

**PRESS RELEASE****For information contact:**

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***HORIZON LINES REPORTS FIRST-QUARTER FINANCIAL RESULTS***

***Seasonally Soft Quarter Further Impacted by China Service Start-up, High Fuel Prices and Slow Recovery in Domestic Economies***

***Constructive Discussions on Debt Refinancing Ongoing***

CHARLOTTE, NC, April 29, 2011 – Horizon Lines, Inc. (NYSE: HRZ) today reported financial results for the fiscal first quarter ended March 27, 2011.

As a result of previously announced plans to discontinue the logistics business, financial results are being presented on a continuing operations basis, excluding the discontinued logistics operations.

On a GAAP basis, the first-quarter net loss from continuing operations totaled \$33.3 million, or \$1.08 per diluted share, on revenue from continuing operations of \$285.4 million. On an adjusted basis, the first-quarter net loss from continuing operations totaled \$28.0 million, or \$0.90 per diluted share, after excluding charges totaling \$5.4 million after tax, or \$0.18 per diluted share. The charges include \$2.3 million associated with a severance agreement, \$2.2 million for antitrust-related legal fees, \$0.6 million for a loss on modification of debt, \$0.5 million for the early retirement of certain union employees, and a tax impact of \$(0.2) million.

In the year-ago first quarter, Horizon Lines reported a net loss from continuing operations of \$11.7 million, or \$0.38 per diluted share, on revenue of \$274.7 million. On an adjusted basis, the net loss totaled \$10.5 million, or \$0.34 per diluted share, after excluding antitrust-related legal expenses and costs for early retirement of certain union employees totaling \$1.2 million, or \$0.04 per share.

Comparison of GAAP and Non-GAAP Earnings from Continuing Operations		
(in millions, except per share data)*	Quarters Ended	
	03/27/11	03/21/10
<b>GAAP:</b>		
Operating revenue	\$ 285.4	\$ 274.7
Net loss	\$ (33.3)	\$ (11.7)
Net loss per diluted share	\$ (1.08)	\$ (0.38)
<b>Non-GAAP:</b>		
EBITDA	\$ (7.4)	\$ 12.0
Adjusted EBITDA *	\$ (1.8)	\$ 13.3
Adjusted net loss *	\$ (28.0)	\$ (10.5)
Adjusted net loss per share*	\$ (0.90)	\$ (0.34)
* See attached schedules for reconciliation of first-quarter 2011 and 2010 reported GAAP results to adjusted Non-GAAP results.		

Container volume for the 2011 first quarter totaled 71,529 loads, an 18.6% increase from 60,288 loads for the same period a year ago. The additional volume was due largely to the company's new China service, which began operating in December 2010. Excluding China, volume totaled 60,330 loads, an increase of 60 loads, or 0.1%, from 60,270 loads a year ago. Relative to the 2010 first quarter, volumes were up in Alaska and Guam, flat in Puerto Rico, and down in Hawaii.

Container rates, net of fuel, for the 2011 first quarter fell 6.4% to \$3,072 from \$3,283 a year ago. The decline was due to the addition of China volume with lower rates and pricing pressures in Puerto Rico. Excluding China, container rates, net of fuel, rose 1.2% to \$3,324 in the first quarter from a year ago.

Volume and Rates			
	Quarters Ended		Change
	03/27/11	03/21/10	
<b>Volume :</b>			
Domestic Ocean Services*	60,330	60,270	0.1 %
China	11,199	18	NM
Total	71,529	60,288	18.6 %
<b>Unit Revenue Per Container:</b>			
Total	\$ 3,729	\$ 3,955	(5.7) %
Net of Fuel	\$ 3,072	\$ 3,283	(6.4) %
Net of Fuel, excluding China*	\$ 3,324	\$ 3,283	1.2 %
* Alaska, Hawaii, Puerto Rico & Guam NM: Not Meaningful			

The company's vessels delivered 75% on-time performance, measured to the minute, in the first quarter, four percentage points above the 71% on-time performance recorded in the same quarter a year ago. Vessel utilization was 58%, compared with 60% in 2010, while vessel availability remained near 100%, driven by the company's comprehensive fleet maintenance program.

"As anticipated, the first quarter was very challenging," said Stephen H. Fraser, President and Chief Executive Officer. "The historically soft quarter was additionally impacted by the termination of various Maersk agreements, and the seasonal slowness associated with the start-up of our new China service in the post Chinese New Year period. These factors were further exacerbated by a steep decline in international rates, a sharp rise in fuel prices, and the ongoing slow business conditions in Puerto Rico and Hawaii.

"We have responded to these volatile conditions by intensely focusing on cost management and customer service," Mr. Fraser continued. "Already, we have achieved more than \$18 million in annualized cost savings by reaching agreements with our vessel union partners, reducing our non-union workforce, generating rate and efficiency savings from our trucking partners, and modifying vessel leases, among other initiatives. Our quality of service has not faltered and we are pleased to have received overwhelming customer support as we work to refinance our debt and position our company for long-term success."

### ***First-Quarter 2011 Financial Highlights***

**Operating Revenue** – First-quarter operating revenue from continuing operations increased 3.9% to \$285.4 million from \$274.7 million a year ago. The largest factors in the \$10.7 million revenue gain were: a \$23.2 million increase in revenue due to international activity; a \$3.7 million increase in non-transportation services revenue; \$2.3 million in rate/mix improvements and \$2.1 million in fuel surcharges. These gains were partially offset by a \$20.7 million revenue decline resulting from lost space charter revenue, approximately \$19.0 million of which was related to the expired Maersk TP1 contract.

<b>Operating Revenue Change</b> (in millions)	
	Quarter Ended
	<u>03/27/11</u>
International revenue	\$ 23.2
Terminal services and other	3.7
Rate / Mix	2.3
Fuel Surcharges	2.1
Domestic volume	0.1
Space charter	(20.7)
<b>Total Increase</b>	<b>\$ 10.7</b>

**Operating Income** – The GAAP operating loss from continuing operations for the first quarter totaled \$22.0 million, compared with an operating loss of \$1.8 million a year ago. The 2011 GAAP operating loss includes a \$2.3 million charge related to severance

expenses, \$2.2 million in antitrust-related legal expenses and \$0.5 million for the early retirement of certain union employees. The 2010 first-quarter GAAP operating loss includes \$1.0 million in antitrust-related legal expenses and \$0.2 million in costs for early retirement of certain union employees. Excluding these items, the first-quarter 2011 adjusted operating loss from continuing operations totaled \$17.1 million, compared with a loss of \$0.6 million a year ago. The first-quarter 2011 adjusted operating loss widened from the prior year primarily due to the termination of various Maersk agreements, lower fuel recovery and higher rolling stock expense. These negative factors were partially offset by international volume increases, strong non-transportation/terminal services revenue, and a lack of vessel incidents relative to the year-ago quarter.

**EBITDA** – EBITDA from continuing operations totaled negative \$7.4 million for the 2011 first quarter, compared with positive \$12.0 million for the same period a year ago. Adjusted EBITDA from continuing operations for the first quarter of 2011 was negative \$1.8 million, compared with positive \$13.3 million for 2010. EBITDA and adjusted EBITDA for the 2011 and 2010 first quarters were impacted by the same factors affecting operating income, as noted in the table below:

<b>Adjusted EBITDA Change</b> (in thousands)	
	<b>First Quarter</b>
<b>2010 Adjusted EBITDA</b>	<b>\$ 13,269</b>
Termination of Maersk agreements	(20,733)
Fuel recovery shortfall deterioration	(5,812)
Rolling stock expense increase	(1,867)
No vessel incidents	2,206
Non-transportation revenue gain	3,041
Volume	8,780
All other	(664)
<b>2011 Adjusted EBITDA</b>	<b>\$ (1,780)</b>

**Shares Outstanding** – The company had a weighted daily average of 30.9 million fully diluted shares outstanding for the first quarter of 2011, compared with 30.5 million a year ago.

**Liquidity, Credit Facility Compliance & Debt Structure** – As of March 27, 2011, the company had total liquidity of \$29.4 million, consisting of \$5.8 million in cash and \$23.6 million of effective revolver availability. The company's trailing 12-month interest coverage and senior secured leverage ratios were 2.99 times and 3.20 times, respectively, in compliance with the credit agreement requirement of above 2.5 times and below 3.50 times, respectively. Funded debt outstanding totaled \$585.3 million, compared with \$532.9 at the end of the fourth quarter, and \$577.8 million a year-ago. The funded debt outstanding at March 27, 2011, consisted of \$246.6 million in senior secured debt, \$330.0 million in convertible notes, and \$8.7 million of capital lease obligations, at a weighted average interest rate of 5.41%.

Liquidity in the current quarter has contracted, due to shortened payment terms established by certain suppliers after the company filed its 2010 Form 10-K report containing a going-concern audit opinion. The company remains current with all of its vendors.

The company's senior secured debt matures in August 2012, but the maturity will accelerate to February 2012 if the convertible notes are not refinanced or if arrangements are not made for their refinancing by that date. In addition, the company anticipates a covenant default under the senior credit facility in connection with the amended financial covenants upon the close of the second quarter of 2011. Noncompliance with the financial covenants constitutes an event of default, which, if not waived, could prevent the company from borrowing under the senior credit facility and could also result in acceleration of the maturity of the facility. The company anticipates working with its lenders to obtain waivers and amendments or to refinance prior to any possible covenant noncompliance. As a result of these factors, the company has classified all of its outstanding debt as current.

Please see attached schedules for the reconciliation of first-quarter 2011 and 2010 reported GAAP results and Non-GAAP adjusted results.

### ***First-Quarter Tradelane Review***

First-quarter volume in Alaska was up from a year ago, but, as expected, business was seasonally slow. Horizon Lines continued to benefit from its terminal services operations, and also experienced solid volume in segments including seafood supplies, groceries and refrigerated commodities. The company expects volumes to grow through the normally strong summer season.

In Hawaii, first-quarter volume was down from a year ago, as the business environment remained flat due to ongoing softness in construction and state government fiscal constraints. The company believes the steady military sector and continuing strength in tourism, even in the wake of the Japan disaster, could lead to modest volume growth as the year progresses.

Volumes in Puerto Rico were steady relative to a year ago, due partly to inventory replenishment after the holiday shopping season. Puerto Rico remains in a recession, which was exacerbated in the first quarter by the sharp rise in fuel prices, as the region's electric power grid is fueled by petroleum. The company expects volumes to remain steady as the year progresses, although the business environment will continue to be challenged by ongoing rate pressures.

The company's new China service is operating in a highly competitive international tradelane. The seasonally slow first quarter was further negatively impacted by over-capacity, sharp rate declines and rapidly rising fuel prices. Despite the reduced rates, Horizon Lines experienced solid customer demand in the quarter and was able to ramp-up

to volume expectations. Looking forward, the company is encouraged by the improving mix of customers, although challenges remain in rising fuel costs and the tradelane's ongoing over-capacity situation, which continues to pressure pricing.

In Guam, first-quarter volume improved from a year ago, due to service and schedule improvements, construction projects and additional military volume to support humanitarian missions to Japan. Looking forward, the company is encouraged by the construction projects related to the military build-up.

### ***Outlook & Refinancing Update***

Overall, the company continues to expect 2011 to be a challenging year, due to the uncertain rate environment impacting its new China service and the loss of steady revenue under the previous trans-Pacific agreement with Maersk. Additionally, fuel prices remain high and volatile, and rate pressures continue in the Puerto Rico market.

"We expect to partially offset the difficult operating environment through cost savings and modest volume improvements in our domestic markets during 2011, as overall customer support remains strong," Mr. Fraser said. "We expect positive EBITDA contribution from Alaska, Puerto Rico and Hawaii, partially offset by a negative EBITDA performance from our new FSX service in its start-up year. Although our FSX service will incur losses on a standalone basis this year, we are encouraged by our China tradelane's EBITDA improvement potential over the longer term. As a result of these factors, we currently expect 2011 adjusted EBITDA will be in excess of \$80.0 million."

Mr. Fraser concluded: "Regarding our refinancing efforts, the company and its representatives have been engaged in constructive discussions with our banks, bondholders and their advisors, as well as with other potential lenders. These discussions are ongoing. We are greatly encouraged that our fine related to antitrust violations in the Puerto Rico tradelane has been reduced to \$15.0 million from \$45.0 million. The fine reduction should give our business partners renewed confidence in our company's ability to continue supporting our customers. We look forward to executing a comprehensive refinancing that will better position Horizon Lines for long-term success."

As a result of the reduced fine, the company expects in the second quarter to reverse \$19.2 million of the \$30.0 million charge recorded on a present-value basis during the fourth quarter of 2010 related to the legal settlement.

### ***Use of Non-GAAP Measures***

Horizon Lines reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). The company also believes that the presentation of certain non-GAAP measures, i.e., EBITDA, free cash flow and results excluding certain costs and expenses, provides useful information for the understanding of its ongoing operations and enables investors to focus on period-over-period operating performance without the impact of significant special items. The company further feels these non-GAAP measures

enhance the user's overall understanding of the company's current financial performance relative to past performance and provide a better baseline for modeling future earnings expectations. Non-GAAP measures are reconciled in the financial tables accompanying this news release. The company cautions that non-GAAP measures should be considered in addition to, but not as a substitute for, the company's reported GAAP results.

### ***About Horizon Lines***

Horizon Lines, Inc. is the nation's leading domestic ocean shipping and integrated logistics company. The company owns or leases a fleet of 20 U.S.-flag containerships and operates five port terminals linking the continental United States with Alaska, Hawaii, Guam, Micronesia and Puerto Rico. The company provides express trans-Pacific service between the U.S. West Coast and the ports of Ningbo and Shanghai in China, manages a domestic and overseas service partner network and provides integrated, reliable and cost competitive logistics solutions. Horizon Lines, Inc., is based in Charlotte, NC, and trades on the New York Stock Exchange under the ticker symbol HRZ.

### ***Forward Looking Statements***

The information contained in this press release should be read in conjunction with our filings made with the Securities and Exchange Commission. This press release contains "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that do not relate solely to historical fact. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. Words such as, but not limited to, "will," "may," "expect," "would," "could," and similar expressions or phrases identify forward-looking statements.

Factors that may cause expected results or anticipated events or circumstances discussed in this press release to not occur or to differ from expected results include: our ability to maintain adequate liquidity to operate our business; our ability to repay our indebtedness; volatility in fuel prices and in freight rates; decreases in shipping volumes; or our ability to continue as a going concern.

All forward-looking statements involve risk and uncertainties. In light of these risks and uncertainties, expected results or other anticipated events or circumstances discussed in this press release might not occur. We undertake no obligation, and specifically decline any obligation, to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. See the section entitled "Risk Factors" in our Form 10-K filed with the SEC on March 28, 2011, for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. Those factors and the other risk factors described therein are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any

of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences.

(Tables Follow)

**Horizon Lines, Inc.**  
**Unaudited Condensed Consolidated Balance Sheets**  
(in thousands, except per share data)

	<b>March 27, 2011</b>	<b>December 26, 2010</b>
<b>Assets</b>		
Current assets		
Cash	\$ 5,771	\$ 2,751
Accounts receivable, net of allowance of \$6,195 and \$6,959 at March 27, 2011 and December 26, 2010, respectively	131,510	112,196
Prepaid vessel rent	5,385	4,076
Materials and supplies	32,009	29,413
Deferred tax asset	3,250	2,964
Assets of discontinued operations	5,394	6,883
Other current assets	9,729	7,406
Total current assets	193,048	165,689
Property and equipment, net	190,419	194,657
Goodwill	314,149	314,149
Intangible assets, net	77,554	80,824
Other long-term assets	28,838	30,438
Total assets	\$ 804,008	\$ 785,757
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 35,295	\$ 43,413
Current portion of long-term debt, including capital leases	564,497	508,793
Accrued vessel rent	-	3,697
Current liabilities of discontinued operations	3,553	3,699
Other accrued liabilities	120,105	108,499
Total current liabilities	723,450	668,101
Long-term debt, including capital leases, net of current portion	7,104	7,530
Deferred rent	16,908	18,026
Deferred tax liability	4,775	4,775
Other long-term liabilities	45,114	47,533
Total liabilities	797,351	745,965
Stockholders' equity		
Preferred stock, \$.01 par value, 30,500 shares authorized; no shares issued or outstanding	-	-
Common stock, \$.01 par value, 100,000 shares authorized, 34,572 shares issued and 30,772 shares outstanding as of March 27, 2011 and 34,546 shares issued and 30,746 shares outstanding as of December 26, 2010	346	345
Treasury stock, 3,800 shares at cost	(78,538)	(78,538)
Additional paid in capital	193,631	193,266
Accumulated deficit	(107,916)	(73,843)
Accumulated other comprehensive loss	(866)	(1,438)
Total stockholders' equity	6,657	39,792
Total liabilities and stockholders' equity	\$ 804,008	\$ 785,757

**Horizon Lines, Inc.**  
**Unaudited Condensed Consolidated Statements of Operations**  
(in thousands, except per share data)

	<u>Quarters Ended</u>	
	<u>March 27, 2011</u>	<u>March 21, 2010</u>
Operating revenue	\$ 285,353	\$ 274,658
Operating expense:		
Vessel	108,171	102,445
Marine	60,167	51,916
Inland	49,877	41,945
Land	37,565	35,846
Rolling stock rent	11,548	9,805
Cost of services (excluding depreciation expense)	267,328	241,957
Depreciation and amortization	11,213	10,845
Amortization of vessel dry-docking	4,077	3,053
Selling, general and administrative	24,294	20,517
Miscellaneous expense, net	488	134
Total operating expense	307,400	276,506
Operating loss	(22,047)	(1,848)
Other expense:		
Interest expense, net	10,716	9,830
Loss on modification of debt	620	-
Other expense, net	14	2
Loss from continuing operations before income tax (benefit) expense	(33,397)	(11,680)
Income tax (benefit) expense	(86)	15
Loss from continuing operations	(33,311)	(11,695)
Loss from discontinued operations	(760)	(1,549)
Net loss	<u>\$ (34,071)</u>	<u>\$ (13,244)</u>
Basic and diluted net loss per share:		
Continuing operations	\$ (1.08)	\$ (0.38)
Discontinued operations	(0.02)	(0.05)
Basic and diluted net loss per share	<u>\$ (1.10)</u>	<u>\$ (0.43)</u>
Number of shares used in calculation:		
Basic	30,925	30,521
Diluted	30,925	30,521
Dividends declared per common share	<u>\$ -</u>	<u>\$ 0.05</u>

**Horizon Lines, Inc.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
**(in thousands)**

	<b>Three Months Ended</b>	
	<b>March 27, 2011</b>	<b>March 21, 2010</b>
<b>Cash flows from operating activities:</b>		
Net loss from continuing operations	\$ (33,311)	\$ (11,695)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	6,135	5,767
Amortization of other intangible assets	5,078	5,078
Amortization of vessel dry-docking	4,077	3,053
Amortization of deferred financing costs	815	855
Loss on modification of debt	620	-
Deferred income taxes	(287)	40
Gain on equipment disposals	(10)	53
Stock-based compensation	282	600
Accretion of interest on convertible notes	2,850	2,623
Accretion of interest on legal settlements	240	-
Changes in operating assets and liabilities:		
Accounts receivable	(19,314)	(12,757)
Materials and supplies	(2,595)	3,077
Other current assets	(2,323)	(654)
Accounts payable	(8,173)	7,218
Accrued liabilities	12,979	(7,287)
Vessel rent	(5,925)	(18,892)
Vessel dry-docking payments	(4,968)	(9,826)
Other assets/liabilities	338	108
Net cash used in operating activities	<u>(43,492)</u>	<u>(32,639)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(3,413)	(1,460)
Proceeds from the sale of property and equipment	206	99
Net cash used in investing activities	<u>(3,207)</u>	<u>(1,361)</u>
<b>Cash flows from financing activities:</b>		
Borrowing under revolving credit facility	63,500	55,000
Payments on revolving credit facility	(6,000)	(15,000)
Payments on long-term debt	(4,688)	(4,688)
Payments of financing costs	(3,243)	-
Payments on capital lease obligations	(384)	-
Dividends to stockholders	-	(1,526)
Common stock issued under employee stock purchase plan	-	34
Net cash used in financing activities	<u>49,185</u>	<u>33,820</u>
Net increase (decrease) in cash from continuing operations	2,486	(180)
Net increase (decrease) in cash from discontinued operations	534	(1,567)
Net increase (decrease) in cash	3,020	(1,747)
Cash at beginning of period	2,751	6,419
Cash at end of period	<u>\$ 5,771</u>	<u>\$ 4,672</u>

**Horizon Lines, Inc.**  
**Adjusted Operating Loss Reconciliation**  
(\$ in Thousands)

	<u>Quarter Ended</u> <u>March 27, 2011</u>	<u>Quarter Ended</u> <u>March 21, 2010</u>
Operating Loss	\$ (22,047)	\$ (1,848)
<u>Adjustments:</u>		
Union/Other Severance	2,813	263
Antitrust Legal Expenses	2,178	958
Total Adjustments	4,991	1,221
Adjusted Operating Loss	<u>\$ (17,056)</u>	<u>\$ (627)</u>

**Horizon Lines, Inc.**  
**Adjusted Net Loss Reconciliation**  
(\$ in Thousands)

	<u>Quarter Ended</u> <u>March 27, 2011</u>	<u>Quarter Ended</u> <u>March 21, 2010</u>
Net Loss	\$ (34,071)	\$ (13,244)
Net Loss from Discontinued Operations	(760)	(1,549)
Net Loss from Continuing Operations	(33,311)	(11,695)
<u>Adjustments:</u>		
Union/Other Severance	2,813	263
Antitrust Legal Expenses	2,178	958
Loss on Modification of Debt	620	-
Tax Impact of Adjustments	(255)	-
Total Adjustments	5,356	1,221
Adjusted Net Loss from Continuing Operations	<u>\$ (27,955)</u>	<u>\$ (10,474)</u>

**Horizon Lines, Inc.**  
**Adjusted Net Loss Per Share Reconciliation**

	<u>Quarter Ended</u> <u>March 27, 2011</u>	<u>Quarter Ended</u> <u>March 21, 2010</u>
Net Loss Per Share	\$ (1.10)	\$ (0.43)
Net Loss Per Shares from Discontinued Operations	(0.02)	(0.05)
Net Loss Per Share from Continuing Operations	(1.08)	(0.38)
 <u>Adjustments Per Share:</u>		
Union/Other Severance	0.09	0.01
Antitrust Legal Expenses	0.07	0.03
Loss on Modification of Debt	0.02	-
Total Adjustments	0.18	0.04
 Adjusted Net Loss Per Share from Continuing Operations	 <u>\$ (0.90)</u>	 <u>\$ (0.34)</u>

**Horizon Lines, Inc.**  
**EBITDA and Adjusted EBITDA Reconciliation**  
**(\$ in Thousands)**

	<u>Quarter Ended</u> <u>March 27, 2011</u>	<u>Quarter Ended</u> <u>March 21, 2010</u>	<u>OUTLOOK (1)</u> <u>FY 2011</u>
Net Loss	\$ (34,071)	\$ (13,244)	\$ (19,694)
Net Loss from Discontinued Operations	(760)	(1,549)	(1,018)
Net Loss from Continuing Operations	(33,311)	(11,695)	(18,676)
 Interest Expense, Net	 10,716	 9,830	 49,373
Tax (Benefit) Expense	(86)	15	(251)
Depreciation and Amortization	15,290	13,898	61,581
EBITDA	(7,391)	12,048	92,027
Union/Other Severance	2,813	263	2,815
Antitrust Legal Expenses	2,178	958	3,741
Legal Settlements	-	-	(19,203)
Loss on Modification of Debt	620	-	620
Adjusted EBITDA	<u>\$ (1,780)</u>	<u>\$ 13,269</u>	<u>\$ 80,000</u>

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 the Company 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. Adjusted EBITDA excludes certain charges in order to evaluate our operating performance, for making day-to-day operating decisions and when determining the payment of discretionary bonuses. (1) Reconciliation is based on April 29, 2011, internal forecast that adjusted EBITDA for 2011 will exceed \$80 million.

**Horizon Lines, Inc.**  
**First-Quarter Free Cash Flow**  
(\$ in millions)

	<u>2011</u>	<u>2010</u>
<b>Adjusted EBITDA</b>	<b>\$ (1.8)</b>	<b>\$ 13.3</b>
Stock Based Compensation	0.3	0.6
Gain on Equipment Disposals	-	0.1
Working Capital	(18.8)	(1.9)
Vessel Payments in Access of Accrual	(5.9)	(18.9)
Annual Cash Incentive Plan	-	(5.0)
Capital Expenditures	(3.4)	(1.5)
Dry-Dock Expenditures	(5.0)	(9.8)
Interest, Net	(9.7)	(9.9)
Proceeds from Equipment Disposals	0.2	0.1
Taxes	0.1	-
<b>Adjusted Free Cash Flow</b>	<b>(44.0)</b>	<b>(32.9)</b>
Antitrust Legal Expenses	(1.6)	(0.8)
Restructuring Charge Payments	(0.4)	(0.2)
Equipment Impairment	(0.2)	-
Union / Other Severance	(0.5)	(0.1)
<b>Free Cash Flow</b>	<b>(46.7)</b>	<b>(34.0)</b>
Debt Borrowing	63.5	55.0
Debt/Capital Lease Payments	(11.1)	(19.7)
Financing Fees / Loss of Debt Modification	(3.2)	-
Dividends	-	(1.5)
<b>Net Cash Flow for Continuing Operations</b>	<b>\$ 2.5</b>	<b>\$ (0.2)</b>
Net Cash Flow for Discontinued Operations	0.5	(1.5)
<b>Net Cash Flow</b>	<b>\$ 3.0</b>	<b>\$ (1.7)</b>

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