Pioneer Marine Inc. Announces Second Quarter 2016 Results

MAJURO, MARSHALL ISLANDS -- (Marketwired – August 11, 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 second quarter ended June 30, 2016.

Financial Highlights:

For the second quarter of 2016 the Company reported a net loss of $6.7 million, or $0.22 per share basic and diluted which includes charges and write off of capitalised expenses amounting to $3.0 million as a result of the termination of the last two newbuilding contracts. Excluding these charges, the Company's adjusted net loss for the second quarter of 2016 is $3.7 million or $0.12 per share basic and diluted.

For the six month period ended June 30, 2016, the Company reported a net loss of $20.6 million, or $0.68 per share basic and diluted which includes charges and write off of capitalised expenses amounting to $11.6 million as a result of the termination of seven newbuilding contracts ("newbuilding contract termination agreement"). Excluding these charges, the net loss is $9.0 million or $0.30 per share basic and diluted for the six month period ended June 30, 2016.

Recent events:

Within July 2016, the Company received an amount of $12.9 million representing all instalments paid for the construction of the two cancelled newbuilding contracts.

On July 14, 2016, the Company repurchased 804,254 of its own shares at a price of $0.71 per share. The repurchased shares will not be retired and will be included as treasury stock in the Company's financial statements.

Liquidity & Capital Resources:

As of June 30, 2016, the Company had a total liquidity of $83.8 million inclusive of $20.6 million in restricted cash. The Company has no capital commitments.

Pankaj Khanna, Chief Executive Officer, commented, "The first half of 2016 will be remembered for some time to come as one of the weakest periods for the drybulk industry in modern history. Freight rates bottomed in February and saw marginal improvement through the second quarter to levels barely above operating cost levels. The improvement in the market was a direct result of substantial improvement in demand for commodities. China flexed its muscles again and amply demonstrated its pivotal position in the drybulk market. Chinese imports of iron ore grew at close to 10% in the first half of 2016 and after almost three years of decline Chinese coal imports during the second quarter grew by 17% as compared to 2Q 2015. On the minor bulk commodities as well China displayed strong growth with overall imports of seven minor bulks commodities up 4% and, for example, bauxite imports up 18% y-o-y in the first five months. The market was also supported by the strength of the grain trade out of South America which added to long-haul tonne-mile demand.

“Despite this increase in demand rates stayed at close to operating cost levels due to the massive oversupply built over the last decade. The pace of scrapping slowed towards the end of the second quarter and into the third, which could be attributed to the improvement in the market and the onset of the monsoon in SE Asia. Despite this slowdown the drybulk fleet increased at the slowest pace this decade at 0.8% as of end June 2016. One positive result of the drybulk market weakness has been the cessation of newbuild orders. The orderbook is slowly being worked through and combined with cancellation and delays, the net increase in the fleet is at manageable levels. Second-hand prices surged in the second quarter with good quality Japanese assets seeing as much as 30% increase in value. Good quality Japanese built assets are in short supply and we are now seeing some vessels that were sold in February being remarketed at prices that are 30-40% above trough valuations.

“During July, Pioneer received the last of the instalments that were due following the cancellation of 10 of the 12 newbuildings we ordered. We have achieved this cancellation with minimal loss and our balance sheet can now withstand any market and also positions us for opportunistic acquisitions, which we are evaluating. One such opportunity arose in July when we purchased 2.7% of our outstanding shares at $0.71 per share. ”

Financial Review: Three months ended June 30, 2016

Time Charter Equivalent ("TCE") revenue amounted to $6.8 million in the second quarter of 2016 compared to $6.5 million for the second quarter of 2015. TCE per day for the second quarter of 2016 amounted to $5,070 as compared to $6,004 for the second quarter of 2015. The decrease of the TCE per day is due to the weaker market prevailing in the second quarter of 2016 as compared to the second quarter of 2015.

Vessel Operating Expenses ("OPEX") amounted to $6.0 million for the second quarter of 2016 as compared to $6.6 million in the second quarter of 2015. OPEX rate per day for the second quarter of 2016 amounted to $4,411 per day, as compared to $5,620 per day for the second quarter of 2015. The decrease in daily Opex rate is due to operating efficiencies achieved from cost reduction measures.

Depreciation expense for the second quarter of 2016 decreased to $2.0 million from $2.7 million in the second quarter of 2015, due to the reduced depreciated vessel values which resulted from the impairment charge taken at December 31, 2015.

General and administration expenses for the second quarter of 2016 decreased to $1.2 million as compared to $1.5 million in the second quarter of 2015. G&A expenses per day for the second quarter in 2016 amounted to $884 as compared to $1,283 for the second 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 $3.0 million during the second quarter of 2016 is due to the cancellation of the last two shipbuilding contracts on May 23, 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.

Financial Review: Six months ended June 30, 2016

Time Charter Equivalent ("TCE") revenue amounted to $11.8 million for the six months ended June 30, 2016 compared to $12.8 million in the same prior year period. TCE per day for the first six months of 2016 amounted to $4,361, as compared to $5,739 in the same prior year period. The decrease of the TCE per day is due to the weaker market prevailing in the six months ended June 30, 2016 as compared to same period in 2015.

Vessel Operating Expenses ("OPEX") amounted to $12.2 million for the six months ended June 30, 2016, which is equal to the same prior year period, despite the increase in the number of ship days to 2,723 for the six month period ended June 30, 2016, as compared to 2,353 days for the same prior year period.

OPEX rate per day for the first six months of 2016 amounted to $4,472 as compared to $5,198 for the respective period in 2015. The decrease in daily OPEX is attributable to operating efficiencies achieved from cost reduction measures.

Depreciation expense for the six month period ended June 30, 2016 decreased to $3.9 million as compared to $5.4 million during the same period in 2015. The decrease is attributable to the reduced depreciated vessel values, which resulted from the impairment charge taken at December 31, 2015.

General and administration expenses for the six month period ended June 30, 2016 decreased to $2.3 million from $2.8 million during the same period in 2015. G&A expenses per day for the first six months in 2016 amounted to $850 as compared to $1,190 for the same period in 2015. The decrease of G&A expenses per day is attributable to cost reduction measures.

Write off of capitalised expenses and fees amounting to $11.6 million during the six months ended June 30, 2016 is due to the newbuilding contract termination agreement. 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

Vessel	Type	DWT	Year Built
Paradise Bay	Handymax	46,232	2003
Azure Bay	Handysize	31,700	2005
Fortune Bay	Handysize	28,671	2006
Calm Bay	Handysize	37,534	2006
Reunion Bay	Handysize	32,354	2006
Ha Long Bay	Handysize	32,311	2007
Teal Bay	Handysize	32,327	2007
Eden Bay	Handysize	28,342	2008
Emerald Bay	Handysize	32,258	2008
Mykonos Bay	Handysize	32,411	2009
Venus Bay	Handysize	30,003	2012
Jupiter Bay	Handysize	30,153	2012
Orion Bay	Handysize	30,009	2012
Falcon Bay	Handysize	38,464	2015
Kite Bay	Handysize	38,419	2016

Summary of Operating Data (unaudited)

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

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenue, net	7,177	8,620	13,494	18,924
Voyage expenses	(348)	(2,100)	(1,732)	(6,120)
Time charter equivalent revenue	6,829	6,520	11,762	12,804
Vessel operating expense	(6,021)	(6,648)	(12,177)	(12,230)
Drydock expense	-	(1,520)	-	(1,748)
Depreciation expense	(1,976)	(2,719)	(3,942)	(5,412)
General and administration expense	(1,207)	(1,518)	(2,314)	(2,800)
Write off of capitalised expenses and fees	(2,987)	-	(11,647)	-
Interest expense and finance cost	(1,353)	(577)	(2,306)	(1,312)
Interest income	63	15	96	33
Other expenses and taxes, net	(45)	(8)	(100)	(169)
Net loss	(6,697)	(6,455)	(20,628)	(10,834)
Adjusted net loss(2)	(3,710)	(6,455)	(8,981)	(10,834)
Net loss per share, basic and diluted	(0.22)	(0.28)	(0.68)	(0.47)
Adjusted net loss per share, basic and diluted(2)	(0.12)	(0.28)	(0.30)	(0.47)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net loss	(6,697)	(6,455)	(20,628)	(10,834)
Add: Write off of capitalised expenses and fees	2,987	-	11,647	-
Adjusted Net loss	(3,710)	(6,455)	(8,981)	(10,834)
Add: Depreciation expense	1,976	2,719	3,942	5,412
Add: Drydock expense	-	1,520	-	1,748
Add: Interest expense and finance cost	1,353	577	2,306	1,312
Add: Other taxes	18	1	38	33
Less: Interest income	(63)	(15)	(96)	(33)
Adjusted EBITDA(1)	(426)	(1,653)	(2,791)	(2,362)

(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 June 30, 2016**	**Three Months Ended June 30, 2015**	**Six Months Ended June 30, 2016**	**Six Months Ended June 30, 2015**
Ship days (2)	1,365	1,183	2,723	2,353
Less: Off-hire days	18	25	26	40
Less: Off-hire days due to drydock	-	72	-	82
Operating days (3)	1,347	1,086	2,697	2,231
Fleet Utilization (4)	98.7%	91.8%	99.1%	94.8%
TCE per day- $ (1)	5,070	6,004	4,361	5,739
Opex per day- $ (6)	4,411	5,620	4,472	5,198
G&A expenses per day- $ (7)	884	1,283	850	1,190
Vessels at period end	15	13	15	13
Average number of vessels during the period (5)	15	13	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	**June 30, 2016**	**December 31, 2015**
ASSETS		
Cash & cash equivalents and short term investments	63,186	60,003
Restricted cash (current and noncurrent)	20,648	12,890
Vessels, net	175,917	157,103
Advances for vessel acquisition and vessels under construction	-	69,484
Other receivables	12,994	-
Other assets	4,270	6,466
Total assets	**277,015**	**305,946**
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	4,212	5,216
Deferred revenue	537	286
Total debt, net of deferred finance costs	106,770	114,320
Total liabilities	**111,519**	**119,822**
Shareholders' equity	165,496	186,124
Total liabilities and shareholders’ equity	**277,015**	**305,946**

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

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash flows from operating activities		
Net Loss	(20,628)	(10,834)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,942	5,412
Amortization of deferred finance fees	461	390
Write off of capitalised expenses and fees	11,647	-
Changes in operating assets and liabilities	(158)	(554)
Net cash used in operating activities	**(4,736)**	**(5,586)**
Cash flows from investing activities		
Payments for vessel acquisition and vessels under construction	(12,074)	(10,838)
Instalments receipt from vessel under construction	41,222	-
Purchase of other fixed assets	(27)	(58)
(Increase)/decrease in restricted cash	(7,758)	836
Net cash provided by/ (used in) investing activities	**21,363**	**(10,060)**
Cash flows from financing activities		
Loan repayments	(7,997)	(15,300)
Payment of deferred finance fees and other loan fees	(5,447)	(2,643)
Net cash used in financing activities	**(13,444)**	**(17,943)**
Net increase/(decrease) in cash and cash equivalents	**3,183**	**(33,589)**
Cash and cash equivalents at the beginning of the period	60,003	98,829
Cash and cash equivalents and short term investment at period end	**63,186**	**65,240**

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.

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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