents net loss before interest, other taxes, depreciation and amortization, drydock expense, impairment charge and write off capitalised expenses and fees 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 Adjusted EBITDA may not be comparable to that reported by other companies.

Vessel Utilization:	**Three Months Ended December 31, 2015**	**Three Months Ended December 31, 2014**	**Year Ended December 31, 2015**	**Year Ended December 31, 2014**
Ship days (2)	1,288	1,196	4,870	4,182
Off-hire days	11	18.2	64	84
Off-hire days due to drydock	-	18.8	189	44
Operating days (3)	1,277	1,159	4,617	4,054
Fleet Utilization (4)	99%	97%	95%	97%
TCE per day- $ (1)	5,361	7,456	5,750	6,827
Opex per day- $ (6)	4,833	4,944	5,012	5,517
Vessels at period end	14	13	14	13
Average number of vessels during the period (5)	14	13	13.3	11.5

(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, drydocks 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.

(6) Opex per day: is calculated by dividing vessel operating expenses by ship days for the relevant time period.

Condensed Consolidated Balance Sheets (Unaudited)
(In thousands of U.S. Dollars)

As at	**December 31, 2015**	**December 31, 2014**
ASSETS		
Cash & cash equivalents	60,003	98,829
Restricted cash (current and noncurrent)	12,890	6,176
Vessels, net	157,103	219,264
Advances for vessel acquisition and vessels under construction	69,484	48,775
Other assets	6,466	5,711
Total assets	**305,946**	**378,755**
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	5,216	5,042
Deferred revenue	286	1,286
Total debt, net of deferred finance costs	114,320	113,227
Other non-current liabilities	-	680
Total liabilities	**119,822**	**120,235**
Shareholders' equity	186,124	258,520
Total liabilities and shareholders' equity	**305,946**	**378,755**

Condensed Consolidated Statement of Cash Flows (Unaudited)
(In thousands of U.S. Dollars)

	Year Ended December 31, 2015	**Year Ended December 31, 2014**
Cash flows from operating activities		
Net Loss	(96,921)	(12,584)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	11,136	9,631
Amortization and write off of deferred finance fees	1,707	381
Write off of inventory	72	-
Write off of capitalised expenses	591	-
Impairment charge	74,379	-
Changes in operating assets and liabilities	(193)	2,019
Net cash used in operating activities	**(9,229)**	**(553)**
Cash flows from investing activities		
Payments for vessel acquisition, improvements and vessels under construction	(44,570)	(195,763)
Purchase of other fixed assets	(85)	(201)
Receivable from Shareholders	(2)	(102)
Restricted cash	(6,714)	(6,176)
Net cash used in investing activities	**(51,371)**	**(202,242)**
Cash flows from financing activities		
Loan proceeds, net of deferred finance cost	20,762	117,296
Loan repayments	(23,515)	(3,466)
Cash contributions and proceeds from sale of shares, net of expenses relating to issuance of common stock	24,527	186,436
Net cash provided by financing activities	**21,774**	**300,266**
Net (decrease)/increase in cash and cash equivalents	**(38,826)**	**97,471**
Cash and cash equivalents at the beginning of the year	98,829	1,358
Cash and cash equivalents at year end	**60,003**	**98,829**

About Pioneer Marine Inc.

Pioneer Marine is a leading ship owner and global drybulk handysize transportation service provider. Pioneer Marine currently owns fourteen Handysize and one Handymax drybulk carriers with an additional 7 Handysize newbuildings on order for delivery through 2017. 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, drydock 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.

Contact:
Pioneer Marine Inc.
Pankaj Khanna, President and CEO
+65 6513 8761
admin@pioneermarine.com

Investor Relations / Media
Capital Link, Inc.
Paul Lampoutis
+212 661 7566
pioneermarine@capitallink.com