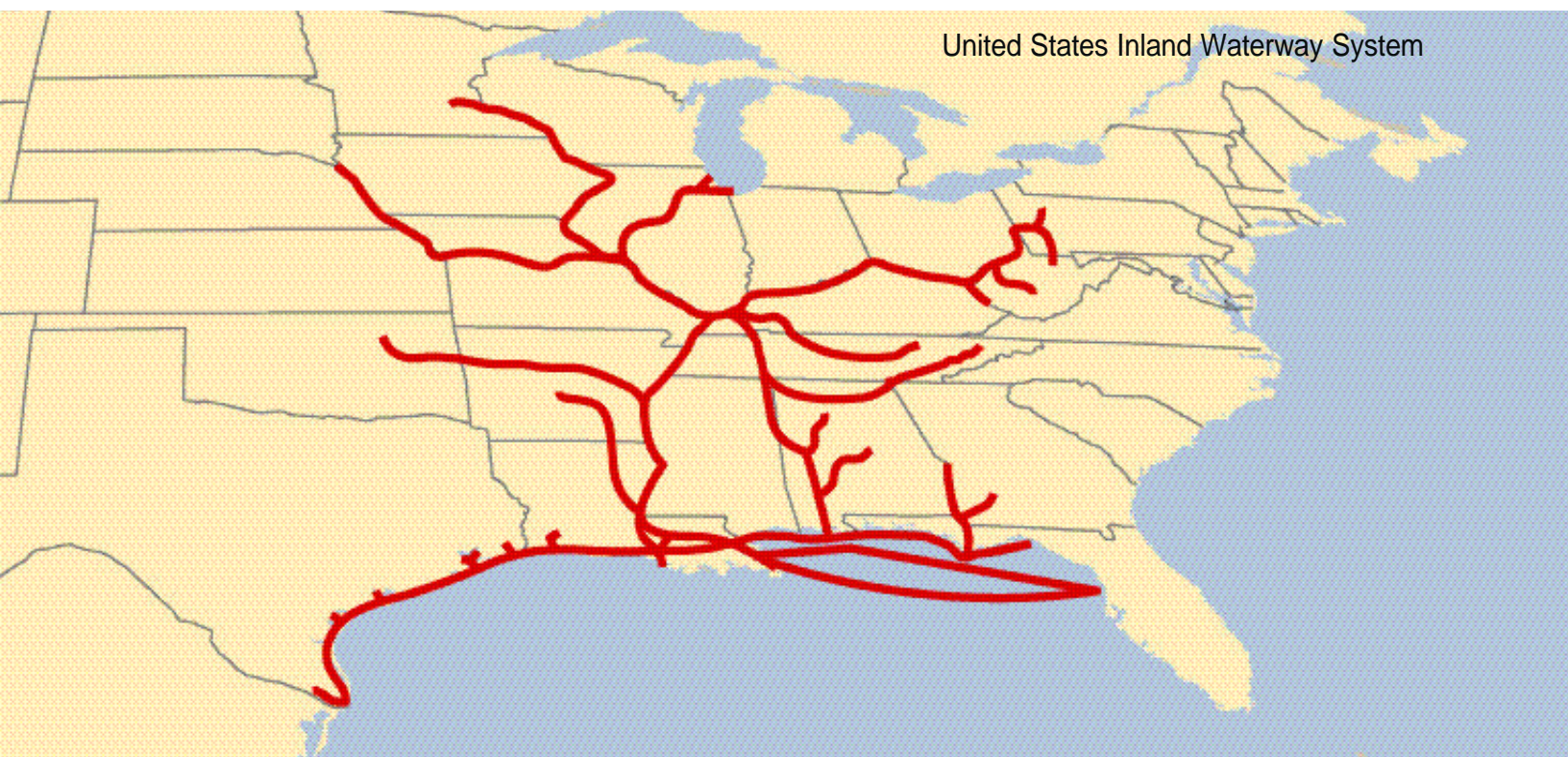


Kirby Corporation 1998 Annual Report



Our Strategy for Growth is to focus our resources and efforts on the enhancement and growth of our core inland tank barge and diesel repair businesses. Kirby is the dominant player in these two areas and they represent our best opportunities to enhance shareholder value. Kirby Inland Marine is well positioned to take advantage of future changes in the inland marine market as demand for inland marine transportation continues to grow while available capacity is declining. Kirby Diesel Repair is also continuing to expand its share of the critical diesel engine support market. Kirby is now the leading market presence in servicing the large, medium-speed diesel engines used



CORPORATION

Marine Transportation

Services

Kirby Inland Marine is the only company with an established presence throughout the entire United States inland waterway system. Kirby operates the largest fleet of towing vessels and tank barges transporting bulk liquid cargo over this vital network. Cost-effective domestic marine shipping serves over 90%

of the population, yet comprises only 2% of United States transportation costs. A typical inland tank barge can carry the equivalent of 15 rail cars or 60 tractor-trailer trucks. A typical lower Mississippi River tow of

30 barges can carry as much cargo as 450 rail cars or 1,800 trucks. As more companies move to streamline operations, this cost advantage should fuel continued growth in inland marine shipping.

Focusing on its highly successful inland marine operations, Kirby greatly reduced its participation in offshore services. In 1998, Kirby divested its Jones Act product offshore tanker fleet and tank barge and tug operations.

Strengths

Kirby Inland Marine is the dominant player in the domestic transportation of chemicals, petrochemical feedstocks, gasoline additives, refined petroleum products and liquid fertilizer products by inland tank barge. Kirby operates a fleet of 523 barges, representing over 19% of the total United States inland tank barge capacity. Kirby's distribution system services the Gulf Coast, the Mississippi, Ohio, Missouri, Illinois and Arkansas Rivers and their tributaries.

Kirby is the only company that can provide single carrier service to virtually all domestic barge serviced inland ports. As companies move to concentrate their business with fewer suppliers, Kirby is the only inland tank barge operator capable of meeting their needs throughout the inland waterway system. Inland tank barging accounted for approximately 72% of Kirby's revenues in 1998.

Strategies

Kirby's strategy for growth is to concentrate its resources and efforts on the enhancement and growth of its core businesses. Through careful acquisitions and investments, Kirby Inland Marine is positioned to take advantage of future changes in the inland marine market. This once fragmented inland shipping market is now highly consolidated and Kirby Inland Marine is the dominant operator with 30% more barge capacity than its nearest competitor.

Kirby further enhanced its established presence across

the entire domestic inland waterway system with the completion of a highly efficient computerized tracking system. When a customer calls, Kirby is more likely to have a barge close to a customer's pickup point, reducing repositioning costs and power costs.

Key Facts

- The total industry inland fleet has declined from 4,200 barges in 1981 to less than 2,800 barges today. As the decline in the number of inland tank barges continues, supply and demand for inland tank barges is slowly coming into balance.
- The age of the inland fleet and continued obsolescence of single skin barges will encourage further industry fleet reductions. A well maintained barge can be serviceable for over 30 years. The average age of the industry fleet is over 22 years.
- Larger fleets have significant operating advantages. Kirby Inland Marine's versatile, computer-tracked fleet operates more efficiently, with more tows moving on the river and fewer barges waiting to move from lading to discharge.
- Kirby's market for tank barge transport services is driven by production volume of three commodity groups: petrochemicals, refined products and fertilizer. The factors affecting demand for each of these commodities are different, but Kirby has the flexibility to respond to changes in market needs.
- The demand for transportation of petrochemicals used in the production of plastics and paper products generally follows the national economy. Continued growth in housing, automobiles and consumer goods will fuel demand.
- Demand for gasoline, gasoline substitutes and additives is also driven by the overall economy, while the demand for heating oil and liquid fertilizer tends to vary with prevailing weather conditions and agricultural needs.

AT A GLANCE

Diesel Repair

Kirby Diesel Repair provides after-market service for large medium-speed diesel engines, primarily engines manufactured by the Electro-Motive Division of General Motors Corporation ("EMD"). The diesel engines are used extensively in marine, power generation and rail applications. The marine market includes engines used in inland and offshore towboats and tugboats, harbor tugboats, offshore service vessels, the oil and gas drilling industry, commercial fishing boats and certain military vessels. The power generation market is stationary diesel engines used as stand-by power for the

power generation industry and the nuclear industry. Kirby's rail market includes service for the shortline and industrial railroads.

Kirby Diesel Repair operates in seven domestic service locations throughout the United States. Each location sells genuine EMD replacement parts, provides service mechanics to overhaul and repair EMD engines and rebuilds component parts or entire engines.

Kirby Diesel Repair serves as an exclusive EMD distributor of genuine parts for the marine and power generation markets in 17 eastern states and the Caribbean. It serves as an exclusive EMD distributor of parts nationwide for the shortline and industrial railroads, and as an exclusive distributor of EMD parts for the nuclear industry worldwide. As a non-exclusive service provider for EMD, Kirby Diesel Repair serves the balance of the United States, including Alaska and the Pacific Rim.

Employing over 130 mechanics and service technicians, Kirby Diesel Repair offers in-house and in-field capabilities in strict compliance with original equipment manufacturers' specifications. Service crews are frequently sent anywhere in the world to meet customers' needs.

With EMD engines having a significant market share in each of the noted applications, Kirby can offer national service contracts, providing a complete service alternative for marine operators with extensive fleets and distribution patterns.

The demand for diesel repair services generally reflects the business activity levels of the three industries supported: marine, power generation and rail. Compounding this core demand is Kirby's ability to attract a growing market share of each of the three industries. With a nationwide presence and worldwide on-site capabilities, Kirby Diesel Repair is able to provide a unique service alternative for

major national accounts, a shift from small local providers to a one-service nationwide provider. Its ability to be a one-source nationwide provider can lead to exclusive service contracts with major operators that require reliable diesel repair support services.

- Since 1989, Kirby has expanded its diesel repair operations by approximately 18% annually, and is positioned for future growth both internally and through potential acquisitions.
- The diesel repair business is a service business requiring relatively little capital compared with Kirby's marine transportation operations.
- Kirby Diesel Repair offers around-the-clock and around-the-world on-site repairs.
- Demand for diesel repair services generally reflects the business activity levels of the industries it supports. Despite natural market fluctuations, this core demand remains fairly steady since large diesel engines represent a significant investment for their operators.
- Growth in Kirby's market share is driven by a general shift in customer preferences from small local providers to larger national suppliers and a specific movement by large diesel equipment operators to Kirby's enhanced support capabilities.
- In addition to EMD products, Kirby Diesel Repair maintains a distributorship agreement with Falk Corporation, a marine reduction gear manufacturer, which complements the core business of EMD marine after-market support.

FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts)	For the years ended December 31,				
	1994	1995	1996	1997	1998
Revenues:					
Marine transportation	\$ 255,462	\$ 267,687	\$ 249,594	\$ 256,108	\$ 244,839
Diesel repair	45,269	50,538	70,422	79,136	82,241
Other, including insurance	77,003	53,917	3,568	1,290	5,175
	<u>\$ 377,734</u>	<u>\$ 372,142</u>	<u>\$ 323,584</u>	<u>\$ 336,534</u>	<u>\$ 332,255</u>
Net earnings from continuing operations	\$ 16,969	\$ 6,958	\$ 21,208	\$ 22,705	\$ 10,109
Net earnings (loss) from discontinued operations	(316)	2,425	6,021	(1,023)	—
Net earnings	<u>\$ 16,653</u>	<u>\$ 9,383</u>	<u>\$ 27,229</u>	<u>\$ 21,682</u>	<u>\$ 10,109</u>
Net earnings (loss) per share (diluted):					
Net earnings from continuing operations	\$.59	\$.25	\$.82	\$.92	\$.46
Net earnings (loss) from discontinued operations	(.01)	.09	.24	(.04)	—
Net earnings	<u>\$.58</u>	<u>\$.34</u>	<u>\$ 1.06</u>	<u>\$.88</u>	<u>\$.46</u>
Weighted average shares outstanding (diluted)	28,790	27,772	25,781	24,594	22,113
Net cash flow from continuing operations (before changes in operating assets and liabilities)	\$ 54,265	\$ 61,839	\$ 44,595	\$ 50,255	\$ 51,069
Property and equipment, net	\$ 284,444	\$ 275,184	\$ 277,622	\$ 272,384	\$ 256,899
Long-term debt	\$ 159,497	\$ 179,226	\$ 181,950	\$ 154,818	\$ 142,885
Stockholders' equity	\$ 222,976	\$ 205,333	\$ 205,754	\$ 218,269	\$ 141,040



George Peterkin, Jr., Chairman of the Board of Kirby, is shown (left) at the 1998 opening of the George A. Peterkin, Jr. Operations and Training Center (below). He is receiving a Meritorious Public Service Commendation and medal from Captain Wayne Gusman of the United States Coast Guard.

The Peterkin Center, located in Channelview, Texas, near the Houston Ship Channel, is home to Kirby Inland Marine's operations, maintenance, logistics and training.



REPORT TO S



George A. Peterkin, Jr.,
Chairman

J.H. Pyne,
President

During the late 1980s and early 1990s, Kirby Corporation grew from a medium-sized inland tank barge company to a diversified marine transportation company, offering transportation services in both inland and offshore arenas and diesel repair services to marine and non-marine users. In late 1997, we reassessed our

business strategy and concluded that we would be best able to maximize our earnings and return on equity and capital objectives by focusing on our inland tank barge and diesel repair operations, both of which were well positioned for continued growth. We also decided to exit certain other businesses that did not have reasonable expectations for adequate returns. In March 1998, we sold our offshore tanker and harbor docking businesses. In October 1998, we concluded our exit from Universal Insurance Company, our 45% owned Puerto Rican property and casualty insurance company, and we sold our two remaining offshore tank barge and tug units.

For 1998, we reported net earnings of \$10.1 million, or \$.46 per share. Excluding nonrecurring events related to businesses and markets exited during 1998, our earnings per share were \$1.01—a record for our continuing operations. Our return on equity improved to 15.9% and our return on capital was 9.4%. Strong operating cash flows, plus proceeds from the sale of non-core assets, resulted in a total cash generation of \$126 million. Excess cash was used to make capital expenditures in our core businesses of \$27.5 million, to reduce our debt by \$12 million and to purchase \$91.2 million, or 3.3 million shares, of Kirby common stock. Since 1995, we have purchased 8.9 million shares, 29% of our outstanding stock. The stock repurchases have been accretive to the Company's earnings per share and will have a further positive impact as we grow

our core businesses.

With respect to our operations, our inland tank barge operation benefited from an improved market environment; however, we also addressed significant labor and operating issues during 1998. We increased our afloat labor compensation by 20% and other costs, such as outside boat charters and tankering services, also increased. The labor adjustments were necessary to retain our current afloat personnel, to increase compensation to levels competitive with other industries that compete for the same labor pool and to attract new personnel into our business. However, our cost control program has allowed us to continue to increase our earnings per share while making the necessary investments in systems and training.

The 1998 year was another record revenue and earnings year for our diesel repair business. During 1998, the diesel repair segment consolidated facilities and reduced administrative overhead, while selectively raising prices for both parts and labor. The result was an improvement in our diesel repair operating margin to 9.8% in 1998 from 7.8% in 1997. As a nationwide provider of diesel services, the segment has grown by 18% annually since 1989 and is positioned for further growth both internally and through business acquisitions.

Over the past five years, we have achieved significant improvements in systems and procedures to help us manage a growing business and to prepare us for future growth and profits. In 1995, we implemented the ISO 9002 Management Systems throughout our inland companies. In the same year, we were awarded the Benkert Award, the highest award for safety and environmental preservation in the marine business. In 1996, we embarked on an extensive reengineering program to develop processes to leverage our purchasing power, reduce our working capital and better control our maintenance costs. In 1997, we reorganized the Company, reducing our shore staff and consolidating our inland operating companies under Kirby Inland Marine. During this growth period, we also made significant investments in management information systems, developing a sophisti-

SHAREHOLDERS

cated vessel traffic, performance and billing system. This system will allow us to leverage information technology to our strategic advantage in the future.

In 1998, we dedicated the George A. Peterkin, Jr. Operations and Training Center, positioning our Company to continue its commitment to safety and service, while ensuring that we will be able to provide the critical human resources necessary to run Kirby in the future. Also in 1998, we implemented an economic value management ("EVM") system with a complementary incentive compensation system for our employees. We believe that our EVM system will help us focus on improving shareholder value by better managing our balance sheet and improving productivity.

In summary, we have now done most of the "heavy lifting" needed to prepare Kirby for the future. We made the tough organizational decisions. We implemented the necessary systems. We raised compensation to levels that will continue to attract qualified personnel into our business. We worked hard on controlling costs. In many respects, 1998 was a year of final construction of the foundation of our vision for improving shareholder value.

Today, the outlook is brighter. Industry conditions in the inland tank barge business continue a steady long-term trend toward a balanced supply and demand. In the early 1980s, there were 4,200 tank barges in the business. In 1999, there are less than 2,800 tank barges remaining. We took advantage of this environment and grew from 49 tank barges in 1982 to 523 tank barges today. As the industry capacity declined, Kirby continued to grow. As a balanced market develops, rates should rise to levels which compensate Kirby for the capital and operating risks of our business. We also believe that we can grow our Company through synergistic acquisitions, which would allow us to further reduce our costs and improve our efficiencies. We have been unwilling to make acquisitions for growth only. Ultimately, we are judged by the value we create for our shareholders and not for how fast we grow the business or how large we become.

In this process, we must not forget that value is created

through people. We are blessed with an excellent team of employees working hard for the Company's shareholders and a Board of Directors that is committed to improving earnings and our return on equity and capital. We also want to thank George F. Clements, Jr., a Board member since 1985, who will retire in April 1999. George has provided guidance to Kirby as Chairman of both the Compensation Committee and the Audit Committee during his tenure and has helped us through the major transitions we have made in the Company. We wish George "fair winds and a following sea" as he pursues other interests. We also want to use this opportunity to thank our employees, Board of Directors, customers, vendors and shareholders for their continued support as we move our Company toward the new millennium.

Respectfully submitted,



George A. Peterkin, Jr.
Chairman of the Board



J.H. Pyne
President

Houston, Texas

March 1, 1999

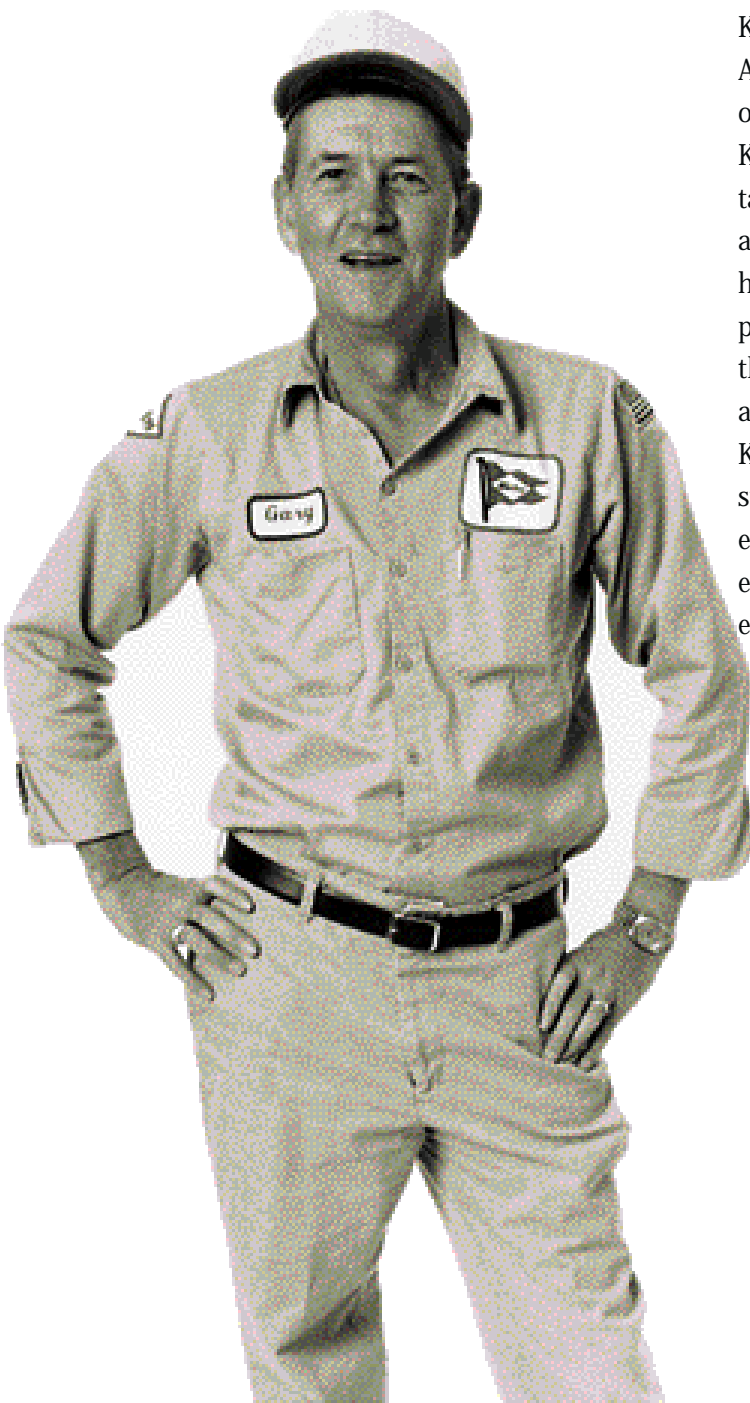
Kirby Inland Marine's formula for success: Combine the best, most highly motivated employees with the largest inland tank barge fleet in the United States, a state-of-the-art dispatching system and an industry leading training program. The result of that formula is Kirby Inland Marine, the leading domestic transporter of bulk liquid products, tightly focused on a market we know well and ideally positioned for growth.

Kirby Inland Marine Employees

Kirby's vessel employees (some of whom appear in this Annual Report) are the most important element in our overall strategy for success. On the inland waterways, Kirby Inland Marine's boat captains, pilots, engineers, tankermen and deckhands provide the knowledge, skills and dedication that make our company go. Kirby deckhands, an entry-level position on a towing vessel, have the opportunity through Kirby training programs to advance as far as their drive and talent allow. Throughout the rest of Kirby, other employees lend their skill and training to support the employees on the water. Each Kirby employee is the product of a special blend of working experience, carefully executed training and a commitment to excellence.

Gary Reed, Captain-EL PASO.

The EL PASO is a 1400 horsepower towing vessel in Kirby Inland Marine's canal fleet. As Captain, Gary is responsible for all aspects of operations, maintenance, training and safety of the EL PASO. He also oversees communication between the wheelhouse and the Kirby dispatching center and serves as wheelman for his navigational watch.



NLAND MARINE

The Largest Operator of Inland Tank Barges in the United States

Kirby Inland Marine Integrated Fleet

The Kirby Inland Marine fleet of 523 tank barges and 128 inland towing vessels comprises 9,680,000 barrels of liquid cargo capacity. The Kirby fleet represents approximately 19% of the total U.S. tank barge capacity, with 30% more capacity than our nearest competitor. Built over the years from the consolidation of a number of small inland tank barging companies, the Kirby fleet is now the dominant operator on the inland waterway. Kirby's canal, linehaul and river towing vessels and tank barges operate throughout the United States inland waterways as a single, integrated fleet. Kirby towing vessels and barges serve the entire Mississippi River System and its tributaries plus the Gulf Intracoastal Waterway from Texas to Florida, accessing cities like New Orleans, Chicago, Tulsa and Pittsburgh. The Kirby fleet can transport cargo throughout this vast inland waterway system without a change of carrier. In almost any part of the 11,000 miles of waterway used for significant commerce, Kirby is the supplier most likely to have a barge and towing vessel available nearest to a customer's pickup point.

Kirby Inland Marine Centralized Operations

To the finest employees and the largest inland marine fleet, Kirby adds a state-of-the-art, computerized dispatching system. From the centralized operations center in Houston, Texas, Kirby dispatchers can pinpoint the location of every Kirby towing vessel and tank barge operating anywhere on the inland waterway. A constantly updated database allows Kirby personnel to immediately cross-reference each barge with customer load and deliv-



Kevin Guidroz, Pilot-PRINCE.

The PRINCE is a 800 horsepower towing vessel in Kirby Inland Marine's canal fleet. As Pilot, Kevin is responsible for piloting the PRINCE in rotation with the captain and relief captain. While on watch, Kevin is responsible for the navigation and safety of the PRINCE as he guides it and its barges along the Gulf Intracoastal Waterway.

ery information, and provide detailed reports to Kirby customers on the current status of their cargoes. Using this system, Kirby can efficiently combine barges into tows that provide an optimal match of tonnage carried to horsepower provided. Kirby barges spend less time waiting to be towed and are able to make more trips per year. This efficient matching of resources to customer needs reduces customer costs and increases overall revenue per barge.

George A. Peterkin, Jr. Operations and Training Center



To operate the largest, most tightly integrated inland marine fleet in the United States requires employees with experience, skill and commitment. Those critical elements are brought together at the Peterkin Operations and Training Center. This facility, located in Channelview, Texas, near the Houston Ship Channel, centralizes most of Kirby's operations, maintenance, logistics and marine training in one location. Kirby Inland Marine's crews are scheduled and canal crew changes are completed at the Peterkin Center. Kirby Logistics handles all in-house tankering operations from their office in the Peterkin Center. The Peterkin Center also houses the most complete marine training center in the industry. All Kirby training courses are designed to meet all relevant Coast Guard, DOT and OSHA requirements. Courses combine the latest electronic training aids with classroom and hands-on instruction. As part of this total training environment, Kirby operates a working towing vessel specially equipped to provide real hands-on training situations. Kirby also operates the only tank barge simulator in the country.

The Peterkin Center provides ongoing training classes for all working positions from deckhand to captain. Special classes address specific skill areas like radar observer, vapor recovery and HAZCOM. Kirby tankermen progress through five levels of training. As a natural result of this dedication to training, Kirby has an outstanding safety record.

The U.S. Coast Guard and the U.S. Department of Transportation have both recognized Kirby for excellence in marine safety and environmental protection.

Western Towing Company, Kirby's commercial barge fleet service operation, is also housed at the Peterkin Center. Western operates in the ports of Houston,

Mike Flinders, Chief Engineer-CINDY BRENT. The CINDY BRENT is a 1600 horsepower towing vessel in Kirby Inland Marine's river fleet. Engineers are onboard all river and linehaul towing vessels that must operate for long periods away from port. Mike is responsible for keeping the CINDY BRENT'S propulsion unit and all related mechanical systems in top working order.

Galveston and Freeport, Texas, and on the Mississippi River at Baton Rouge, Louisiana.

Kirby Inland Marine Advantages

Kirby Inland Marine brings a number of advantages to the domestic inland marine shipping market. Kirby has the largest fleet, the widest service area, the most modern dispatching system, the most up-to-date training systems and (we believe) the best employees. Kirby can provide both towing vessels and barges to its customers. These unique advantages are the reason Kirby has chosen to focus much of its resources and efforts on the inland marine market. As a tightly integrated, efficiently operated and dedicated operation, Kirby Inland Marine is positioned to take maximum advantage of changes in this critical industry.

Kirby Offshore Operations

KIRBY INLAND MARINE STATEMENTS OF EARNINGS (In thousands)		
For the years ended December 31,	1997	1998
Revenues:		
Marine transportation	\$ 256,108	\$ 244,839
Costs and expenses:		
Costs of sales and operating expenses	158,542	150,027
Selling, general and administrative	25,607	25,802
Taxes, other than on income	7,497	7,372
Depreciation and amortization	24,920	23,977
	216,566	207,178
Operating income	39,542	37,661*
Equity in earnings of marine partnerships	3,084	946
Other income (expense)	(162)	3,272
Interest expense and allocated interest expense	(9,172)	(6,514)
Earnings from continuing operations before taxes on income	\$ 33,292	\$ 35,365*
The statements of earnings are presented net of certain intercompany transactions and include allocated parent company interest expense.		
*Operating income and earnings from continuing operations before taxes on income are presented excluding the effect of an \$8.3 million write-down under SFAS 121.		

During 1998, as part of its focus on Kirby Inland Marine and Kirby Diesel Repair, Kirby reduced its commitments in offshore and other non-core areas. Kirby's offshore operations primarily consist of two partnerships with a Florida utility. Under a long-term contract, four integrated dry-bulk barge and tug units carry coal from New Orleans to the Florida utility and backhaul Florida limestone to an Alabama cement plant. The second partnership consists of one offshore integrated dry-bulk barge and tug unit engaged in spot market trade.



Ron Bagwell, Tankerman-LAREDO.

Ron is responsible for the loading and unloading of bulk liquid petroleum commodities into Kirby Inland Marine's barges. Ron must have an in-depth knowledge of the fittings, pumping capabilities, capacity and physical characteristics of each barge, as well as all relevant OSHA, DOT, EPA and local regulations.

KIRBY

Kirby Diesel Repair has the largest service area of any diesel repair company, encompassing the United States, Alaska and parts of the Caribbean and Pacific Rim. This nationwide presence and Kirby's reputation for quality have resulted in a steadily increasing share of the diesel engine support market.

Kirby Diesel Repair provides service and replacement parts for large, medium-speed diesel engines through three operating subsidiaries: Engines Systems, Inc., Marine Systems, Inc. and Rail Systems, Inc. Kirby is known for both its complete in-house shop operations and

its ability to perform expedient repairs in the field. Teams of Kirby project engineers and mechanics travel all over the world to provide critical in-place services. In response to customer needs, Kirby Diesel Repair can quickly dispatch highly skilled repair teams with state-of-the-art portable equipment capable of completing repairs including in-place machining, block welding, milling and line boring.

Through its three subsidiaries, Kirby Diesel Repair has seven service facilities employing over 130 project engineers and mechanics. The three operating subsidiaries sell genuine replacement parts, provide service mechanics or technicians to overhaul and repair engines and rebuild component parts or entire engines.

Engine Systems, Inc. is the authorized distributor for the Electro-Motive Division ("EMD") of General Motors in 17 eastern states and the Caribbean. Engine Systems is also the exclusive worldwide distributor of EMD products to the nuclear industry.

Marine Systems, Inc. serves as a non-exclusive service provider for EMD with service locations on the Gulf Coast in the Midwest and on the West Coast.

Chad Dupuis, Field Mechanic, Houma, Louisiana. *Chad is part of a team of Kirby diesel repair specialists that travel all over the world to perform critical troubleshooting, engine repairs or complete engine overhauls, as well as in-place machining, in-place block welding or in-*



DIESEL REPAIR

The Largest Service Area of any Diesel Repair Company in the United States

Rail Systems, Inc. serves as the exclusive EMD distributor for the shortline and industrial railroads within the continental United States.

Kirby Diesel Repair has enjoyed a 30-year relationship with EMD. As the only nationwide EMD service provider, Kirby is able to offer single source diesel repair services to companies with a large fleet of EMD diesel engines, such as inland and offshore towing companies, offshore well service companies, international fishing fleets, shortline and industrial railroads, power generation companies and

the nuclear power industry. This unique market position allows Kirby to pursue exclusive service contracts with these large companies and operators.

1998 was a record year for Kirby Diesel Repair for both revenues and operating income. The strong United States economy and Kirby Diesel Repair's ability to continue to attract a growing overall market share supported the record revenues and operating income.

KIRBY DIESEL REPAIR STATEMENTS OF EARNINGS (In thousands)		
For the years ended December 31,	1997	1998
Revenues:		
Diesel repair and parts sales	\$ 79,136	\$ 82,241
Costs and expenses:		
Costs of sales and operating expenses	59,074	60,390
Selling, general and administrative	12,659	12,652
Taxes, other than on income	234	232
Depreciation and amortization	980	917
	72,947	74,191
Operating income	6,189	8,050
Other income (expenses)	9	(17)
Interest expense and allocated interest expense	(1,078)	(950)
Earnings before taxes on income	\$ 5,120	\$ 7,083
The statements of earnings are presented net of certain intercompany transactions and include allocated parent company interest expense.		

Kerry Foret, Shop Mechanic, Houma, Louisiana. Kerry works on in-shop inspection, repair, rebuilding and overhaul of diesel engine components. He has received extensive training on General Motors EMD diesel engines. In a typical engine component rebuild, he will check and, if necessary, requalify numerous components to original equipment manufacturers' specifications.



OFFICERS

Kirby Corporation

George A. Peterkin, Jr.,
Chairman of the
Board of Directors

J. H. Pyne,
President and
Chief Executive Officer

Norman W. Nolen,
Senior Vice President,
Treasurer and Chief
Financial Officer

G. Stephen Holcomb,
Vice President and
Controller

Thomas G. Adler,
Secretary

Kirby Marine Transportation Corporation

J. H. Pyne,
President

Norman W. Nolen,
Vice President

Mark R. Buese,
Vice President –
Administration

Jack M. Sims,
Vice President –
Human Resources

William P. Wilson,
Vice President –
Accounting

Kirby Inland Marine

Ronald C. Dansby,
President – Inland Division

[Kirby Inland Marine, Inc.](#)
William G. Ivey,
Executive Vice President

Mel R. Jodeit,
Vice President and
General Manager

Dennis A. Kirkonis,
Vice President and
General Manager

Scott E. Mickey,
Vice President and
General Manager – Logistics

John W. Sansing, Jr.,
Vice President and
General Manager – Maintenance

David L. Shaw,
Vice President and
General Manager – Operations

Carl R. Whitlatch,
Vice President and Controller

[Kirby Logistics Management](#)

William C. Rich,
General Manager

[Western Towing Company](#)

Robert D. Goolsby,
Vice President and
General Manager

Kirby Offshore

J. H. Pyne,
President

[Dixie Carriers, Inc.](#)
Kenneth C. Bush,
Executive Vice President

Thomas J. Johnson,
Vice President – Marketing

Kirby Diesel Repair

Dorman L. Strahan,
President

John A. Manno,
Vice President

[Engine Systems, Inc.](#)

P. Scott Mangan,
Vice President – Sales and Service

[Marine Systems, Inc.](#)

Lynn A. Ahlemeyer,
Vice President and
General Manager

[Rail Systems, Inc.](#)

L. Michael Clavio,
General Manager

AND DIRECTORS



George F. Clements, Jr., 73, is an independent oil and gas producer and private investor. He has served as a Director since 1985, chairs the Audit Committee and serves on the Compensation Committee. Mr. Clements has decided not to stand for reelection as a Director at the April 20, 1999, annual meeting.



C. Sean Day, 49, served as President and Chief Executive Officer of Navios Corporation, a foreign flag bulk vessels operator, until February 28, 1999. He has served as a Director since January 1996 and serves on the Audit Committee and Strategic Planning Committee. He is also a director of TeeKay Shipping Corporation and Sparkling Springs Water Group.



Bob G. Gower, 61, is Chairman and Chief Executive Officer of Specified Fuels & Chemicals, L.L.C., a custom processor of specialty chemicals and manufacturer of reference fuels. From 1988 to 1997, he served first as President and then as Chairman of Lyondell Petrochemical Company. He has served as a Director since January 1998 and serves on the Audit Committee.



William M. Lamont, Jr., 50, is a private investor. He has served as a Director since 1979 and chairs the Compensation Committee. He also serves on the Executive Committee and Committee on Directors and Board Governance.



George A. Peterkin, Jr., 71, is Chairman of the Board of Kirby. He has served as a Director since 1973, as President from 1973 to 1995, and serves on the Executive Committee, Committee on Directors and Board Governance and Strategic Planning Committee. He also served as President of Kirby's predecessor company, Kirby Industries, Inc., from 1973 to 1976 and as a director of Industries from 1969 to 1976.



J. H. Pyne, 51, is President and Chief Executive Officer of Kirby. He has served as a Director since 1988, as Executive Vice President from 1992 to 1995 and as President of Kirby Inland Marine, Inc. since 1984. He also serves on the Executive Committee, Committee on Directors and Board Governance and Strategic Planning Committee.



Robert G. Stone, Jr., 75, is a private investor. He has served as Chairman Emeritus since 1995 and served as Chairman of the Board from 1983 to 1995. He chairs the Committee on Directors and Board Governance and serves on the Compensation Committee, Executive Committee and Strategic Planning Committee. He is also a director of Core Industries Inc., NovaCare, Inc., Russell Reynolds Associates, Inc. and Tejas Gas Corporation.



Thomas M. Taylor, 56, is President of Thomas M. Taylor & Co. He has served as a Director since January 1996 and serves on the Compensation Committee, Committee on Directors and Board Governance and Strategic Planning Committee. He is also a director of Agrium, Inc., Encal Energy Ltd., The Loewen Group, Inc., MacMillan Bloedel Limited, Meditrust Corporation, Moore Corporation Limited and John Wiley & Sons, Inc.



J. Virgil Waggoner, 71, is a private investor. He served as President and Chief Executive Officer of Sterling Chemicals, Inc. from 1986 to 1996. He has served as a Director since 1993 and serves on the Audit Committee and Compensation Committee. He is also a director of Gulfwest Oil Company.



Advisory Director

Henry Gilchrist, 74, is an attorney and senior shareholder in the law firm of Jenkins & Gilchrist, a Professional Corporation. He was elected by the Board in 1987 to serve as an Advisory Director. He served as a Director from 1976 to 1987 and as Secretary and General Counsel from 1976 to 1997.

OPERATING LOCATIONS

Kirby Corporation

1775 St. James Place, Suite 200
P. O. Box 1745
Houston, Texas 77251-1745
713/435-1000
Fax: 713/435-1010

Kirby Inland Marine

Kirby Inland Marine, Inc.

1775 St. James Place, Suite 300
P. O. Box 1537
Houston, Texas 77251-1537
713/435-1000
Fax: 713/435-1453

18350 Market Street
Channelview, Texas 77530
713/435-1600
Fax: 713/435-1616

7747 Tom Drive
Baton Rouge, Louisiana 70806
225/926-4711
Fax: 225/927-4917

716 Highway 1 North
P. O. Box 5758
Greenville, Mississippi 38704
601/378-9100
Fax: 601/335-2903

Western Towing Company

18350 Market Street
Channelview, Texas 77530
713/435-1800
Fax: 713/435-1818

Kirby Logistics Management

18350 Market Street
Channelview, Texas 77530
713/435-1950
Fax: 713/435-1951

Dixie Carriers, Inc.

Dixie Fuels Limited Dixie Fuels II, Limited

1775 St. James Place, Suite 200
P. O. Box 1537
Houston, Texas 77251-1537
713/435-1000
Fax: 713/435-1149

333 W. P. A. Road
Belle Chasse, Louisiana 70037
504/392-7800
Fax: 504/391-2295

Kirby Diesel Repair

Engine Systems, Inc.

1220 S. Washington Street
P. O. Box 1928
Rocky Mount, N. Carolina 27802
252/977-2720
Fax: 252/446-3830

1401 Precon Drive
Suite 106
Chesapeake, Virginia 23320
757/543-3000
Fax: 757/543-1595

11801 N.W. 100th Road
Suite 11
Medley, Florida 33178
305/885-5575
Fax: 305/885-6422

Marine Systems, Inc.

Gulf Coast:
116 Capital Boulevard
Houma, Louisiana 70360
504/223-7100
Fax: 504/872-5302

Midwest:
3880 Industrial Drive
Paducah, Kentucky 42001
502/443-8900
Fax: 502/443-8902

West Coast:
950 N. W. Leary Way
Seattle, Washington 98107
206/784-3302
Fax: 206/784-3358

Rail Systems, Inc.

114 Capital Boulevard
Houma, Louisiana 70360
504/223-7300
Fax: 504/223-7333

SHAREHOLDER INFORMATION

Annual Meeting

The 1999 annual meeting of stockholders will be held on Tuesday, April 20, 1999, at the Sheraton Luxury Collection Hotel, 1919 Briar Oaks Lane, Houston, Texas. The meeting will convene at 10:00 a.m.

Corporate Headquarters

1775 St. James Place, Suite 200
P. O. Box 1745
Houston, Texas 77251-1745
713/435-1000
Fax: 713/435-1010

Transfer Agent

BankBoston, N.A.
c/o EquiServe, LP
P.O. Box 8040
Boston, Massachusetts 02266-8040
781/575-3400
Fax: 781/828-8813
Internet: <http://www.equiserve.com>

Shareholder Inquiries

Inquiries regarding stock transfers (including name changes, gifts and inheritances), duplicate mailings, lost stock certificates and address changes should be directed to the Transfer Agent. All other inquiries should be addressed to G. Stephen Holcomb at Kirby's corporate headquarters.

Auditors

KPMG LLP
700 Louisiana, Suite 3000
Houston, Texas 77002

Exchange Information

Kirby's common stock is traded on the New York Stock Exchange under the symbol "KEX." As of March 1, 1999, there were 20,141,894 common shares outstanding, held by approximately 1,350 shareholders of record.

Common Stock Market Price

	1997		1998	
	Sales Price		Sales Price	
	High	Low	High	Low
1st Quarter	\$19 ³ / ₄	\$17	\$24 ¹¹ / ₄	\$19 ¹ / ₄
2nd Quarter	\$19 ⁷ / ₄	\$16 ³ / ₄	\$25 ¹¹ / ₄	\$21 ¹ / ₄
3rd Quarter	\$20 ⁵ / ₄	\$18 ¹ / ₄	\$25 ¹¹ / ₄	\$20
4th Quarter	\$21 ¹ / ₄	\$17 ⁷ / ₄	\$21 ⁹ / ₄	\$17 ¹ / ₄

January 1 to
March 1, 1999 \$20 \$16³/₄

Form 10-K

Additional copies of Kirby's 1998 Annual Report filed with the Securities and Exchange Commission on Form 10-K (which report is incorporated in the Annual Report) may be obtained without charge upon written request. All such requests should be directed to the attention of G. Stephen Holcomb at Kirby's corporate headquarters.

Internet Access

Corporate news releases, Forms 10-K and 10-Q, the Annual Report and other information about Kirby are available through Kirby's website on the Internet. It may be accessed as follows:
<http://www.kmtc.com>



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Houston, Texas 77251-1745
713/435-1000
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*Cover: The BRONWYNNE BRENT, a 5200 horsepower towboat, pushes a 13
tank barge linehaul string up the Mississippi River south of Memphis.*