Pioneer Marine Inc. Announces First Quarter 2016 Results

MAJURO, MARSHALL ISLANDS -- (Marketwired – May 19, 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 first quarter ended March 31, 2016.

Financial Highlights:

For the first quarter of 2016 the Company reported a net loss of $13.9 million, or $0.46 basic and diluted per share which includes charges amounting to $8.7 million as a result of the termination of five newbuilding contracts ("newbuilding contract termination agreement").

Excluding these charges, the Company's adjusted net loss for the first quarter of 2016 is $5.3 million or $0.17 per share basic and diluted.

Liquidity & Capital Resources:

As of March 31, 2016, the Company had cash and cash equivalents of $43.8 million and restricted cash of $12.5 million. The Company's commitments on its newbuilding program amount to $30.1 million which will be funded from committed loan facilities available on delivery of the newbuildings and from existing cash and cash equivalents.

Recent events:

Within Q2 2016 the Company received an amount of $44.4 million representing all instalments paid for the construction of the eight cancelled newbuildings and the interest as per newbuilding contract termination agreement.

Pankaj Khanna, Chief Executive Officer, commented, "Drybulk freight rates in the first quarter of 2016 proved to be the worst experienced over the previous four decades. The major difference being that in the 1980s operating costs were half of what they are today so the ships were still cash flow positive. In the first quarter Owners were virtually paying charterers to move their cargo with some fixtures for Capesize vessels being done at close to zero TCE rates as owners were just paid for bunkers. The weakness in freight rates was mainly a result of anaemic demand and excess supply built over the previous years compounded by an increase in speed for some of the smaller vessels.

"The extreme weakness in freight rates has produced an almost immediate response on scrapping with 18.3 million tonnes sold for scrap as of early May resulting in net fleet growth of 0.3% so far this year. In addition, some owners have also chosen to idle or lay-up their vessels in hot, warm or cold lay-up, further depleting the fleet. The other big positive is that we have seen virtually zero newbuilding orders this year. During this period, we have also seen the return of port congestion at grain load ports in Brazil and Argentina, who combined exported a record 44.3 million tonnes in Q1 2016, up 19% on Q1 2015. On the demand side, the rise in real estate prices in China along with various stimulus measures provided a fillip to steel consumption and consequently prices. Chinese steel production showed its first year-on-year increase in March and iron ore imports into China for the first four months of 2016 are up 6% as compared to 2015. Freight rates in Q2 2016 have responded to these positive changes but remain barely above operating costs and have so far stagnated at this level. The industry still needs concerted scrapping of older tonnage before we see a sustained recovery.

“We have focussed on cost efficiencies for the past six months and pared our running costs to the most efficient levels possible without affecting the safe and reliable operations of our vessels or the well-being of our seafarers. We have been proactive in managing the cycle and ensuring that we maintain a long enough runway to survive the drastically low rates that we are experiencing. As part of this effort, we reached an agreement with Guoyu Shipyard to cancel five newbuilding contracts. This cancellation not only eliminated future capital expenditure but also saw the return of all of our instalments that were paid. We now have two newbuildings remaining on the orderbook that are delayed beyond their scheduled delivery dates and we are considering options on those. Our strong balance sheet allows us to be opportunistic in the current weak market and we are assessing our strategic options.”

Financial Review: First quarter of 2016

Time Charter Equivalent ("TCE") revenue amounted to $4.9 million in the first quarter of 2016 compared to $6.3 million for the first quarter of 2015. TCE per day for the first quarter of 2016 amounted to $3,654 as compared to $5,488 per day for the first quarter of 2015. The decrease of the TCE per day is attributed to the weaker market prevailing in the first quarter of 2016 as compared to same period in 2015.

Vessel Operating Expenses ("OPEX") amounted to $6.2 million for the first quarter of 2016 as compared to $5.6 million in the first quarter of 2015. The increase is attributable to the increased number of ship days from 1,170 days in the first quarter of 2015 as compared to 1,358 ship days for the same period in 2016.

OPEX per day for the first quarter of 2016 amounted to $4,533 as compared to $4,771 for the first quarter of 2015. The decrease in daily OPEX is attributed to operating efficiencies achieved due to cost reduction measures.

Depreciation expense for the first quarter ended March 31, 2016 decreased to $2.0 million as compared to $2.7 million during the same period in 2015. The decrease is attributable to the reduced depreciated vessel values as a result of the impairment charge taken at December 31, 2015.

General and administration expenses for the first quarter of 2016 decreased to $1.1 million from $1.3 million during the same period in 2015. G&A expenses per day for the first quarter of 2016 amounted to $815 as compared to $1,096 for the first quarter of 2015. The decrease of G&A expenses per day is attributed to cost reduction measures.

Write off of capitalised expenses and fees amounting to $8.7 million during the three months ended March 31, 2016 is due to the cancellation of five shipbuilding contracts on March 17, 2016. The amount consists of capitalised expenses during the construction period, cancellation costs net of interest for the instalments paid and deferred finance and loan fees attributable to the post-delivery financing of these newbuildings.

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	30,153	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	-	2017

(1) Date vessel delivered to Pioneer Marine.
(2) Green Dolphin Newbuilding under construction 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 March 31, 2016	**Three Months Ended March 31, 2015**
Revenue, net	6,317	10,304
Voyage expenses	(1,384)	(4,020)
Time charter equivalent revenue	4,933	6,284
Vessel operating expense	(6,156)	(5,582)
Drydock expense	-	(228)
Depreciation expense	(1,966)	(2,693)
General and administration expense	(1,107)	(1,282)
Write off of capitalised expenses and fees	(8,660)	-
Interest expense and finance cost	(953)	(735)
Interest income	33	18
Other expenses and taxes, net	(55)	(161)
Net loss	(13,931)	(4,379)
Adjusted net loss(2)	(5,271)	(4,379)
Net loss per share, basic and diluted	(0.46)	(0.19)
Adjusted net loss per share, basic and diluted(2)	(0.17)	(0.19)

	Three Months Ended March 31, 2016	**Three Months Ended March 31, 2015**
Net loss	(13,931)	(4,379)
Add: Write off of capitalised expenses and fees	8,660	-
Adjusted Net loss	(5,271)	(4,379)
Add: Depreciation expense	1,966	2,693
Add: Drydock expense	-	228
Add: Interest expense and finance cost	953	735
Add: Other taxes	20	33
Less: Interest income	(33)	(18)
Adjusted EBITDA(1)	(2,365)	(708)

(1) Adjusted EBITDA represents net loss before interest, other taxes, depreciation and amortization, drydock expense, 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.

(2) Adjusted net loss and related per share amounts is not a measure prepared in accordance with U.S. GAAP and should not be used in isolation or substitution of Company's results.

Vessel Utilization:	**Three Months Ended March 31, 2016**	**Three Months Ended March 31, 2015**
Ship days (2)	1,358	1,170
Less: Off-hire days	8	15
Less: Off-hire days due to drydock	-	10
Operating days (3)	1,350	1,145
Fleet Utilization (4)	99%	98%
TCE per day- $ (1)	3,654	5,488
Opex per day- $ (6)	4,533	4,771
G&A expenses per day- $ (7)	815	1,096
Vessels at period end	15	13
Average number of vessels during the period (5)	15	13

(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 practice. 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.

(7) G&A expenses per day: is calculated by dividing general and administrative expenses by ship days for the relevant time period.

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

As at	March 31, 2016	December 31, 2015
ASSETS		
Cash & cash equivalents	42,625	60,003
Restricted cash (current and noncurrent)	13,667	12,890
Vessels, net	177,834	157,103
Advances for vessel acquisition and vessels under construction	14,703	69,484
Other receivables	41,222	-
Other assets	4,582	6,466
Total assets	**294,633**	**305,946**
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	5,174	5,216
Deferred revenue	354	286
Total debt, net of deferred finance costs	113,017	114,320
Other current liabilities	3,895	-
Total liabilities	**122,440**	**119,822**
Shareholders' equity	172,193	186,124
Total liabilities and shareholders' equity	**294,633**	**305,946**

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

	Three Months Ended March 31, 2016	**Three Months Ended March 31, 2015**
Cash flows from operating activities		
Net Loss	(13,931)	(4,379)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,966	2,693
Amortization of deferred finance fees	245	196
Write off of capitalised expenses and fees	8,660	-
Changes in operating assets and liabilities	421	(1,800)
Net cash used in operating activities	**(2,639)**	**(3,290)**
Cash flows from investing activities		
Payments for vessel acquisition and vessels under construction	(11,802)	(9,833)
Purchase of other fixed assets	(14)	(15)
Increase in restricted cash	(777)	(2,371)
Net cash used in investing activities	**(12,593)**	**(12,219)**
Cash flows from financing activities		
Loan repayments	(1,515)	(1,158)
Payment of deferred finance fees and other loan fees	(631)	-
Net cash used in financing activities	**(2,146)**	**(1,158)**
Net decrease in cash and cash equivalents	**(17,378)**	**(16,667)**
Cash and cash equivalents at the beginning of the period	60,003	98,829
Cash and cash equivalents at period end	**42,625**	**82,162**

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 two Handysize newbuildings on order for delivery through 2016 and 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.

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