

HORIZON LINES, INC. FOURTH QUARTER 2008 EARNINGS RELEASE & 2009 OUTLOOK

JANUARY 30, 2009

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 HORIZON LINES

 HORIZON LOGISTICS

AGENDA

FOURTH QUARTER 2008 EARNINGS RELEASE

- Introduction and Overview
 - **Chuck Raymond** – Chairman, President & Chief Executive Officer, Horizon Lines, Inc.
- Liner Review
 - **John Keenan** – President & Chief Operating Officer, Horizon Lines, LLC
- Logistics Review
 - **Brian Taylor** – President & Chief Operating Officer, Horizon Logistics, LLC
- Financial Review
 - **Mike Avara** – Senior Vice President & Chief Financial Officer, Horizon Lines, Inc.

2009 OUTLOOK

- Economic and Industry Outlook
 - **Chuck Raymond** – Chairman, President & Chief Executive Officer, Horizon Lines, Inc.
- Liner Outlook
 - **John Keenan** – President & Chief Operating Officer, Horizon Lines, LLC
- Logistics Outlook
 - **Brian Taylor** – President & Chief Operating Officer, Horizon Logistics, LLC
- Financial Outlook
 - **Mike Avara** – Senior Vice President & Chief Financial Officer, Horizon Lines, Inc.

QUESTIONS AND ANSWERS

FORWARD-LOOKING STATEMENTS

Risks, Uncertainties, Other Factors with Respect to “Forward-Looking Statements”:

Certain statements contained in this presentation constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements that are not of historical fact constitute “forward-looking statements” and, accordingly, involve estimates, assumptions, judgments and uncertainties. There are a number of factors that could cause actual results or outcomes to differ materially from those addressed in the “forward-looking statements”. Such factors are detailed in the Horizon Lines, Inc.’s Form 10-K to be filed with the Securities and Exchange Commission to be filed on or about February 4, 2009.



FOURTH QUARTER 2008 EARNINGS RELEASE

**CHUCK RAYMOND
CHAIRMAN, PRESIDENT & CHIEF EXECUTIVE OFFICER
HORIZON LINES, INC.**

INTRODUCTION AND OVERVIEW

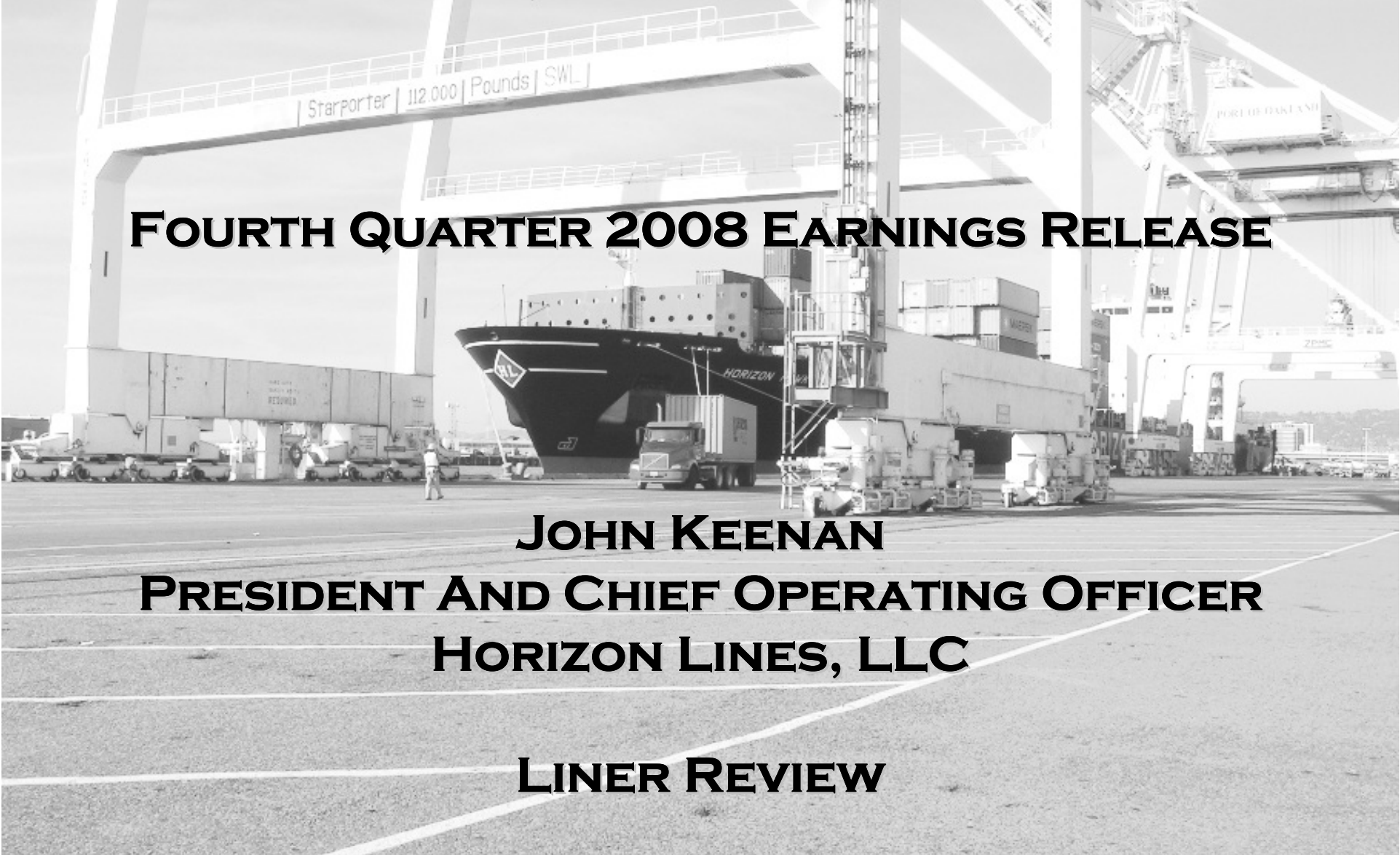
FOURTH QUARTER 2008 – HIGHLIGHTS

- Performed well in extremely challenging environment

	Q4	FY08
Adjusted EBITDA	\$ 24.7	\$ 130.0
Adjusted EPS	\$ 0.09	\$ 1.02

- Generated solid free cash flow
- Paid down debt
- Challenges included:
 - Unprecedented economic volatility
 - Oil price instability
 - Recessions in Hawaii & Puerto Rico
- Positioned for 2009
 - Customer focus
 - Cost reduction initiatives underway
 - Cash flow remains solid





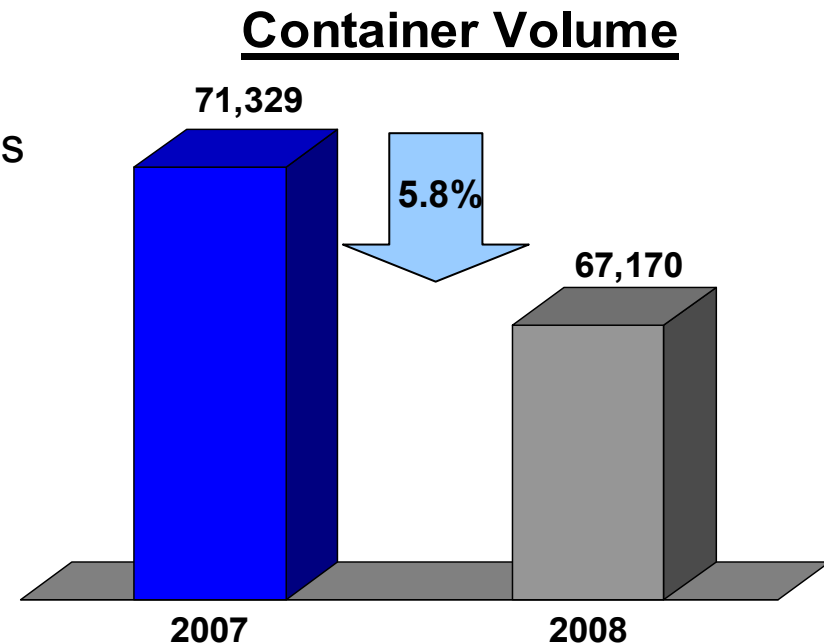
FOURTH QUARTER 2008 EARNINGS RELEASE

**JOHN KEENAN
PRESIDENT AND CHIEF OPERATING OFFICER
HORIZON LINES, LLC**

LINER REVIEW

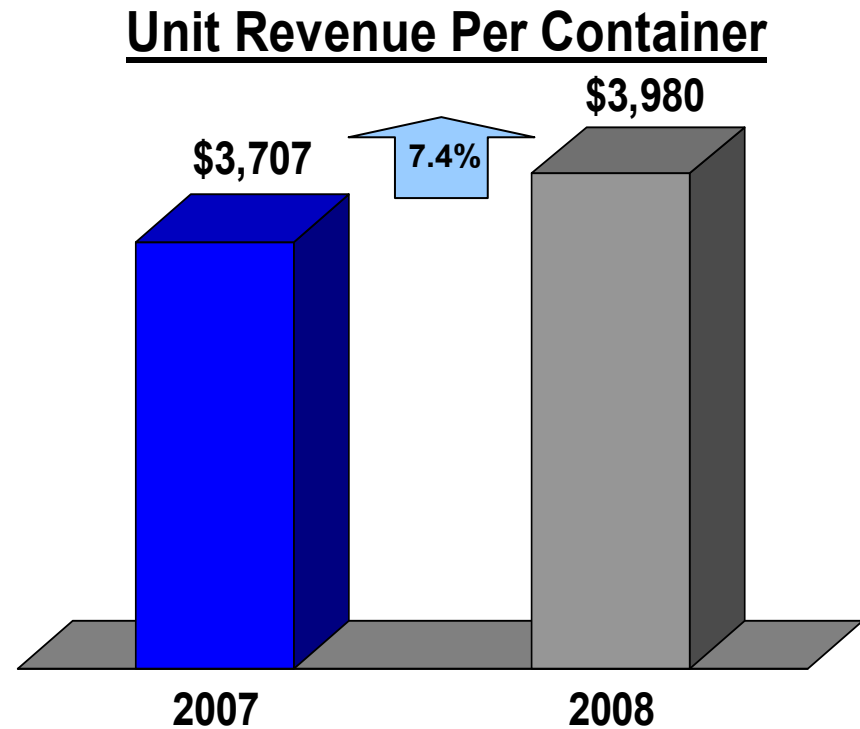
VOLUME UPDATE – FOURTH QUARTER

- Total volume down 5.8%
 - Hawaii weakest, followed by Puerto Rico
 - Alaska up slightly
- Alaska
 - Large permanent fund payout
 - Solid “Big-Box” retail segment business
 - Shutouts late into quarter
- Hawaii/Guam
 - Sharp drop in tourism
 - Weakening commercial construction
 - Volumes off slightly in Guam
- Puerto Rico
 - Recession continues



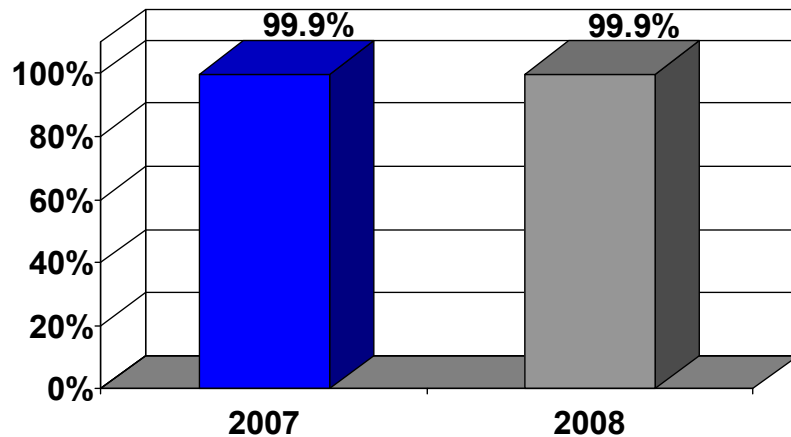
UNIT REVENUE UPDATE – FOURTH QUARTER

- Improved across all tradelanes
- Revenue per container, net of fuel, rose 2.3%
- Continued to focus on reefer, foodstuffs, higher-value cargo

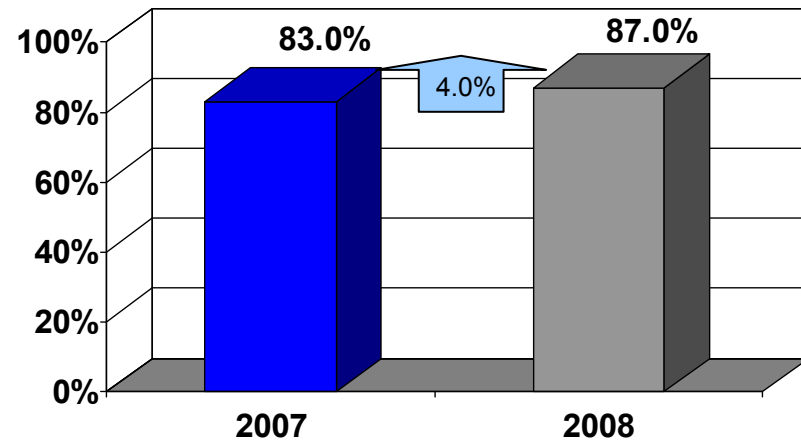


VESSEL PERFORMANCE – FOURTH QUARTER

Vessel Availability

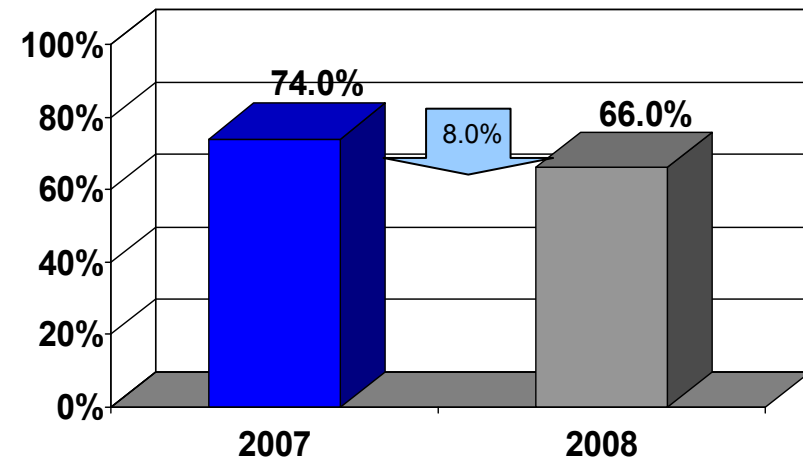


Vessel On-Time Arrival



- Vessel availability remained near 100% and on-time arrivals improved despite adverse weather in Alaska and Puerto Rico tradelanes
- Vessel utilization reflects increased capacity and slowing Hawaii and Puerto Rico markets

Vessel Utilization⁽¹⁾



(1) Redeployment of two C8 vessels into the Puerto Rico trade in early 2008 provided 14.7% increase in year-over-year capacity; based on comparable Q407 capacity, Q408 utilization would have been 72%.



2008 Accomplishments

- **Fuel Savings:** Significant fuel consumption efficiency
- **Terminal Operations:** Further reduced overtime and improved upon costs per lift
- **Equipment:** Removed approximately 3,163 containers and 800 chassis from our leased fleet
- **Sales:** Implemented business intelligence tool to identify and focus on higher margin business
- **Customer Relationships:** Implemented customer relationship management tool to increase sales force productivity
- **Information Technology:** Identified opportunities for cost reductions related to data communications, data center infrastructure and professional fees

INFRASTRUCTURE IMPROVEMENTS

- Three refurbished cranes being shipped to Guam
- Three new cranes ordered for Anchorage
- San Juan terminal redevelopment
- Honolulu terminal improvement for new rubber tire gantry cranes
- 76 new tractors for West Coast SeaLogix trucking operations, fully compliant with the Southern California “Clean Trucks” program.





FOURTH QUARTER 2008 EARNINGS RELEASE

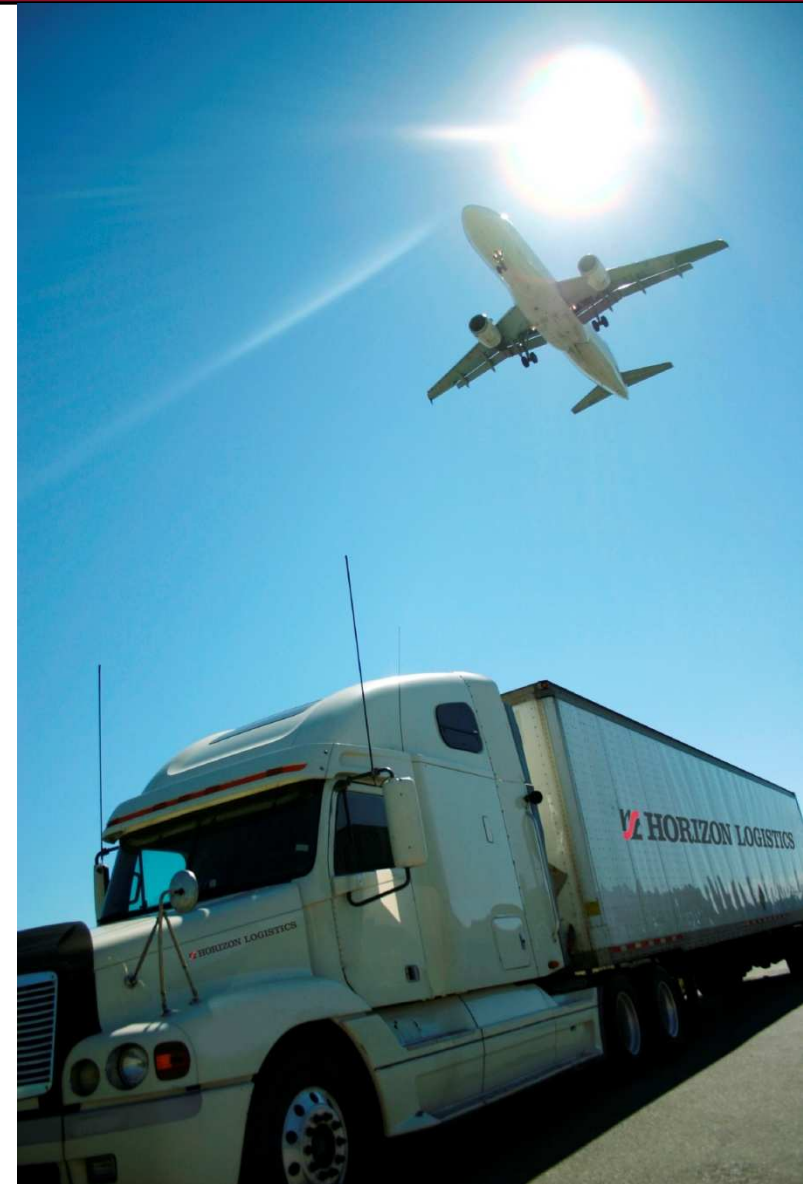
**BRIAN TAYLOR
PRESIDENT AND CHIEF OPERATING OFFICER
HORIZON LOGISTICS, LLC**

LOGISTICS REVIEW

4TH QUARTER REVIEW

- Organic growth strategy intact
 - Growing and diversifying customer base
 - Launched NVOCC* Business
 - Expanded truck brokerage business
- L.A. trucks and warehouse well positioned for economic rebound
- Economic headwinds persist
 - Loss of major Aero Logistics customer creates a setback

*Non-Vessel Operating Common Carrier





FOURTH QUARTER 2008 EARNINGS RELEASE

**MIKE AVARA
SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER
HORIZON LINES, INC.**

FINANCIAL REVIEW

FOURTH QUARTER 2008 – FINANCIAL HIGHLIGHTS

In an extremely challenging environment:

- Achieved adjusted EBITDA at top of range
- Generated \$47.9M of adjusted free cash flow
- Paid down \$37.5 million on our Revolver
- In compliance with debt covenants
- Took decisive steps to position for 2009
 - Reduced non-union workforce, saving an estimated \$10.4 million in 2009 and \$11.2 million annually
 - Tangible and intangible assets evaluated for impairment



RESTRUCTURING CHARGE

Reduction in Non-Union Workforce Summary

- Positions – 129 from 800 = 16.1%
 - Full Time 76
 - Open Full Time 22
 - Contract 35
 - New Hires (4)

- Severance Costs
 - 2008 \$ 3.2 Million
 - 2009 \$ 1.0 Million

- Cost Savings
 - 2009 \$ 10.4 Million
 - 2010 & Beyond \$ 11.2 Million Annually

IMPAIRMENT CHARGE

(\$ in Millions)

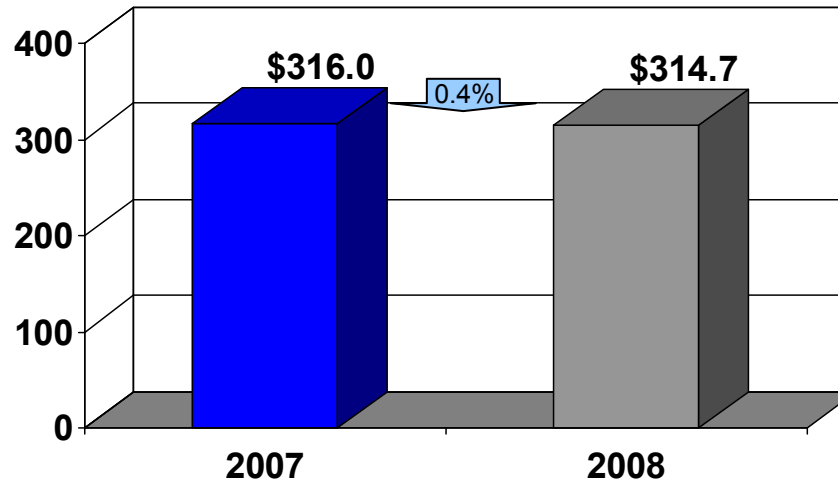
Impairment Summary

	Impairment Charge
Aero Logistics Customer Contracts	\$ 1.7
Aero Logistics Goodwill	17.7
Spare Vessels	3.3
Damaged, Obsolete and Surplus Equipment	2.7
Total	\$ 25.4

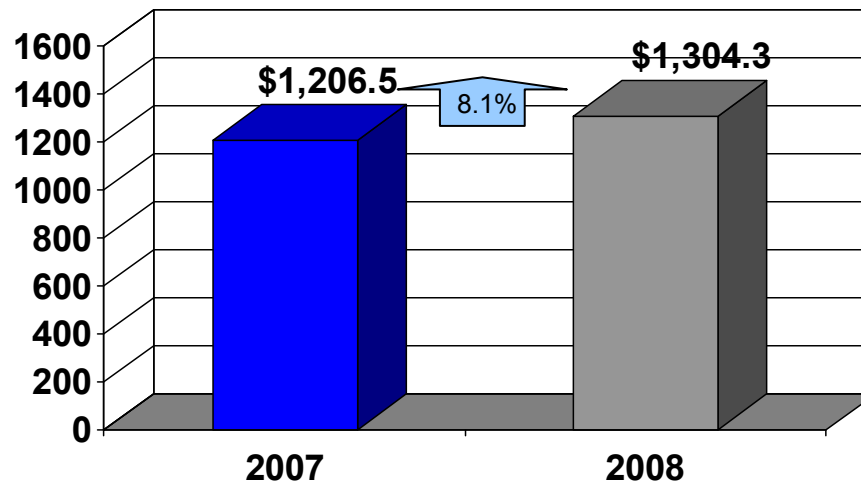
OPERATING REVENUE

(\$ in Millions)

Fourth Quarter



Year



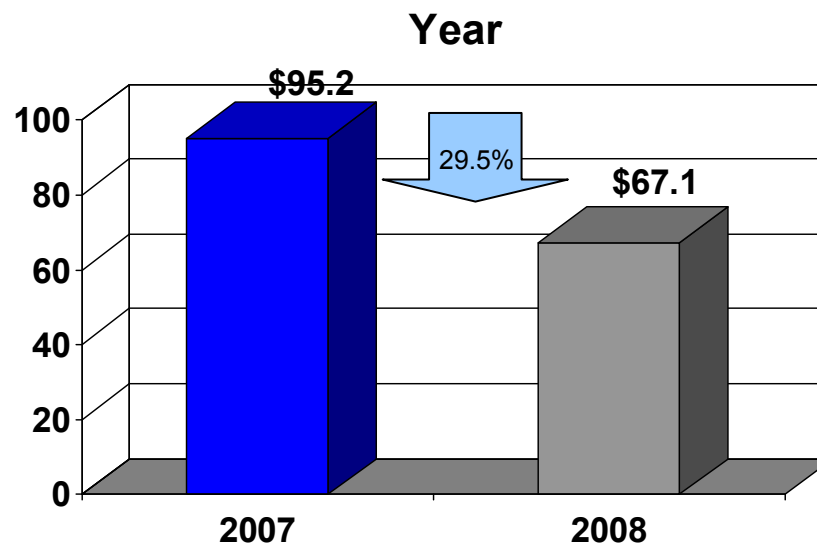
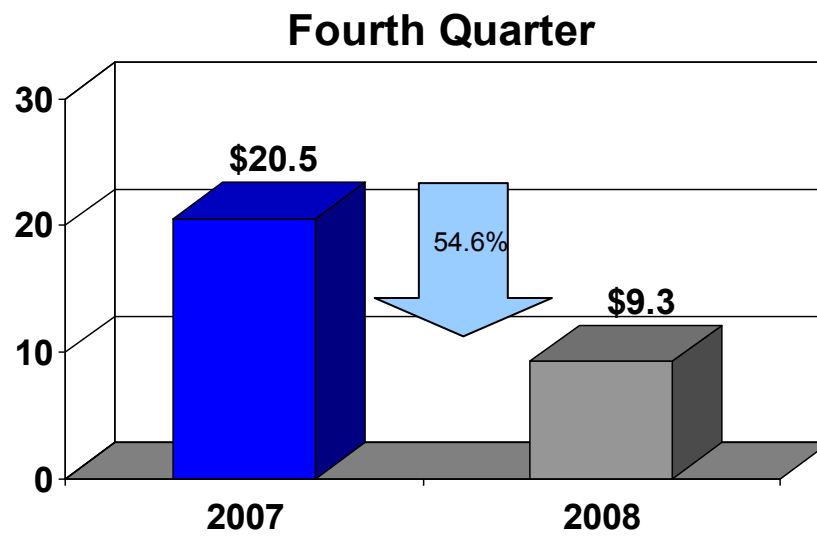
OPERATING REVENUE CHANGE

(\$ in Millions)

	Fourth Quarter 2008	Fiscal Year 2008
	<hr/>	<hr/>
Fuel Surcharges	\$ 7.7	\$ 63.7
Rate/Mix Improvement	7.8	29.9
Aero Logistics Revenue	0.4	18.9
Hawaii Stevedores Revenue	(1.1)	6.9
Other / Non-Transportation Revenue	(2.5)	9.5
Other Horizon Logistics	1.8	4.0
Volume Reduction	(15.4)	(35.1)
	<hr/>	<hr/>
Total Revenue Change from 2007	\$ (1.3)	\$ 97.8

ADJUSTED OPERATING INCOME⁽¹⁾

(\$ in Millions)

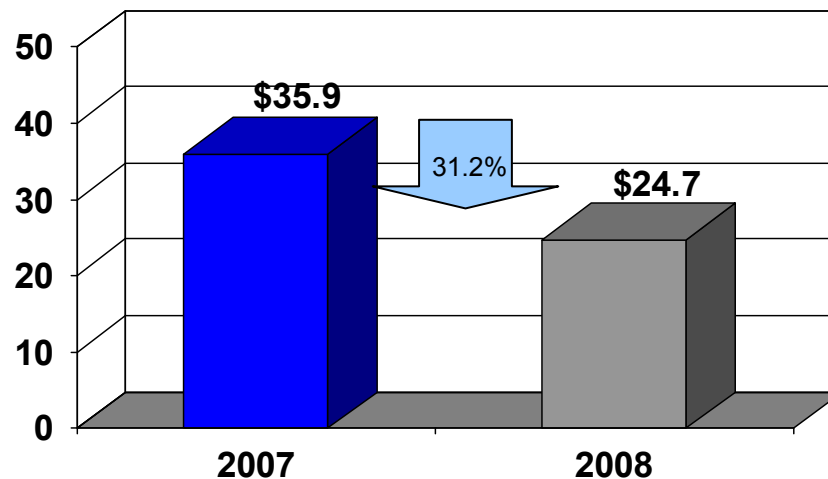


(1) See reconciliation of Operating Income to Adjusted Operating Income on page 48.

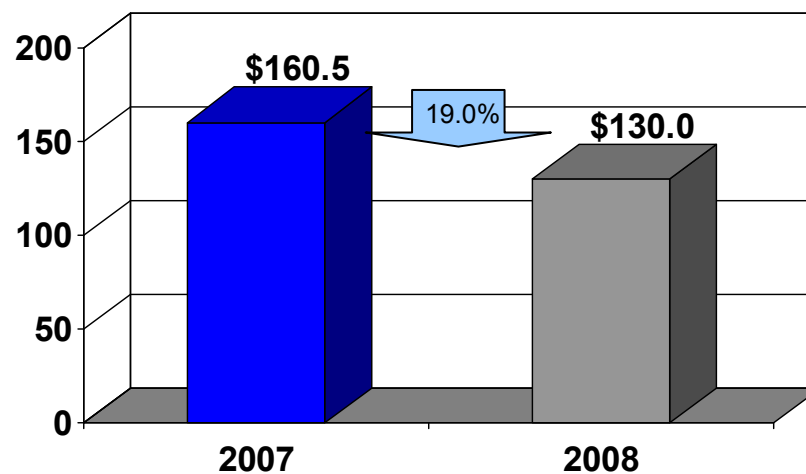
ADJUSTED EBITDA⁽¹⁾

(\$ in Millions)

Fourth Quarter



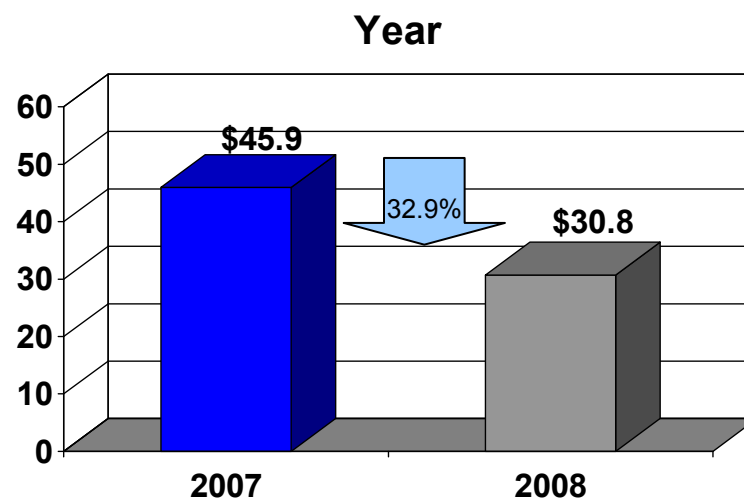
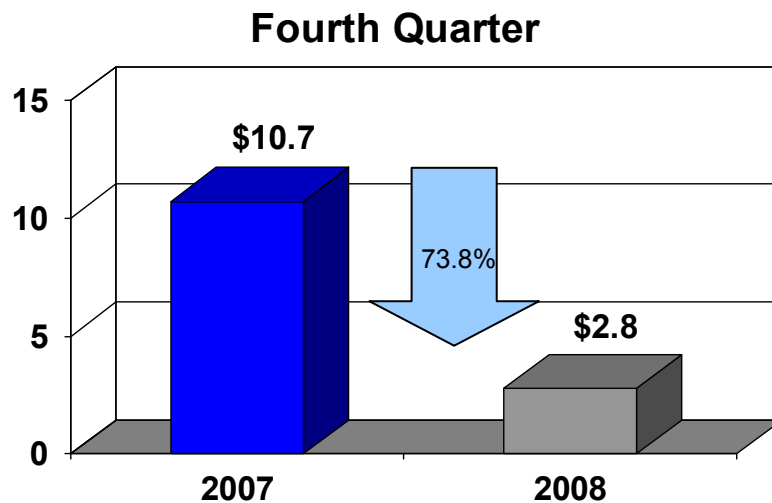
Year



⁽¹⁾See reconciliation of Net Income to EBITDA on page 51.

ADJUSTED NET INCOME⁽¹⁾

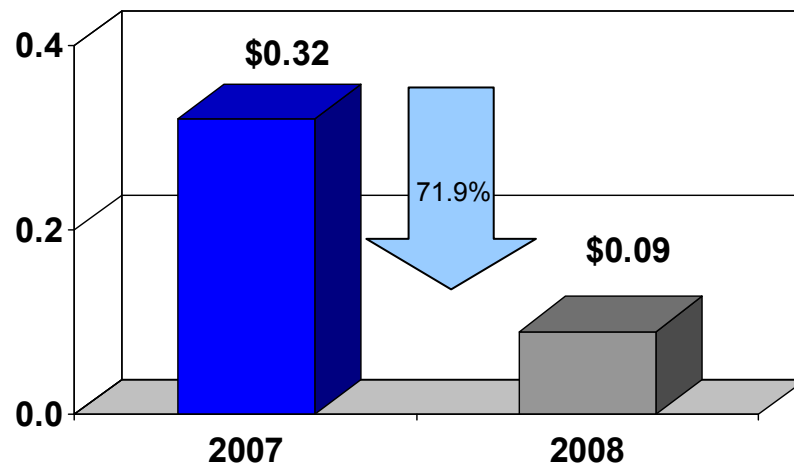
(\$ in Millions)



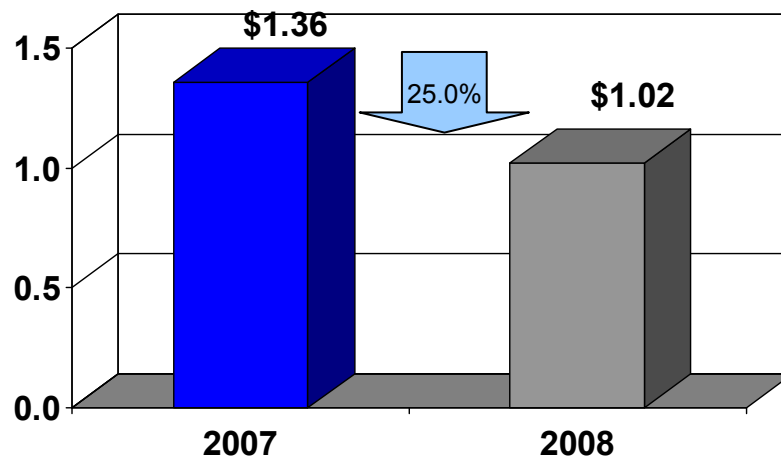
⁽¹⁾See reconciliation of Net Income to Adjusted Net Income on page 49.

ADJUSTED DILUTED EPS⁽¹⁾

Fourth Quarter



Year



(1) See reconciliation of Diluted EPS to Adjusted Diluted EPS on page 50.

2008 EARNINGS SEGMENT RESULTS

(\$ in Millions)

Fourth Quarter

	Liner	Logistics	Eliminations / Other	Consolidated
Revenue	\$ 304.7	\$ 58.0	\$ (48.0)	\$ 314.7
Adjusted EBITDA	\$ 25.5	\$ (0.8)	\$ --	\$ 24.7

Year

	Liner	Logistics	Eliminations / Other	Consolidated
Revenue	\$ 1,268.4	\$ 227.7	\$ (191.8)	\$ 1,304.3
Adjusted EBITDA	\$ 132.5	\$ (2.5)	\$ --	\$ 130.0

FREE CASH FLOW – YEAR

(\$ in Millions)

	2008	2007
Adjusted EBITDA	130.0	\$ 160.5
Stock Based Compensation	3.7	3.8
Gain / Proceeds On Equipment Disposals	0.5	3.2
Working Capital	13.6	(14.8)
Vessel Payments in Excess of Accruals	(4.9)	(26.0)
Annual Cash Incentive Plan	-	(10.5)
Capital Expenditures	(39.1)	(31.4)
Dry-Dock Expenditures	(13.9)	(21.4)
New Vessel Costs	(0.1)	(5.0)
Taxes	(0.7)	(0.4)
Interest, Net	(29.2)	(31.3)
Adjusted Free Cash Flow	59.9	26.7
Acquisitions	(0.2)	(31.4)
OPEIU Severance	(0.4)	-
DoJ Related Expenses	(8.7)	-
Free Cash Flow	50.6	(4.7)
Debt Borrowings	78.0	618.6
Debt Payments	(86.6)	(558.7)
Premiums on Debt Extinguishment	-	(25.6)
Financing Fees	(0.1)	(12.9)
Dividends	(13.3)	(14.6)
Bond Hedge	-	(40.6)
Share Repurchase	(29.3)	(49.2)
Net Cash Flow	\$ (0.7)	\$ (87.7)

LIQUIDITY, CREDIT FACILITY COMPLIANCE AND CAPITAL STRUCTURE

(\$ in Millions)

Corporate Liquidity

• Cash Balance	\$ 5.5
• Revolver Availability	<u>121.7</u>
Total Liquidity	\$ 127.2

Credit Facility Compliance

	<u>Q4 LTM 2008</u>	<u>Covenant</u>
• Interest Coverage Ratio	4.41	>3.50
• Senior Secured Leverage Ratio	1.80	<3.00

Capital Structure	Amount	Rate Formula	Interest Rate	Maturity
Revolver	\$ 120.0	LIBOR+1.50%	*3.95%	⁽¹⁾ 08/08/12
Term Loan	118.8	3.02%+1.50%	4.52%	⁽¹⁾ 08/08/12
Note Payable	1.7		5.26%	12/14/13
Total Senior Debt	<u>240.5</u>			
Convertible Notes	330.0		4.25%	08/15/12
Total Long-Term Debt	<u>570.5</u>		*4.25%	
Total Shareholder Equity	<u>113.7</u>			
Total Capitalization	<u>\$ 684.2</u>			

*weighted average

⁽¹⁾ Maturity will accelerate to February 15, 2012, if convertible notes are not refinanced by that date



2009 OUTLOOK

CHUCK RAYMOND
CHAIRMAN, PRESIDENT & CHIEF EXECUTIVE OFFICER
HORIZON LINES, INC.

ECONOMIC & INDUSTRY OUTLOOK

2009 MACRO ECONOMIC OUTLOOK

- Economic recession expected to continue and deepen
 - 2009 Outlook (The Conference Board, January 15, 2009)
 - Real GDP shrinking 1.7%
 - Unemployment at 8.3%
 - Real consumer spending down 1.0%
 - CPI inflation down 1.5%
 - Financial markets continue in a state of crisis
 - Cost of capital skyrocketing
 - Debt expensive, equity scarce

- HRZ well positioned
 - Domestic trade is more stable than international trade
 - Serve the basic needs of our tradelanes
 - Strong, longstanding customer relationships
 - Stable financial position
 - No recapitalization needs until 2012





2009 OUTLOOK

JOHN KEENAN
PRESIDENT AND CHIEF OPERATING OFFICER
HORIZON LINES, LLC

LINER OUTLOOK

ALASKA 2009 ECONOMIC OUTLOOK

- Oil-driven economy raises some concern
 - Lower oil prices and global recession expected to impact state revenues, tourism, transportation and construction industries
- 2009 Forecast*
 - Average oil price – \$51/barrel (Energy Information Administration)
 - Employment – Down 0.6%; first contraction in 22 years
 - Real Personal Income – Up 0.3%
 - GSP – Down 26.4% - driven by falling oil prices
- But state well positioned to ride out historic oil price decline
 - \$6 billion of 2009 budget reserve funds
 - \$29 billion Permanent Fund balance; expected to continue paying annual dividends to every state resident in 2009
- Retail “Big-Box” expansion continues.....for now
 - High sales per square foot keeps major retailer plans largely intact
 - Store expansions or remodelings include Lowe’s, Target, Sports Authority and Wal-Mart



*Government, industry projections, Northern Light Economics

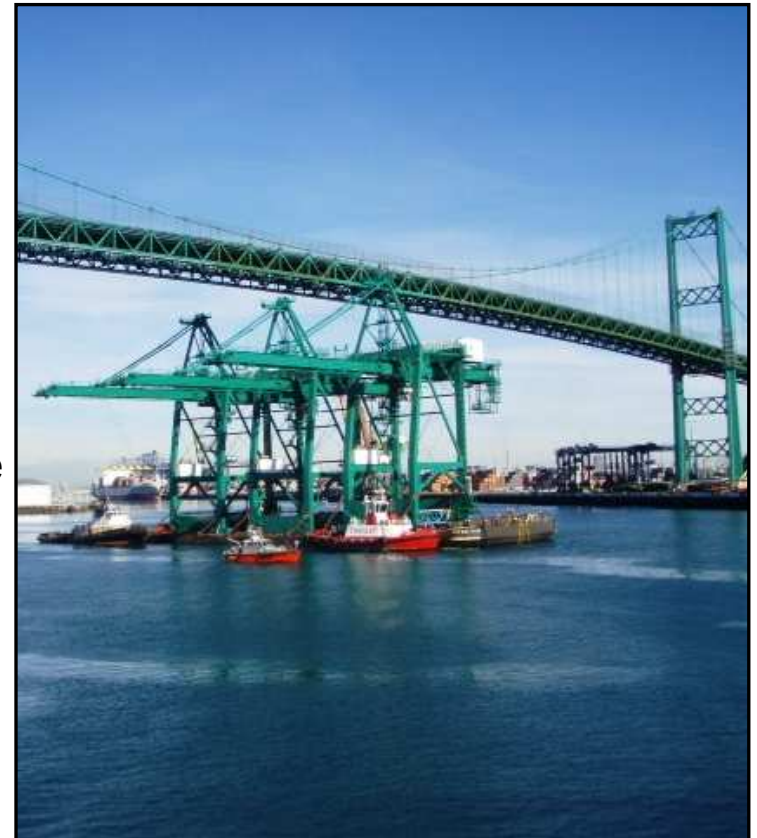
HAWAII 2009 ECONOMIC OUTLOOK

Hawaii

- Deepening recession with no significant recovery expected until 2010
 - 2009 Forecast*
 - Visitor Arrivals – down 5.7%
 - Employment – down 1.4%
 - Real Personal Income – down 0.7%
 - Inflation – up 2.5%
- *University of Hawaii Economic Research Organization – as of Nov. 21, 2008
- Weakening commercial and residential real estate
 - Privatized military housing construction helping mitigate softness in construction activity

Guam

- Expect flat market as discretionary purchase decline is offset by sustained volume of private and military construction projects
- Relocation of Marines to Guam will significantly grow population
- Installing new cranes to meet anticipated cargo volume increases



PUERTO RICO 2009 ECONOMIC OUTLOOK

- Third year of economic contraction
- FY 2009 Forecast:
 - GDP – down 2.85%
 - Unemployment – 11.9%
 - Inflation – 7.5%
 - Government budget deficit – \$3.2 billion
- New governor offers hope
 - Declares fiscal state of emergency:
 - Proposes measures to increase revenue and reduce government spending:
 - Increased corporate and private taxes
 - Moratorium on tax credits for corporations
 - Government hiring freeze
 - Government layoffs



* Estudios Tecnicos Inc., H. Calero Consulting Group and government forecasts; FY09 – July'08 – June '09

2009 CAPITAL EXPENDITURES

(\$ in Millions)

Capital Spending Summary

	2009 Plan	2008 Actual
Anchorage Cranes	\$ 2.3	\$ 13.8
Guam Cranes	2.8	6.6
San Juan Terminal Redevelopment	2.2	5.0
Vessel Regulatory and Operational Preservation Initiatives	2.7	3.5
Information Technology	1.0	2.8
Honolulu Terminal Modification	0.8	1.2
Other Terminal Infrastructure and Equipment	1.0	5.9
Subtotal	12.8	38.8
Capitalized Interest – Anchorage Cranes	0.5	0.3
Total	\$ 13.5	\$ 39.1

2009 DRY-DOCK EXPENDITURES

(\$ in Millions)

2009 Dry-Dock Expenditures Projections

Year	Number	Expense*	Cash
2007	9	\$ 17.5	\$ 21.4
2008	2	\$ 17.2	\$ 13.9
2009	7**	\$ 16.6	\$ 18.0

*expenditures amortized over 2 ½ years

**includes 2 Underwater Inspections in Lieu of Dry-docking on D8 Vessels

COASTWISE SERVICE, LEGISLATIVE, AND LABOR RELATIONS UPDATE

Coastwise Service

- Coastwise service on hold until economy improves

Legislative

- Harbor Maintenance Tax – bi-partisan congressional support for repeal of HMT continues in 2009
- Title XI Funding – continuing to work with maritime trade unions and new Congress to increase funding and to rationalize utilization criteria for financing future U.S. shipbuilding

Labor Relations

- No collective bargaining agreements expire until June 2010



2009 OUTLOOK

**BRIAN TAYLOR
PRESIDENT AND CHIEF OPERATING OFFICER
HORIZON LOGISTICS, LLC**

LOGISTICS OUTLOOK

LOGISTICS 2009 OUTLOOK

- 2009 growth will come from several key sources
 - Customer and segment diversification are critical
 - Mexico “Near Sourcing” is creating new opportunities
 - “Green Truck” initiative will stimulate new Drayage business
 - Alternative energy will remain a bright spot in this economy
 - Freight Brokerage wins that positively impact Horizon Lines inland network remain a focal point
 - Building a global NVOCC network provides the flexibility to move with the markets

LOGISTICS 2009 OUTLOOK

- Our growth strategy will face challenges in 2009
 - Organic growth will take time
 - Asia-Pacific rates and volumes remain soft
 - General economic weakness will slow revenue growth

- We remain committed to Logistics
 - Large, fragmented market with good long-term growth attributes
 - Basic resources now in place with no need for capital expenditures
 - Non-asset model will deliver strong operating leverage as economy rebounds



2009 OUTLOOK

MIKE AVARA

**SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER
HORIZON LINES, INC.**

FINANCIAL OUTLOOK

2009 MAJOR ASSUMPTIONS – VOLUME, RATES & FUEL

	2009 Plan	2008 Actual
▪ Volume		
➤ Alaska	2.6%	0.7%
➤ Hawaii/Guam	(5.7%)	(4.6%)
➤ Puerto Rico	(3.1%)	(4.8%)
Total	(2.5%)	(3.4%)
▪ Rate, Net of Fuel	2.2%	2.4%
▪ Bunker Fuel Price per Ton	\$250 - \$275	\$532

2009 MAJOR ASSUMPTIONS – TRADELANE DRIVERS

Alaska⁽¹⁾

GSP	(26.4%)
Real Personal Income	0.3%
Employment	(0.6%)

Hawaii⁽²⁾

GSP	0.0%
Visitor Arrivals Forecast	(5.7%)
Real Personal Income	(0.7%)
Employment	(1.9%)

Puerto Rico ⁽³⁾

GDP	(2.9)%
Unemployment	11.9%
Inflation	7.5%
Budget Deficit	\$3.2 billion

1) Government and industry projections; Northern Light Economics

2) University of Hawaii Economic Research Organization; Hawaii Department of Business, Economic Development & Tourism

3) Estudios Tecnicos Inc., H. Calero Consulting Group and government forecasts FY09 – July'08 – June '09

2009 COST SAVINGS & CASH PRESERVATION INITIATIVES

(\$ in Millions)

Initiatives Completed and Underway

Estimated 2009 Savings

	<u>Expense</u>	<u>Cash</u>		
		<u>Total</u>	<u>Severance</u>	<u>Net</u>
▪ Non-Union Workforce Reduction	\$ 10.4*	\$ 10.4	\$ (3.5)	\$ 6.9
▪ Capital Spending Reduction	--	\$ 26.0	\$ --	\$ 26.0
▪ Additional EDGE Savings	\$ 2.8	\$ 2.8	\$ --	\$ 2.8

*Excludes \$1.0 million restructuring charge

Additional Considerations

- Deployment Changes
- Operational and Structural
- Additional EDGE Savings
- Financial

CHANGE IN CONVERTIBLE DEBT ACCOUNTING

(\$ in Millions, Except EPS)

- FSP APB 14-1 requires that the liability and equity components of convertible debt that may be settled in cash upon conversion be accounted for separately
- The issuer's nonconvertible debt borrowing rate must be reflected:
 - Liability component is recorded at a discount reflecting below market coupon rate and accreted to its par value
 - Interest rate reflects the higher straight debt market rate at issuance
- Effective for fiscal years beginning after 12/15/08, retrospective application is required and early adoption is prohibited

- Estimated additional non-cash interest expense upon adoption

Year	Additional Interest	EPS Reduction
2007	\$ 3.2	\$ 0.06
2008	\$ 8.9	\$ 0.19
2009	\$ 10.0	\$ 0.21
2010	\$ 11.1	\$ 0.23
2011	\$ 11.8	\$ 0.24
2012	\$ 4.8	\$ 0.10



**FOURTH QUARTER 2008 EARNINGS RELEASE
AND 2009 OUTLOOK**

QUESTIONS & ANSWERS



FINANCIAL APPENDIX

INCOME STATEMENT SUMMARY – FOURTH QUARTER

(\$ in Millions, Except per Share Amounts)

	Actual		Adjusted ⁽¹⁾	
	Quarter Ended Dec 21, 2008	Quarter Ended Dec 23, 2007	Quarter Ended Dec 21, 2008	Quarter Ended Dec 23, 2007
Operating Revenue	\$ 314.7	\$ 316.0	\$ 314.7	\$ 316.0
Operating Expense	337.8	295.5	305.4	295.5
Operating (Loss) Income	(23.1)	20.5	9.3	20.5
Other Expense	7.5	8.8	7.5	8.8
Pretax (Loss) Income	(30.6)	11.7	1.8	11.7
Income Tax (Benefit) Expense	(11.8)	1.0	(1.0)	1.0
Net (Loss) Income	\$ (18.8)	\$ 10.7	\$ 2.8	\$ 10.7
Earnings (Loss) Per Share – Basic	\$ (0.63)	\$ 0.33	\$ 0.09	\$ 0.33
Earnings (Loss) Per Share – Diluted	\$ (0.63)	\$ 0.32	\$ 0.09	\$ 0.32
Shares Outstanding – Basic	30,000,021	32,505,767	30,000,021	32,505,767
Shares Outstanding – Diluted	30,000,021	33,095,102	30,022,491	33,095,102
EBITDA	\$ (7.7)	\$ 35.9	\$ 24.7	\$ 35.9
Operating Ratio	107.3%	93.5%	97.0%	93.5%

⁽¹⁾ Adjusted to exclude impairment charge, restructuring charge, anti-trust related legal expenses and union severance in 2008, and to exclude loss on extinguishment of debt in 2007.

INCOME STATEMENT SUMMARY – YEAR

(\$ in Millions, Except per Share Amounts)

	Actual		Adjusted ⁽¹⁾	
	Year Ended Dec 21, 2008	Year Ended Dec 23, 2007	Year Ended Dec 21, 2008	Year Ended Dec 23, 2007
Operating Revenue	\$ 1,304.3	\$ 1,206.5	\$ 1,304.3	\$ 1,206.5
Operating Expense	1,277.3	1,111.3	1,237.2	1,111.3
Operating Income	27.0	95.2	67.1	95.2
Other Expense	32.4	80.3	32.4	41.8
Pretax (Loss) Income	(5.4)	14.9	34.7	53.4
Income Tax (Benefit) Expense	(8.5)	(14.0)	3.9	7.5
Net Income	\$ 3.1	\$ 28.9	\$ 30.8	\$ 45.9
Earnings Per Share – Basic	\$ 0.10	\$ 0.87	\$ 1.02	\$ 1.38
Earnings Per Share – Diluted	\$ 0.10	\$ 0.85	\$ 1.02	\$ 1.36
Shares Outstanding – Basic	29,962,876	33,220,994	29,962,876	33,220,994
Shares Outstanding – Diluted	30,330,786	33,859,183	30,330,786	33,859,183
EBITDA	\$ 89.9	\$ 121.9	\$ 130.0	\$ 160.5
Operating Ratio	97.9%	92.1%	94.9%	92.1%

(1) Adjusted to exclude impairment charge, restructuring charge, anti-trust related legal expenses and union severance in 2008, and to exclude loss on extinguishment of debt and the tax benefit related to revaluation of deferred taxes in 2007.

ADJUSTED OPERATING INCOME RESULTS

(\$ in Millions)

	Quarter Ended Dec 21, 2008	Quarter Ended Dec 23, 2007	Year Ended Dec 21, 2008	Year Ended Dec 23, 2007
Operating (Loss) Income	\$ (23.1)	\$ 20.5	\$ 27.0	\$ 95.2
<u>Adjustments:</u>				
Impairment Charge	25.4	--	25.4	--
Restructuring Charge	3.2	--	3.2	--
Anti-Trust Legal Expenses	3.8	--	10.7	--
Union Severance	--	--	0.8	--
Total Adjustments	32.4	--	40.1	--
Adjusted Operating Income	\$ 9.3	\$ 20.5	\$ 67.1	\$ 95.2

ADJUSTED NET INCOME RESULTS

(\$ in Millions)

	Quarter Ended Dec 21, 2008	Quarter Ended Dec 23, 2007	Year Ended Dec 21, 2008	Year Ended Dec 23, 2007
Net (Loss) Income	\$ (18.8)	\$ 10.7	\$ 3.1	\$ 28.9
<u>Adjustments:</u>				
Impairment Charge	25.4	--	25.4	--
Restructuring Charge	3.2	--	3.2	--
Anti-Trust Legal Expenses	3.8	--	10.7	--
Union Severance	--	--	0.8	--
Loss on Extinguishment of Debt	--	--	--	38.6
Tax Impact of Adjustments	(10.8)	--	(12.4)	(14.2)
2007 Tonnage Tax Deferred Tax Revaluation Benefit	--	--	--	(7.4)
Total Adjustments	21.6	--	27.7	17.0
Adjusted Net Income	\$ 2.8	\$ 10.7	\$ 30.8	\$ 45.9

ADJUSTED NET INCOME PER DILUTED SHARE

(\$ in Millions)

	Quarter Ended Dec 21, 2008	Quarter Ended Dec 23, 2007	Year Ended Dec 21, 2008	Year Ended Dec 23, 2007
Net (Loss) Income, Per Diluted Share	\$ (0.63)	\$ 0.32	\$ 0.10	\$ 0.85
<u>Adjustments Per Share:</u>				
Impairment Charge	0.85	--	0.85	--
Restructuring Charge	0.11	--	0.11	--
Anti-Trust Legal Expenses	0.12	--	0.35	--
Union Severance	--	--	0.03	--
Loss on Extinguishment of Debt	--	--	--	1.14
Tax Impact of Adjustments	(0.36)	--	(0.42)	(0.42)
2007 Tonnage Tax Deferred Tax Revaluation Benefit	--	--	--	(0.21)
Total Adjustments Per Share	0.72	--	0.92	0.51
Adjusted Net Income, Per Diluted Share	\$ 0.09	\$ 0.32	\$ 1.02	\$ 1.36

NET INCOME / ADJUSTED EBITDA RECONCILIATION

(\$ in Millions)

	Quarter Ended Dec 21, 2008	Quarter Ended Dec 23, 2007	Year Ended Dec 21, 2008	Year Ended Dec 23, 2007
Net (Loss) Income	\$ (18.8)	\$ 10.7	\$ 3.1	\$ 28.9
Interest Expense, Net	7.6	8.7	32.5	41.7
Tax (Benefit) Expense	(11.8)	1.1	(8.5)	(14.0)
Depreciation and Amortization	15.3	15.4	62.8	65.3
EBITDA	(7.7)	35.9	89.9	121.9
Impairment Charge	25.4	--	25.4	--
Restructuring Charge	3.2	--	3.2	--
Anti-Trust Legal Expenses	3.8	--	10.7	--
Union Severance	--	--	0.8	--
Loss on Extinguishment of Debt	--	--	--	38.6
Adjusted EBITDA	\$ 24.7	\$ 35.9	\$ 130.0	\$ 160.5

Note: EBITDA is defined as net income plus net interest expense, income taxes, depreciation and amortization. We believe that EBITDA is a meaningful measure for investors as (i) EBITDA is a component of the measure used by our board of directors and management team to evaluate our operating performance, (ii) the senior credit facility contains covenants that require Horizon Lines, Inc. to maintain certain interest expense coverage and leverage ratios, which contain EBITDA and (iii) EBITDA is a measure used by our management team to make day-to-day operating decisions.

OPERATING INCOME TO ADJUSTED EBITDA SEGMENT RECONCILIATION – FOURTH QUARTER

(\$ in Millions)

Fourth Quarter 2008

	Liner	Logistics	Consolidated
Operating (Loss) Income	\$ (1.8)	\$ (21.3)	\$ (23.1)
Depreciation and Amortization	10.4	1.0	11.4
Amortization of Vessel Dry-docking	4.0	--	4.0
EBITDA	12.6	(20.3)	(7.7)
Impairment Charge	6.0	19.4	25.4
Restructuring Charge	3.1	0.1	3.2
Anti-Trust Related Legal Expenses	3.8	--	3.8
Adjusted EBITDA	\$ 25.5	\$ (0.8)	\$ 24.7

OPERATING INCOME TO ADJUSTED EBITDA SEGMENT RECONCILIATION - 2008

(\$ in Millions)

Year 2008

	Liner	Logistics	Consolidated
Operating Income (Loss)	\$ 52.3	\$ (25.3)	\$ 27.0
Depreciation and Amortization	42.4	3.3	45.7
Amortization of Vessel Dry-docking	17.2	--	17.2
EBITDA	111.9	(22.0)	89.9
Impairment Charge	6.0	19.4	25.4
Restructuring Charge	3.1	0.1	3.2
Anti-Trust Legal Expenses	10.7	--	10.7
Union Severance	0.8	--	0.8
Adjusted EBITDA	\$ 132.5	\$ (2.5)	\$ 130.0

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