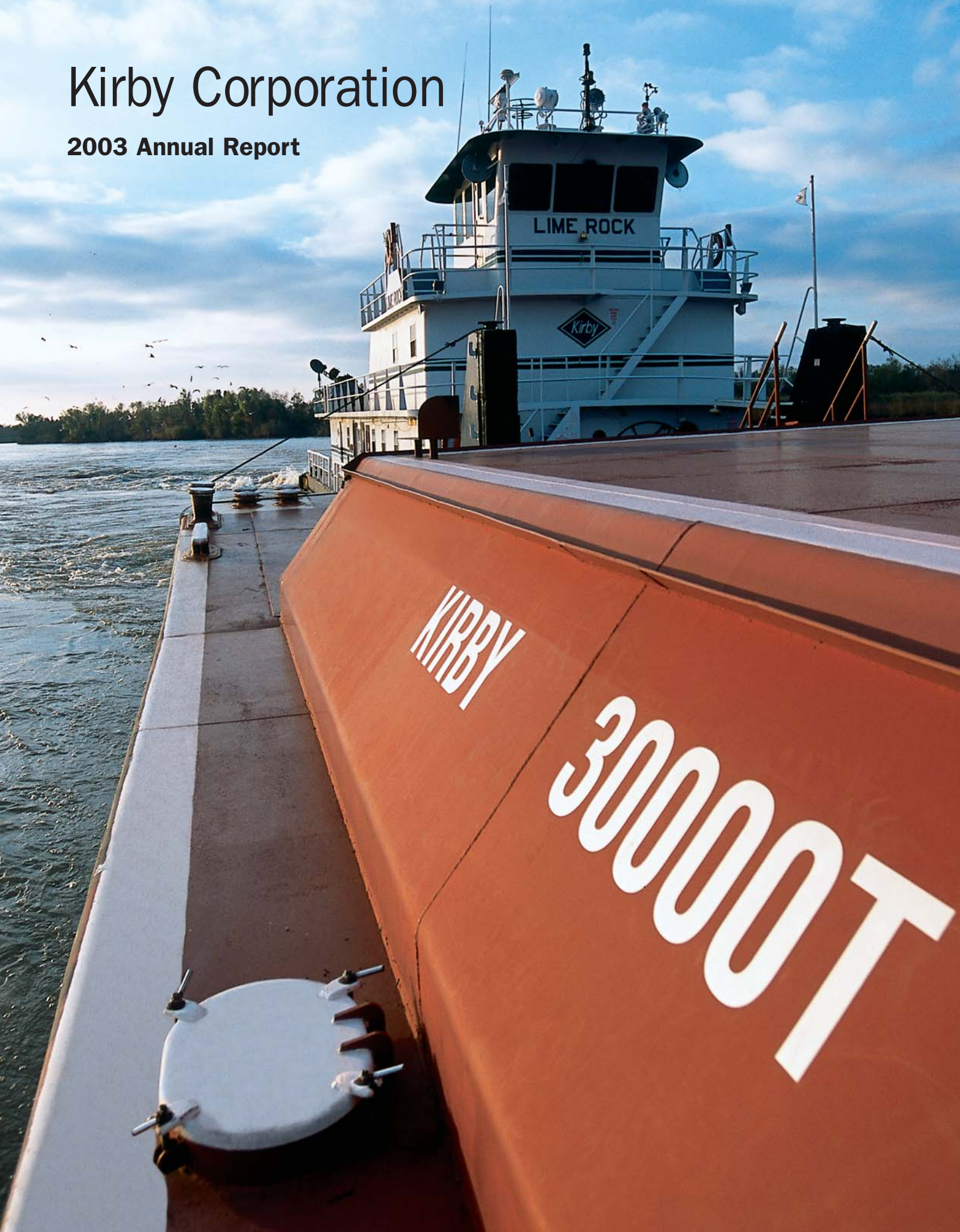
Kirby Corporation

2003 Annual Report



2003 – Quarterly Review

(In thousands, except per share amounts) (Unaudited)

First Quarter

	2003	2002	Change
Net earnings	$ 6,868	$ 8,808	(22)%
Earnings per share	$ .28	$ .36	(22)%
EBITDA	$26,763	$29,235	(8)%

- Petrochemical and black oil markets modestly stronger
- Midwest refined products and liquid fertilizer markets weak
- Results negatively impacted by higher fuel prices, weather delays and a lock repair on Gulf Intracoastal Waterway

Second Quarter

	2003	2002	Change
Net earnings	$11,789	$ 8,756	35%
Earnings per share	$ .48	$ .36	33%
EBITDA	$35,776	$28,985	23%

- Petrochemical market modestly improved
- Black oil market strong
- Refined products market strong due to low Midwest inventories and market pricing differentials
- Liquid fertilizer market weak as high natural gas prices curtailed U.S. production

Third Quarter

	2003	2002	Change
Net earnings	$11,211	$11,957	(6)%
Earnings per share	$ .46	$ .49	(6)%
EBITDA	$35,212	$33,490	5%

- Petrochemical market stable
- Black oil and refined products markets firm
- Liquid fertilizer market still weak due to continued curtailment of U.S. production

Fourth Quarter

	2003	2002*	Change
Net earnings (loss)	$11,050	$ (2,075)	633%
Earnings (loss) per share	$ .45	$ (.09)	600%
EBITDA	$36,202	$12,830	182%

- Petrochemical market slightly improved primarily due to gasoline additives
- Black oil market slow, the result of weak Midwest asphalt and residual fuel demand
- Refined products market unseasonably strong
- Liquid fertilizer market strong due to imports

* Includes non-cash impairment charges of $18,933,000, $12,498,000 after taxes, or $.52 per share.

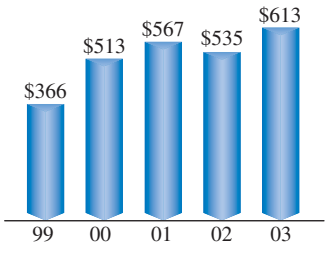
Statements made in this Annual Report with respect to the future are forward-looking statements. These statements reflect Management's reasonable judgment with respect to future events. Forward-looking statements involve risks and uncertainties. Actual results could differ materially from those anticipated as a result of various factors. A list of these factors can be found in Kirby's Annual Report on Form 10-K for the year ended December 31, 2003, included in this Annual Report and filed with the Securities and Exchange Commission.

Cover: The *M/V Lime Rock*, a Kirby Inland Marine 1800 horsepower towboat, pushes a loaded 30,000 barrel inland tank barge along the Gulf Intracoastal Waterway.

Financial Highlights:

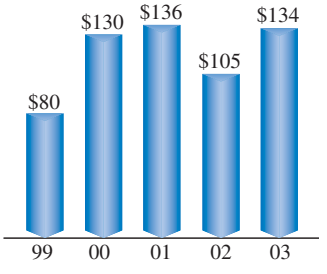
(In thousands, except per share amounts)	For the years ended December 31, 2003	2002	2001	2000	1999
Revenues:					
Marine transportation	**$ 530,411**	$ 450,280	$ 481,283	$ 443,203	$ 290,956
Diesel engine services	**83,063**	85,123	85,601	69,441	74,648
	$ 613,474	$ 535,403	$ 566,884	$ 512,644	$ 365,604
Net earnings	**$ 40,918**	$ 27,446	$ 39,603	$ 34,113	$ 21,441
Net earnings per share (diluted)	**$ 1.67**	$ 1.13	$ 1.63	$ 1.39	$ 1.01
Weighted average shares outstanding (diluted)	**24,506**	24,394	24,270	24,566	21,293
Earnings before interest, taxes, depreciation and amortization (EBITDA):*					
Net earnings	**$ 40,918**	$ 27,446	$ 39,603	$ 34,113	$ 21,441
Interest expense	**14,628**	13,540	19,038	23,917	12,838
Provision for taxes on income	**25,079**	18,047	27,523	23,699	13,951
Depreciation and amortization	**53,328**	45,507	50,244	48,204	31,278
EBITDA	**$ 133,953**	$ 104,540	$ 136,408	$ 129,933	$ 79,508
Property and equipment, net	**$ 536,512**	$ 486,852	$ 466,239	$ 453,807	$ 451,851
Total assets	**$ 854,961**	$ 791,758	$ 752,435	$ 746,541	$ 753,397
Long-term debt, including current portion	**$ 255,265**	$ 266,001	$ 249,737	$ 293,372	$ 321,607
Stockholders' equity	**$ 372,132**	$ 323,311	$ 301,022	$ 262,649	$ 240,036

Revenues
(In millions)



Earnings Per Share After Adjustments**

EBITDA*
(In millions)



Net earnings and earnings per share after adjustments**

(In thousands, except per share amounts)	For the years ended December 31, 2003	2002	2001	2000	1999
Net earnings	**$ 40,918**	$ 27,446	$ 39,603	$ 34,113	$ 21,441
Adjustments, net of taxes:					
Impairment of assets	**—**	12,498	—	—	692
Amortization of goodwill expense	**—**	—	6,253	5,844	1,660
Merger related charges	**—**	—	—	130	2,912
Net earnings after adjustments	**$ 40,918**	$ 39,944	$ 45,856	$ 40,087	$ 26,705
Net earnings per share (diluted)	**$ 1.67**	$ 1.13	$ 1.63	$ 1.39	$ 1.01
Adjustments, net of taxes	**—**	.51	.26	.24	.24
Net earnings per share after adjustments (diluted)	**$ 1.67**	$ 1.64	$ 1.89	$ 1.63	$ 1.25

* EBITDA, defined as net earnings before interest expense, taxes on income, depreciation and amortization, is a non-GAAP financial measure used by Kirby because of its wide acceptance as a measure of operating profitability before nonoperating expenses (interest and taxes) and noncash charges (depreciation and amortization).

** Net earnings and earnings per share after adjustments are non-GAAP financial measures used by Kirby that exclude non-recurring adjustments in order to present a measure of net earnings that facilitates a comparison of results from one period to results from another period on a more consistent basis, since the non-recurring items are materially different in nature and amount from one period to another. The adjustments generally represent items that are outside normal business operations and are therefore difficult to predict for future periods.

To Our Shareholders

Berdon Lawrence, *Chairman* Joe Pyne, *President*

In 2003, Kirby reported record revenues and the second highest net earnings and EBITDA in its history. These results were achieved despite continued sluggish U.S. and global economies, which continued to negatively impact petrochemical volumes, our core marine transportation market.

Three significant strategic acquisitions played a key role in achieving our 2003 results. In January 2003, Kirby purchased the fleet of SeaRiver Maritime, Inc., the U.S. marine transportation affiliate of Exxon Mobil Corporation. The $35.6 million purchase added 48 double hull tank barges and seven towboats to Kirby's fleet. As part of the transaction, we also assumed the leases on 16 double hull tank barges and entered into a long-term contract with SeaRiver.

The second acquisition was the October 2002 purchase of ten double hull black oil tank barges and 13 towboats from Coastal Towing, Inc. for $18.9 million, with the impact of the acquisition fully realized in 2003. Kirby also signed a barge management agreement for Coastal's remaining 54 black oil barges.

The third acquisition was the December 2002 purchase of 94 double hull tank barges from Union Carbide for $23 million. We had been leasing the tank barges since 2001. Nine of the 94 tank barges were out-of-service and eventually sold. The 85 remaining barges now service our Dow Chemical contract, as well as other customers' requirements.

For 2003, Kirby reported earnings of $40.9 million and earnings per share of $1.67 on revenues of $613.5 million. This compares favorably with 2002 earnings of $27.4 million and earnings per share of $1.13 on revenues of $535.4 million. The 2002 results included after-tax impairment charges primarily on single hull tank barges of $12.5 million, or $.51 per share. EBITDA for 2003 was $134 million compared with $104.5 million for 2002, including the pre-tax impairment charges of $18.9 million.

Kirby's cash generation remained strong in 2003, with net cash provided by operations totaling $112.2 million. After the SeaRiver acquisition in January, our debt reached $297 million. By year-end, we had lowered our debt to $255 million, a reduction of $42 million. During 2003, our cash flow was also used for capital expenditures of $72.4 million, including $23.9 million for new tank barge construction and a $5.6 million contribution to our defined benefit pension plan. Even with the capital expenditures, our debt-to-capitalization ratio was down to 40.7% as of December 31, 2003, versus 45.1% at year-end 2002.

Even though our financial results were favorable, 2003 was still a challenging year with only marginal cargo volume improvements seen in several of our marine transportation markets. As a result, we remained unable to pass through to our customers the true cost increases that we have incurred over the past three years. Also, the required accounting treatment of the Coastal transaction reduced our 2003 margin by an estimated 1%, as we recognize 100% of the revenues and certain expenses of the Coastal managed black oil barges, but record only our portion of the profits. This contributed to about one-half of our marine transportation operating margin decline to 14.6% in 2003 versus 16.6% in 2002, and versus 18.4% in 2001 when equipment utilization was much stronger.

For 2003, Kirby's diesel engine services sector's revenues, operating income and operating margin fell to a three-year low. The sector reported operating income of $7.9 million on revenues of $83.1 million for an operating margin of 9.5%. These lower results reflect a continued weak Gulf Coast offshore oil service market, a market depressed since mid-2001, and a weak Midwest inland dry cargo barge market, weak since early 2002.

Although 2003 was a difficult year, Kirby remains in great financial shape. Our investment grade rating and our $150 million revolving credit facility position us to continue to grow through acquisitions.

Our focus this year will be on improving our earnings, operating margins and return on invested capital, as well as seeking acquisition opportunities. We believe that the worst is over with respect to the economy. Our

customers have suffered from weak demand and high feedstock prices. Although natural gas and crude oil prices remain high, the consensus from our customers is that their businesses are improving and volumes will continue the trend up during 2004. As their business improves, so should Kirby's.

Improved earnings, operating margins and returns will be partly led by higher volumes and some improvement in pricing, but will also be pushed by continued hard work on managing costs, working efficiently and managing our capital. We intend to continue to implement new and improved management information systems which help us to be even more efficient. During 2004 we will also continue to look relentlessly for opportunities to continue to reduce costs.

In February, we took advantage of favorable conditions in the private placement market with the issuance of $250 million of floating rate ten-year senior notes, at an interest rate equal to LIBOR plus 1.2%, callable at par after one year without penalty. A key provision of the private placement is that no principal payments are required on the senior notes until 2013. Proceeds from the private placement were used to pay off existing bank debt. In September, we took advantage of favorable interest rates and extended interest rate hedges on $100 million of this long-term debt by locking in rates until 2013. The current effective rate on our hedged debt is 6.84%. This rate holds until 2006 and drops to 6.65% thereafter, until 2013. Also, in December, we amended our revolving credit facility by extending its maturity date until 2007 and added an accordion feature allowing the facility to be increased to $225 million without amending the facility.

We also are continuing to enhance Kirby's financial systems and financial process documentation to ensure strict compliance with Sarbanes-Oxley, Securities and Exchange Commission and New York Stock Exchange regulations. We believe it is critically important that Kirby fully complies with the intent of these new regulations so that we continue to reinforce the message that Kirby does it "by the book."

Our objective is to run Kirby so that we can provide services which meet or exceed our customers' expectations and requirements while providing superior investment returns to our shareholders. To accomplish this, we must continue to train afloat personnel in the skill sets to safely and efficiently operate our vessels. We must also fine-tune our management training plans to ensure that we have a management team properly trained and fully dedicated and competent to manage Kirby into the future. We also have implemented a tank barge replacement program to ensure that we continue to have top quality tank barges and towboats that are necessary to provide the first-class service that our customers expect.

The theme of our 2003 annual report is the crucial role that inland waterways play in our nation's economy. There are over 12,000 miles of navigable waterways in the U.S., the vast majority connecting America's heartland with the world. More than one-sixth of the nation's total volume of intercity cargo is transported on these inland waterways; this translates to more than 700 million tons of product with a value in excess of $75 billion.

There is a strong correlation between our ability to move cargoes along the inland waterways and the health of the U.S. economy. In fact, without our inland waterways, commerce would be severely crippled as the number of trucks and railcars required to move the cargo now moved by barges would clog traffic in every city as well as rail lines across the country.

Kirby is a member of a new advocacy group, Waterways Council, Inc., consisting of over 250 waterway carriers, shippers, port authorities and shipping associations, working in combination with the American Waterway Operators. The Waterways Council has been successful in promoting the maintenance and improvement of America's ports and inland waterways and is currently chaired by Kirby's Chairman, Berdon Lawrence. This new advocacy group positions the inland barge industry well by carrying the message concerning the importance of the U.S. inland waterways system.

As we enter 2004, we wish to thank the entire Kirby team for the contributions each of you made during 2003. To the vessel employees who spend weeks at a time on our towboats ensuring that products are delivered safely and efficiently, to our mechanics, machinists and engineers, and to our shoreside and office staff who provide essential support and services, we thank all of you for your effort and commitment. We also wish to thank our Board of Directors for their continuing guidance and wisdom in an era when such guidance is critical to the long-term success of Kirby.

As we look ahead, we remain cautiously optimistic about an improved 2004 market for both our marine transportation and diesel engine services. Kirby is in excellent financial condition and poised to take advantage of an economic recovery.

Respectfully submitted,

C. Berdon Lawrence
Chairman of the Board

Joseph H. Pyne
President and Chief Executive Officer

Houston, Texas
March 5, 2004

Marine Transportation

Kirby Inland Marine, LP

Services Offered

- Kirby transports petrochemicals, black oil products, refined petroleum products and agricultural chemicals for a blue chip customer base.
- Offers distribution services throughout the Mississippi River System and Gulf Intracoastal Waterway.

Strengths

- Fleet consists of 886 inland tank barges, with 16.2 million barrels of liquid cargo capacity, and 229 inland towboats.
- Kirby is the largest transporter of bulk liquid products on the Mississippi River System and Gulf Intracoastal Waterway.
- Kirby's tank barge fleet represents approximately 33% of U.S. inland tank barges.
- Approximately 70% of business is under term contracts, 30% spot market.
- Kirby's fleet size and diversity allow for better asset utilization and lower incremental costs.
- Experienced management team with a record of success.
- Supports the statement, "Safety is our franchise to operate." This message is supported by an ongoing comprehensive training program.
- Water is a more energy-efficient method of moving bulk materials than rail and trucks. A two barge 60,000 barrel tow has the cargo equivalent of 80 railcars or 300 trucks.
- One gallon of fuel can move one ton of freight 522 miles by tank barge, compared to 403 miles by rail and 80 miles by truck.
- Marine transportation is environmentally friendly, as trains produce 3.5 times and trucks 19 times as much oxides of nitrogen. Oxides of nitrogen produce smog.

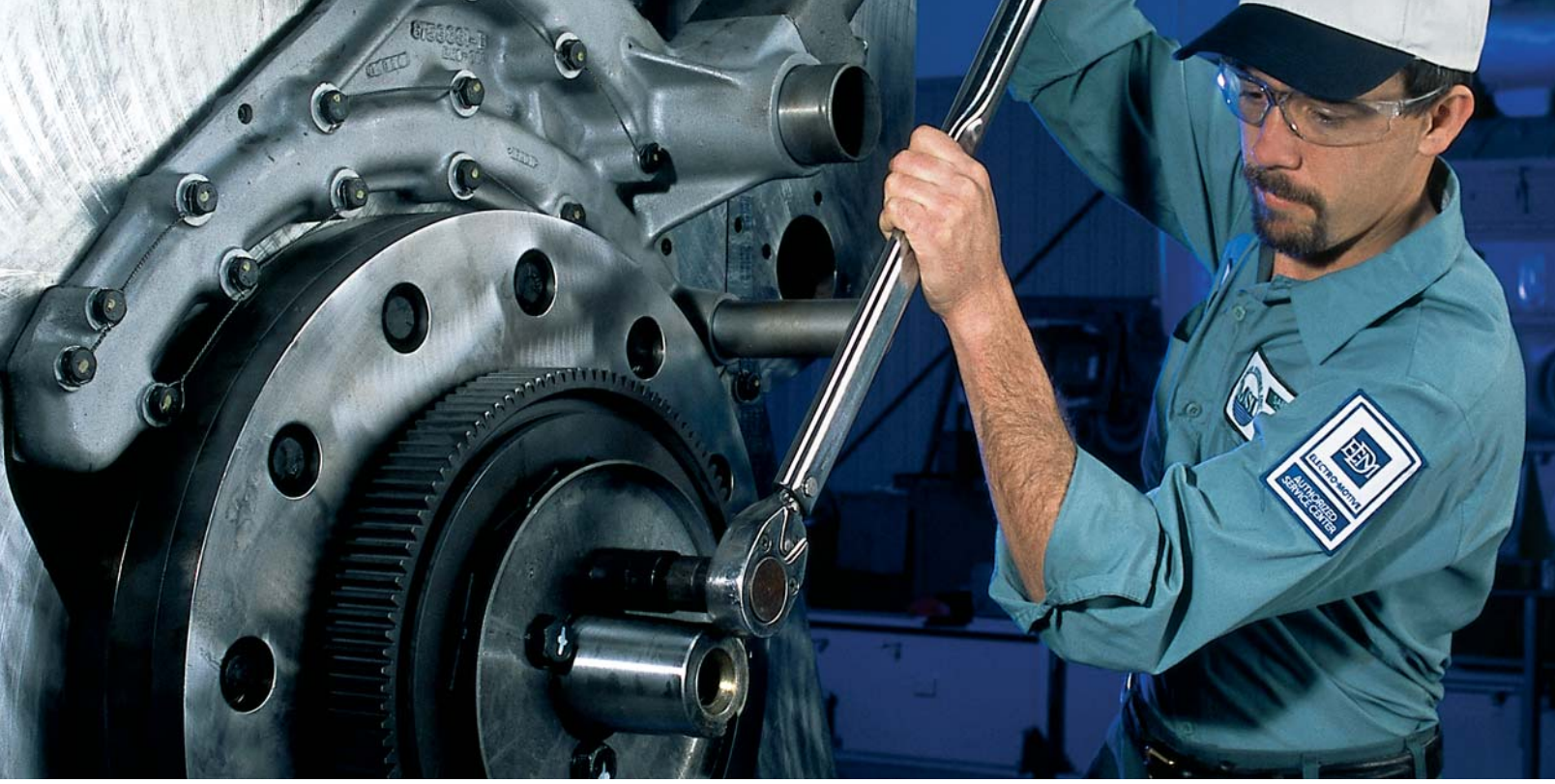
Tank Barge Fleet (Active)	
Petrochemical/ Refined products	708
Pressure	64
Black oil	99
Anhydrous ammonia	12
Specialty	3
Total	**886**
Total Barrel Capacity	**16.2 MM**

Towboat Fleet (Active)	
Less than 800 hp	2
800–1300 hp	113
1400–1900 hp	75
2000–2400 hp	4
2500–3200 hp	14
3300–4900 hp	11
5200 hp and greater	3
Spot charters	7
Total	**229**

Markets

- **Petrochemical**: Contributed 68% of 2003 marine transportation revenue. Products transported include benzene, styrene, acrylonitrile, caustic soda, pressurized products, gasoline additives and other products.
- **Black Oil Products**: Contributed 16% of 2003 marine transportation revenue. Products transported include asphalt, residual oil, coker feedstocks, boiler fuel, crude oil and ship bunkers.
- **Refined Petroleum Products**: Contributed 11% of 2003 marine transportation revenue. Products transported include gasoline blends, diesel fuel, heating oil and jet fuel.
- **Agricultural Chemicals**: Contributed 5% of 2003 marine transportation revenue. Products transported include anhydrous ammonia, nitrogen-based liquid fertilizer and industrial ammonia.

Above: *Larry Hedge, Captain of the* M/V Lime Rock, *pilots a three barge tow along the Gulf Intracoastal Waterway. Captain Hedge has 30 years of experience on inland towboats.*



Diesel Engine Services

Kirby Engine Systems, Inc.

Services Offered

- Kirby is the recognized leader in both in-house and in-field servicing and rebuilding of large medium-speed diesel engines and reduction gears.
- Provides a service that is essential to the day-to-day operations of engines to three distinct markets: marine, power generation and industrial, and railroad applications.
- Largest service area of any medium-speed diesel engine service company, including the entire U.S. and parts of the Caribbean.
- In-house service provided through seven strategic locations across the U.S.
- Worldwide in-field service to meet customers' immediate needs.
- Original Equipment Manufacturers (OEM) replacement parts provided, as well as refurbished or rebuilt parts completed in strict compliance with the latest factory specifications.

Strengths

- Key to Kirby's success is the long-term distributorships and authorized service center relationships with manufacturers of large medium-speed diesel engines and reduction gears.
- Employs 110 factory-trained and authorized project engineers, mechanics and machinists.

Markets

- **Marine**: Contributed 58% of 2003 diesel engine services revenue. Provides service and parts for engines and reduction gears used by inland and offshore towing vessels, harbor tugboats, offshore oil service vessels, oil and gas drilling rigs, commercial fishing fleets, dredging vessels, commercial ferries and U.S. Government vessels.
- **Power Generation and Industrial**: Contributed 23% of 2003 diesel engine services revenue. Provides service and parts for engines used for standby power generation and nuclear industries, and services reduction gears for cement, chemical, paper and mining industries.
- **Railroad**: Contributed 19% of 2003 diesel engine services revenue. Provides service and parts to shortline and industrial railroads, and certain transit and Class II railroads.

Service Locations	Distributorships
Houma, LA (2)	Electro-Motive Division of General Motors
Rocky Mount, NC	ALCO
Chesapeake, VA	Cooper Energy Services
Paducah, KY	Falk Corporation
Seattle, WA	Ingersoll-Rand
Medley, FL	Woodward Governor

Above: *Luke Navarre, a field service mechanic from Houma, Louisiana, works on a gear damper fitted to a 3000 horsepower EMD diesel engine.*

What Drives the Demand for Kirby Inland Marine's Transportation Services?

Every day, literally hundreds of different products are moved along the U.S. inland waterways. From coal and grain products carried in dry cargo barges to petrochemicals carried in tank barges, $75 billion worth of product is transported along the U.S. inland waterways each year.

Kirby Inland Marine focuses on four of these product categories: petrochemicals, black oil products, refined products and agricultural chemicals. The continued demand for these products drives Kirby's business.

Petrochemicals make up the largest percentage of Kirby Inland Marine's business, accounting for 68% of 2003 revenue. Included in this market are bulk liquid petrochemicals such as styrene, methanol, xylene and acrylonitrile that are used in the manufacture of a wide variety of products, including plastics, fibers and paper. The major drivers for the use of the manufactured products are housing, autos, consumer goods and clothing. Gasoline additives are also included in this market.

The second largest category of products in the Kirby Inland Marine product mix is black oil products. These products provided 16% of 2003 revenue. Products include asphalt, No. 6 fuel oil, coker feedstocks, residual fuel, crude oil and ship bunkers (ship engine fuel). The drivers for these products are road construction, power plants, refineries and ships.

Refined petroleum products, including gasoline blends, jet fuel, No. 2 oil, heating oil and diesel fuel, represent the third category of products carried in Kirby Inland Marine tank barges. These types of products provided 11% of 2003 revenues and are driven by vehicle usage, air travel and weather conditions.

Liquid fertilizers, including anhydrous ammonia and nitrogen-based

End Uses of Products Transported by Kirby

2003 Revenue Distribution	Products Moved	Uses of Products Moved	Drivers
68%	Petrochemicals	Plastics, Fibers, Paper, Gasoline Additives	Housing, Consumer Goods, Autos, Clothing, Vehicle Usages
16%	Black Oil Products	Asphalt, Boiler Fuel, No. 6 Fuel Oil, Coker Feedstocks, Residual Fuel, Crude Oil, Ship Bunkers	Road Construction, Feedstock for Refineries, Fuel for Power Plants and Ships
11%	Refined Petroleum Products	Gasoline Blends, No. 2 Oil, Jet Fuel, Heating Oil	Vehicle Usage, Air Travel, Weather Conditions
5%	Agricultural Chemicals	Liquid Fertilizers, Chemical Feedstocks	Corn, Cotton, Wheat Production

liquid fertilizer, make up the fourth and smallest category of revenue for Kirby Inland Marine. These products represented 5% of 2003 revenues and demand for these products is driven primarily by corn, cotton and wheat production.

Because of the size of the Kirby Inland Marine tank barge fleet (886 barges), Kirby is a major presence in each of these product categories, giving Kirby the flexibility to move a wide variety of products depending on specific demands.

Kirby Inland Marine
Statements of Operating Income (In thousands)

For the years ended December 31,	2003	2002	2001	2000	1999
Revenues:					
Marine transportation	$ 530,411	$ 450,280	$ 481,283	$ 443,203	$ 290,956
Costs and expenses:					
Costs of sales and operating expenses	332,600	269,838	286,641	262,725	175,118
Selling, general and administrative	57,271	52,967	54,070	47,149	32,207
Taxes, other than on income	12,824	10,548	11,211	9,908	8,228
Depreciation and amortization	50,442	42,332	40,677	39,705	26,534
	453,137	375,685	392,599	359,487	242,087
Operating income	$ 77,274	$ 74,595	$ 88,684	$ 83,716	$ 48,869
Operating margin	14.6%	16.6%	18.4%	18.9%	16.8%

1999-2001 adjusted to exclude goodwill amortization expense

Results of Operations – 2003

Kirby Inland Marine reported record revenue for 2003, reflecting the acquisition of Exxon Mobil Corporation's SeaRiver inland tank barge fleet in January 2003, and the October 2002 transaction with Coastal Towing, Inc. for the purchase of certain black oil tank barges and towboats and the management of Coastal's remaining black oil tank barge fleet.

Petrochemical volumes, excluding the added SeaRiver volumes, remained weak, with only a modest improvement over 2002, primarily from petrochemicals used as gasoline blending components. Black oil volumes of residual fuel were stronger during 2003, partially offset by reduced demand for asphalt. Refined products volumes were stronger during 2003, due primarily to low Midwest gasoline inventory levels, while agricultural chemical volumes were generally weak, primarily mirroring the Midwest farm belt economy.

The 2003 operating margin declined to 14.6% compared with 16.6% for 2002, with approximately 1% of the decline the result of the required accounting treatment of the Coastal transaction. Kirby recognizes 100% of the revenues of the Coastal tank barges managed by Kirby, but only recognizes Kirby's portion of the operating income. In addition, the lower 2003 operating margin reflected the continued inability, primarily the result of the sluggish U.S. economy, to pass through cost increases to Kirby's customers through contract rate renewals and spot market rates.

Above: *The* M/V Lime Rock *departs Chocolate Bayou, south of Houston, with a loaded petrochemical tow as the* M/V Walter S *prepares to dock to discharge cargo.*

The U.S. Inland Waterway System

The primary bulk cargo transportation modes in the U.S. are highways, rail lines, pipelines for liquid products and inland waterways. Because highways and rail lines are highly visible to the public, the critical role of the inland waterways is sometimes overlooked. Without the nation's navigable inland waterways, not only would the price of goods dramatically increase, but highways and rail lines would become even more congested. Without the inland waterways, pollution from trucks and rail would increase dramatically, and the price of gasoline at the pump would skyrocket.

Fortunately, there are over 12,000 miles of commercially navigable inland waterways in the U.S., supported by over 170 locks that allow towboats and barges to safely move products from location to location. While many different kinds of products are moved, the three primary products are petroleum products, coal and grains.

Petroleum-based products are the leading cargoes transported via the inland waterways. Over 1.1 billion barrels, or 180 million tons, of petroleum and crude oil, and 375 million barrels, or 60 million tons, of petrochemicals are transported annually. The value of these cargoes is estimated at $46 billion and the savings accrued by using inland waterways rather than overland modes is estimated at $3.3 billion. Coal is the second leading cargo transported, with 195 million tons shipped via the inland waterways annually. Grains and other farm products, with 90 million tons shipped annually via the inland waterway, are the third largest category of goods moved.

The total impact of the inland waterways cannot just be measured in dollars, as the monetary "value added" of the waterways is significant. Annually, more than one-sixth of the total volume of intercity cargo is moved across these inland waterways. This totals to more than 700 million tons of product valued at over $75 billion.

The best known of these inland waterways is of course the Mississippi River. The "Mighty Miss" and her tributaries, such as the Illinois, Ohio, Arkansas and Missouri Rivers, support the efficient transportation of large tows, some nearly 1,200 feet long.

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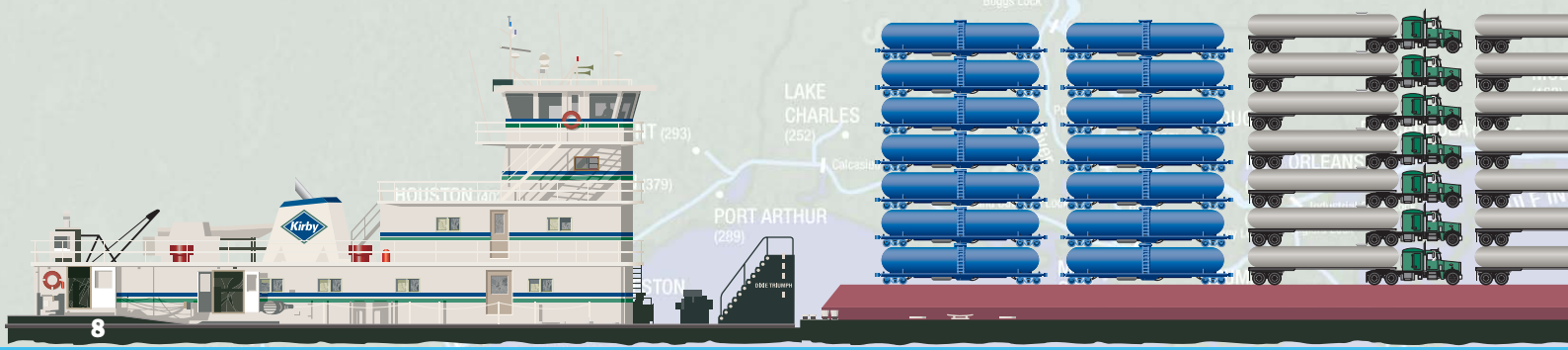
The Most Efficient Means of Shipping Liquid Cargoes

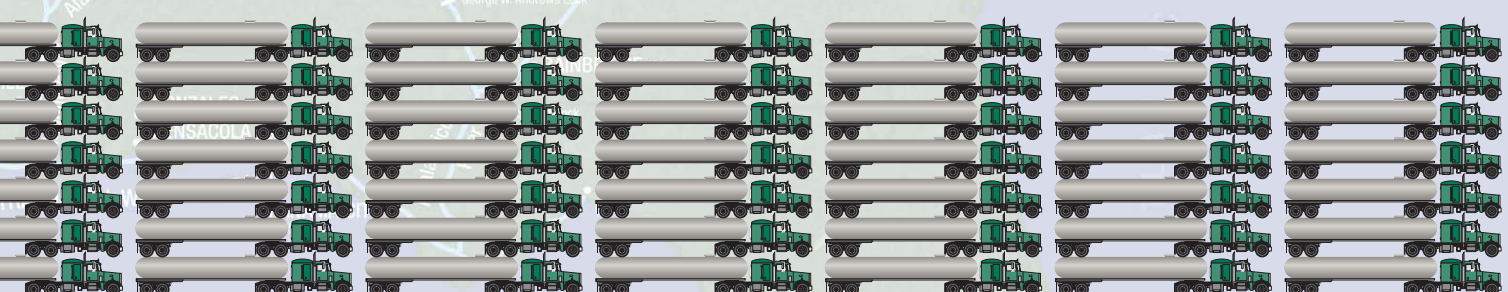
Every day, most U.S. citizens see trucks and trains carrying liquid cargoes. Many, however, do not have the opportunity to witness towboats and barges moving these same types of cargoes. As a result, most citizens are unaware that the tank barge is by far the most efficient, economical and environmentally safe method of transporting liquid cargoes.

If you live or travel near the Mississippi, the Ohio, or any of a number of other major waterways, you may see a towboat pushing a typical 30 barge tow. To move this same amount of cargo would require 450 railcars or a convoy of 1,740 tank trucks! Of course, not all "tows" contain 30 barges, but the efficiency of barge transportation always prevails. For example, to move the same amount of cargo as a smaller tow of two 30,000 barrel barges on the Gulf Intracoastal Waterway would require 80 railcars or 300 tank trucks.



Barges do not require highways to be built nor rail lines constructed, and they are very fuel-efficient. One gallon of fuel moves one ton of freight over 500 miles in a barge, but only 403 miles by rail and only 80 miles by truck. Simply stated, tank barges provide the most efficient, economical and environmentally safe method for moving liquid cargoes.

Above: *A Kirby Inland Marine towboat pushing two double hull 30,000 barrel tank barges navigates the Houston Ship Channel. The Port of Houston is ranked first in the U.S. in foreign waterborne commerce, second in total tonnage and sixth in the world. The skyline of downtown Houston is seen in the background. The Houston Ship Channel extends some 25 miles from Galveston Bay to Houston. The Houston Ship Channel is the home of Kirby's canal operations, as well as Kirby's maintenance, training and logistics management operations.*



Two 30,000 barrel barges = 80 rail cars = 300 trucks

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While the Mississippi, Illinois, Ohio, Arkansas and Missouri Rivers are well known, there is a lesser known but vital inland waterway, the Gulf Intracoastal Waterway. This man-made waterway, which was constructed between 1920 and 1949, stretches more than 1,300 miles from Brownsville, Texas, to Apalachicola, Florida. The value of cargoes shipped on the Gulf Intracoastal Waterway exceeds the value of cargoes shipped on any other segment of the system except the lower Mississippi. The Gulf Intracoastal Waterway provides for the safe and efficient transportation of products between petrochemical and refining facilities along the Texas and Louisiana Gulf Coast, and into the lower Mississippi River. Texas and Louisiana account for 80% of the total U.S. production of petrochemicals.

The three questions that are most often asked about the inland waterways are: who maintains them, who pays for them and are they environmentally safe?

The U.S. Army Corps of Engineers maintains the inland waterways. It is their mission to facilitate the safe, reliable and economically efficient movement of vessels and cargoes along U.S. inland waterways. The Corps constructs and maintains channels and harbors, and regulates water levels, ensuring that appropriate channel depths are preserved and the active locks are maintained.

A 20-cent-per-gallon diesel fuel tax is paid by barge companies, such as Kirby, who use the inland waterways for commercial purposes and represents half of the primary source for funding new improvements by the Corps. Today, there is more than $400 million in the Inland Waterways Trust Fund, waiting to be used to support the needed improvements essential to the increase in inland waterway usage expected in the next 15 years. In 2003, Kirby paid, through inland waterway user taxes, $6.5 million into the Inland Waterways Trust Fund.

Shipping via the inland waterways is the safest and most environmentally responsible transportation alternative. Ships and barges have the fewest number of spills and the least number of accidents, and they produce a mere fraction of the noxious emissions produced by truck and rail.

The U.S. inland waterway system is a vital link and the best alternative in the commercial transportation of a wide variety of cargoes.

How Navigation Dams and Locks Work

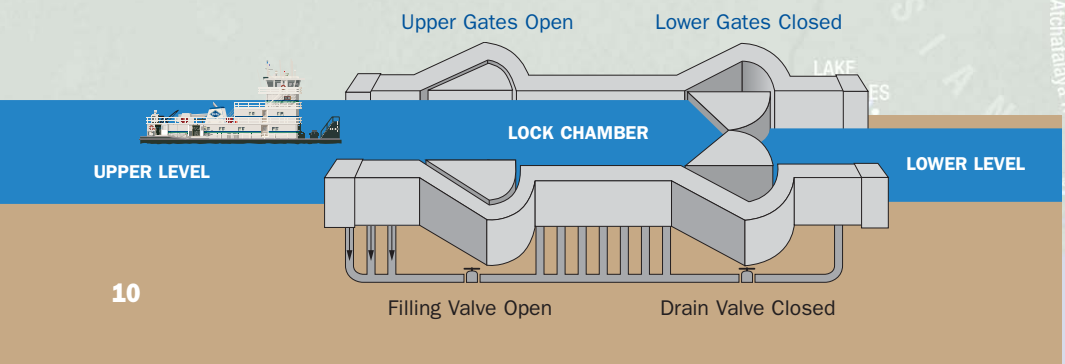
Rivers are long, uneven downhill slopes with shallow areas and deep pools. Without improvements, the depth of the water in the rivers would vary with seasonal rainfall and during periods of drought.

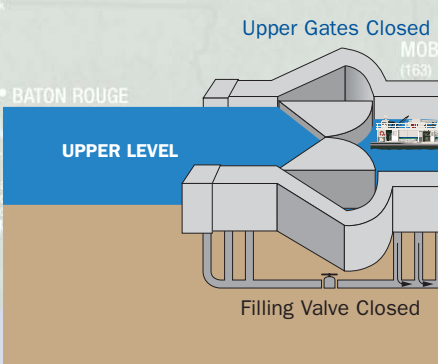
Droughts and floods occur on an irregular basis. One year may have record rains; another may bring historic drought. The question is: How are the inland waterways kept navigable year-round?

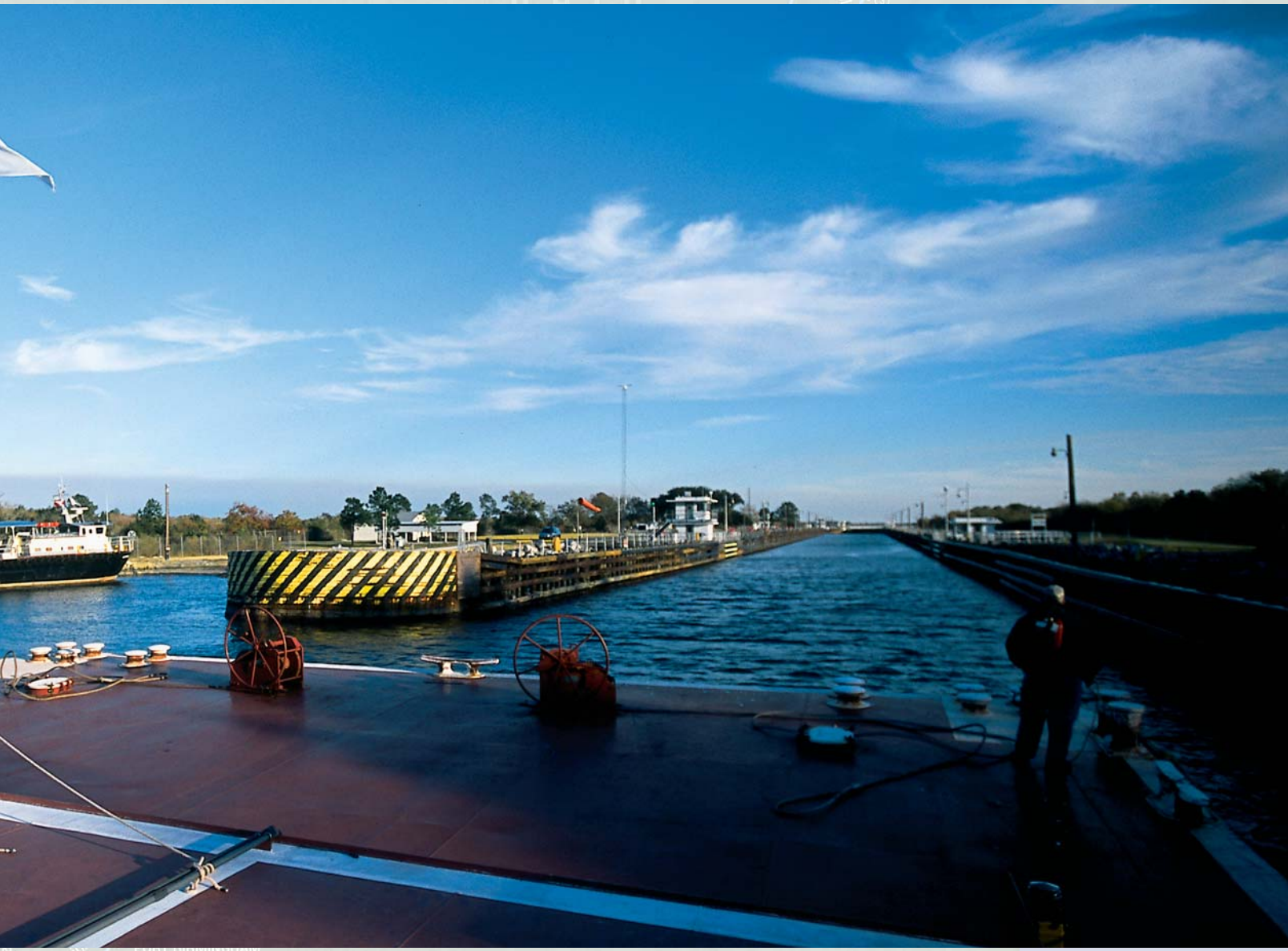
The answer is that the Corps of Engineers has created a series of dams and locks to maintain navigability except under the most extreme circumstances.

Dams were constructed so navigation can go on year-round. The dams create steps in the rivers and prevent the rivers from draining in dry weather. Each step is a pool of water extending miles upstream, maintaining sufficient depths for towboats and barges. The normal flow of the rivers runs through these pools and the excess flows over the dam into the next pool. Each dam has at least one lock chamber. There are more than 170 navigational locks on the U.S. inland waterways.

A navigational lock operates much like an elevator. As a towboat and its barges ("tow") enter a lock from the upper level, the

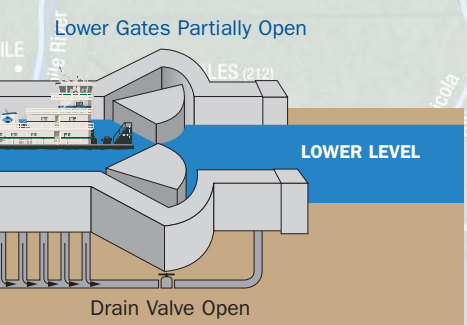


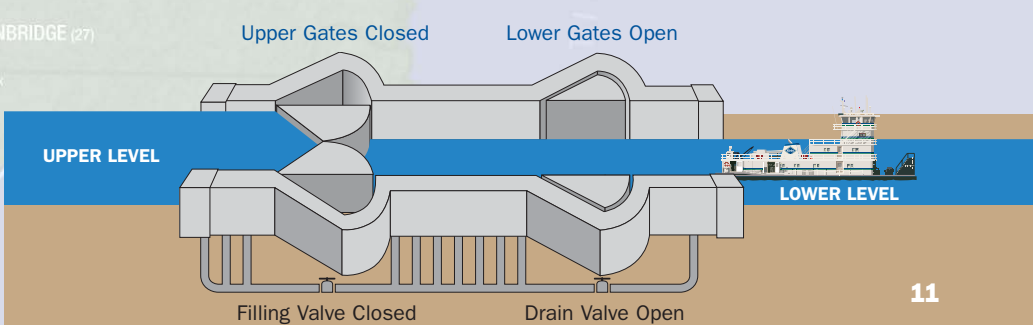


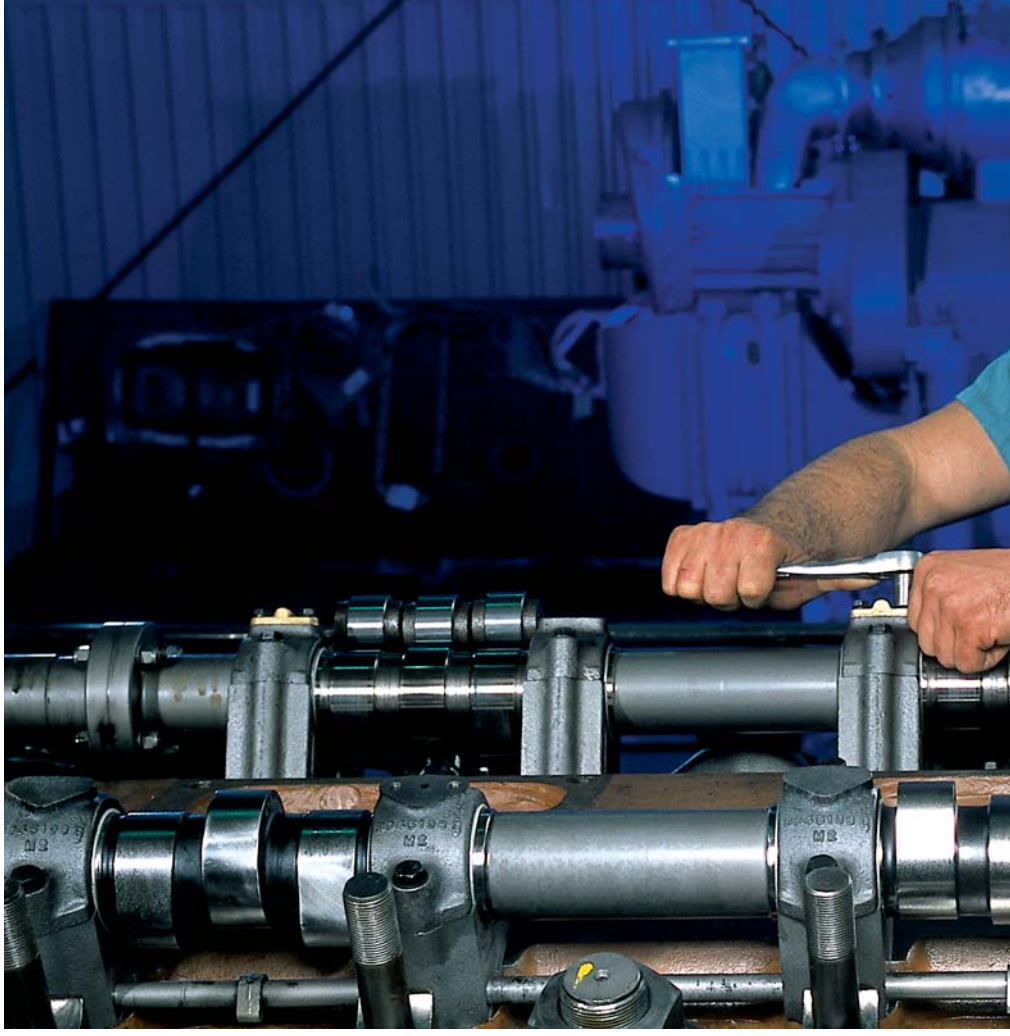


"lower gate" is closed and the "upper gate" is open. Once the tow is inside the two gates, a lockmaster closes the upper gate and the water level is lowered by opening the drain valve. Once the correct water level is reached, the lower gate is gradually opened and the tow proceeds through the lock. If the tow is going from the lower level to the upper level, the process is reversed. The water level is raised by opening the filling valve (gravity rather than pumps do the work). Thus, the lock operates as a series of lifts to raise or lower the tow, while keeping the rivers navigable.

Above: *A Kirby Inland Marine tow enters the Calcasieu Lock, located on the Gulf Intracoastal Waterway near Lake Charles, Louisiana. The Calcasieu Lock serves as a barrier preventing saltwater intrusion from the Calcasieu River and the Gulf Intracoastal Waterway from entering the surrounding rice-growing areas. An estimated 46 million tons of cargo pass through the Calcasieu Lock annually, with over 13,000 average annual lockages.*







Kirby Engine Systems Provides Service Essential to the Day-to-Day Operations of Its Customers

Kirby Engine Systems provides service and support for large medium-speed diesel engines and reduction gears essential to the day-to-day operations of marine companies, power generation and industrial facilities, and railroad operators. Through its three subsidiaries, Marine Systems, Inc., Engine Systems, Inc. and Rail Systems, Inc., Kirby is the recognized leader and value-added provider of diesel engine services. The basis for Kirby's success lies in its nationwide presence, its long-term relationships with the manufacturers of the engines and reduction gears that Kirby maintains and services, and Kirby's factory-trained and authorized project engineers, mechanics and machinists. The service locations and distributorships are listed on page 5.

Nationwide Presence

Through its seven strategically located service and parts facilities, Kirby has the largest service area of any U.S. medium-speed diesel engine service provider. Employing 110 project engineers, mechanics and machinists, Kirby has the ability to provide both in-house and in-field service. Kirby also sells OEM (Original Equipment Manufacturer) replacement parts, as well as refurbished or rebuilt parts.

Kirby's in-house service starts with a complete inspection of the diesel engine or reduction gear. All repairs or rebuilds are completed by project engineers, mechanics and machinists in strict compliance with the latest factory specifications. Rebuilt components are thoroughly tested before being used and all facility tools are regularly calibrated for pinpoint accuracy. Assurance of the repaired or rebuilt engine or reduction gear's performance is provided by factory-authorized testing facilities.

Kirby's in-field project engineers and mechanics service the needs of Kirby's customers throughout the world. In response to customer needs, Kirby can quickly dispatch a skilled repair team with state-of-the-art portable equipment to provide troubleshooting, engine repair and engine overhauls, including on-site machining, block welding and line boring. In-field reduction gear repair consists of bearing and element replacement, case welding and machining, line boring and alignment.

Distributorships

Kirby has been successful over the years in adding relationships with the manufacturers of large medium-speed diesel engines. The principal diesel engines serviced by Kirby are those

manufactured by the Electro-Motive Division of General Motors (EMD) and used in diesel engine services application. Kirby has enjoyed a 38-year relationship with EMD, serving as the authorized distributor for EMD in 17 eastern states and the Caribbean, as the exclusive distributor worldwide of EMD parts for the nuclear industry, and as the exclusive distributor for EMD for the domestic shortline, industrial and certain transit and Class II railroads. In addition, Kirby has EMD service centers in the Midwest, Gulf Coast and West Coast regions.

Kirby also serves as the exclusive U.S. distributor of ALCO engines for marine, power generation and industrial applications, and the worldwide nuclear distributor for Woodward Governor, Ingersoll-Rand, Cooper Bessemer and the Enterprise product lines of Cooper Energy Services, as well as a marine distributor for Falk reduction gears.

Kirby Engine Systems
Statements of Operating Income (In thousands)

For the years ended December 31,	2003	2002	2001	2000	1999
Revenues:					
Diesel engine services	$ 83,063	$ 85,123	$ 85,601	$ 69,441	$ 74,648
Costs and expenses:					
Costs of sales and operating expenses	62,266	63,928	64,150	52,610	57,911
Selling, general and administrative	11,530	11,111	11,680	8,917	8,517
Taxes, other than on income	332	303	286	268	249
Depreciation and amortization	1,045	940	873	605	566
	75,173	76,282	76,989	62,400	67,243
Operating income	$ 7,890	$ 8,841	$ 8,612	$ 7,041	$ 7,405
Operating margin	9.5%	10.4%	10.1%	10.1%	9.9%

1999-2001 adjusted to exclude goodwill amortization expense

Results of Operations – 2003

Kirby Engine Systems reported 2% lower revenue and 11% lower operating income for 2003 when compared with 2002. Two of the segment's primary markets, the Gulf Coast offshore well service market and Midwest dry cargo barge market, remained weak during 2003. The offshore well service market has been weak since the second half of 2001, while the Midwest dry cargo barge market has been depressed since early 2002. These markets, along with a weak East Coast marine market, negatively impacted revenue and were only partially offset by a strong West Coast marine as well as power generation, particularly nuclear, market.

The lower operating income for 2003 versus 2002 reflected the lower revenue, as well as a larger direct parts revenue versus service revenue mix. During 2003, 54% of diesel engine services revenue was direct parts sales, versus 49% in 2002 and 46% in 2001. The lower operating margin, 9.5% for 2003 versus 10.4% for 2002, was primarily a reflection of the change in the revenue mix, with historically a lower margin earned on direct parts sales.

Above: *Wesley Capps, a field service mechanic from Houma, Louisiana, installs a camshaft on a 3000 horsepower EMD diesel engine.*

Board of Directors

C. Sean Day [2, 4]
Chairman of
Teekay Shipping Corporation
Joined board 1996

Bob G. Gower [1, 2, 3]
President and
Chief Executive Officer of
Carbon Nanotechnologies, Inc.
Joined board 1998

Walter E. Johnson
Chairman of
Southwest Bank of Texas
Joined board 2001

William M. Lamont, Jr. [1, 3, 4]
Private Investor
Joined board 1979

C. Berdon Lawrence [1]
Chairman of the Board of Kirby
Joined board 1999

George A. Peterkin, Jr. [1, 2]
Chairman Emeritus of Kirby
Joined board 1973

Joseph H. Pyne [1]
President and
Chief Executive Officer of Kirby
Joined board 1988

Robert G. Stone, Jr. [3, 4]
Chairman Emeritus of Kirby
Joined board 1983

Richard C. Webb [3]
Vice Chairman of
Sanders Morris Harris
Joined board 2000

[1] Executive Committee
[2] Audit Committee
[3] Compensation Committee
[4] Governance Committee

Officers

Kirby Corporation

C. Berdon Lawrence
Chairman of the Board

Joseph H. Pyne
President and Chief Executive Officer

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

Mark R. Buese
Senior Vice President—Administration

Jack M. Sims
Vice President—Human Resources

G. Stephen Holcomb
Vice President—Investor Relations

Howard G. Runser
Vice President—Information Technology

Ronald A. Dragg
Controller

Thomas G. Adler
Secretary

Kirby Inland Marine, LP

Steven P. Valerius
President

James F. Farley
Executive Vice President—Operations

William G. Ivey
Executive Vice President—Marketing

Gregory R. Binion
Vice President—Sales

Robert D. Goolsby
Vice President—Linehaul and Fleeting Operations

Mel R. Jodeit
Vice President—Sales

Dennis A. Kirkonis
Vice President—Sales

Mark C. Lawrence
Vice President—Kirby Logistics Management

Richard C. Northcutt
Vice President—Traffic

John E. Russell
Vice President—Sales

John W. Sansing, Jr.
Vice President—Maintenance

David L. Shaw
Vice President—River Operations

Carl R. Whitlatch
Vice President and Controller

William M. Withers
Vice President—Sales

Dixie Offshore Transportation Company

Joseph H. Pyne
President

Kenneth C. Bush
Executive Vice President

Thomas J. Johnson
Vice President—Marketing

Kirby Engine Systems, Inc.

Dorman L. Strahan
President

T. Walter Berry
Executive Vice President

David H. Farrar
Controller

Engine Systems, Inc.

John A. Manno
Vice President

P. Scott Mangan
Vice President—Sales

Marine Systems, Inc.

Lynn A. Ahlemeyer
Vice President—Gulf Coast, East Coast and West Coast

Thomas W. Bottoms
Vice President—Midwest

Troy A. Bourgeois
Vice President—Sales

Rail Systems, Inc.

John A. Manno
Vice President

Operating Locations

Kirby Corporation

55 Waugh Drive, Suite 1000
P. O. Box 1745
Houston, Texas 77251-1745
(713) 435-1000
Fax: (713) 435-1011
www.kirbycorp.com

Kirby Inland Marine, LP

55 Waugh Drive, Suite 1000
P. O. Box 1537
Houston, Texas 77251-1537
(713) 435-1000
Fax: (713) 435-1464

Operations Centers

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

11211 Industriplex Blvd.
Suite 1400
Baton Rouge, Louisiana 70809-4178
(225) 201-3000
Fax: (225) 201-3060

3105 E. Navigation
Corpus Christi, Texas 78402
(361) 883-6387
Fax: (361) 883-8052

249 Brent Road
Greenville, Mississippi 38701
(662) 378-9100
Fax: (662) 335-6988

Maintenance/Training Center

16402 ½ De Zavala
Channelview, Texas 77530
Maintenance: (713) 435-1700
Fax: (713) 435-1750
Training: (713) 435-1775
Fax: (713) 435-1785

Kirby Logistics Management

18350 Market Street
Channelview, Texas 77530
(713) 435-1956
Fax: (713) 435-1951

Kirby Inland Marine, LP
Continued

Linehaul and Fleeting Operations

18350 Market Street
Channelview, Texas 77530
(713) 435-1800
Fax: (713) 435-1840

3105 E. Navigation
Corpus Christi, Texas 78402
(361) 883-6387
Fax: (361) 883-8052

7150 S. River Road
Baton Rouge, Louisiana 70820
(225) 757-1347
Fax: (225) 757-1349

Matagorda Terminal

Oyster Lake
Collegeport, Texas
(713) 435-1000
Fax: (713) 435-1973

Red River Terminals

Port of Shreveport/Bossier
10911 Louisiana Highway 1 South
P. O. Box 52539
Shreveport, Louisiana 71135-2539
(318) 798-1311
Fax: (318) 798-1257

Dixie Offshore Transportation Company

Dixie Fuels Limited

333 W.P.A. Road
Belle Chasse, Louisiana 70037
P.O. Box 880
Harvey, Louisiana 70059
(504) 392-7800
Fax: (504) 391-2295

Kirby Engine Systems, Inc.

116 Capital Boulevard
Houma, Louisiana 70360
(985) 223-7100
Fax: (985) 872-5302

Engine Systems, Inc.

1220 Washington Street
P. O. Box 1928
Rocky Mount, North Carolina
27802-1928
(252) 977-2720
Fax: (252) 446-3830

10250 NW 89th Ave.
Bay #9
Medley, Florida 33178
(305) 885-5575
Fax: (305) 885-6422

Marine Systems, Inc.

East Coast
1401 Precon Drive
Suite 106
Chesapeake, Virginia 23320-6314
(757) 543-3000
Fax: (757) 543-1595

Gulf Coast
116 Capital Boulevard
Houma, Louisiana 70360
(985) 223-7100
Fax: (985) 872-5302

Midwest
3801 Clarks River Road
Paducah, Kentucky 42003
(270) 444-0069
Fax: (270) 444-3936

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
(985) 223-7300
Fax: (985) 223-7333

Shareholder Information

Annual Meeting

The 2004 Annual Meeting of Stockholders will be held at 55 Waugh Drive, 8th Floor, Houston, Texas 77007, at 10:00 a.m. (CDT), Tuesday, April 27, 2004.

Corporate Headquarters

Executive Office:
55 Waugh Drive, Suite 1000
Houston, Texas 77007
Telephone: (713) 435-1000
Fax: (713) 435-1011
www.kirbycorp.com

Mailing Address:
P.O. Box 1745
Houston, Texas 77251-1745

Inquiries Regarding Stock Holdings

Registered shareholders (shares held in owner's name) should address communications concerning address changes, lost certificates and stock transfers to:

EquiServe Trust Company, N.A.
P.O. Box 219045
Kansas City, MO 64121-9045
Telephone: (816) 843-4299
Internet: http://www.equiserve.com

Beneficial shareholders (shares held in the name of banks or brokers) should address communications to their banks or stockbrokers.

All other inquiries should be addressed to G. Stephen Holcomb, Vice President–Investor Relations, at Kirby's corporate headquarters.

Independent Accountants

KPMG LLP
700 Louisiana, Suite 3000
Houston, Texas 77002

Common Stock Information

Stock trading symbol—KEX

The New York Stock Exchange is the principal market for Kirby's common stock. As of March 3, 2004, there were 24,453,365 common shares outstanding held by approximately 950 registered shareholders. The number of registered shareholders does not reflect the number of beneficial owners of common stock.

Common Stock Market Price

	Sales Price	
	High	Low
2004		
First Quarter (through March 3, 2004)	$36.54	$30.19
2003		
First Quarter	$29.25	$21.62
Second Quarter	$28.44	$24.28
Third Quarter	$30.68	$25.93
Fourth Quarter	$35.75	$28.40
2002		
First Quarter	$33.50	$25.65
Second Quarter	$32.01	$23.82
Third Quarter	$24.90	$20.50
Fourth Quarter	$28.26	$20.40

Financial and Investor Relations

Copies of Kirby's Form 10-K (which is incorporated in this Annual Report) and copies of Kirby's Form 10-Q reports are available free of charge. Either contact G. Stephen Holcomb, Vice President–Investor Relations, at Kirby's corporate headquarters, e-mail Steve.Holcomb@kirbycorp.com, or visit Kirby's website at www.kirbycorp.com.

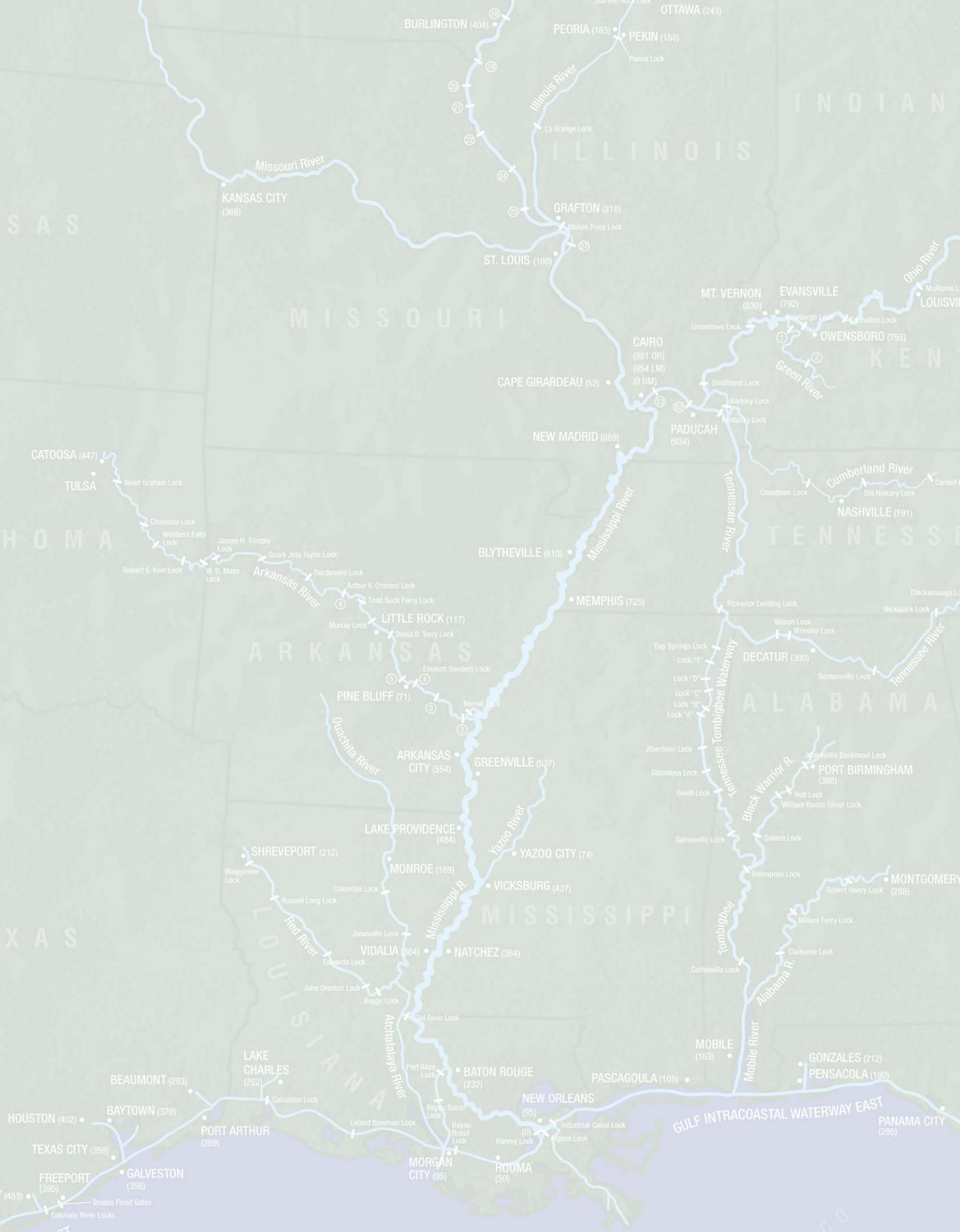
Reporting Calendar

Announcement of 2004 1st Quarter Results
Thursday, April 29, 2004

Announcement of 2004 2nd Quarter Results
Thursday, July 29, 2004

Announcement of 2004 3rd Quarter Results
Thursday, October 28, 2004

Announcement of 2004 4th Quarter and Year-End Results
Thursday, January 27, 2005


OTTAWA (243)
BURLINGTON (404)
PEORIA (163)
PEKIN (158)
Peoria Lock
Illinois River
La Grange Lock
INDIAN
ILLINOIS
Missouri River
KANSAS CITY (366)
GRAFTON (218)
Melvin Price Lock
ST. LOUIS (180)
MISSOURI
MT. VERNON (830)
EVANSVILLE (792)
Ohio River
Uniontown Lock
Newburgh Lock
Cannelton Lock
OWENSBORO (755)
Green River
CAIRO (981 OR) (954 LM) (0 UM)
CAPE GIRARDEAU (52)
Smithland Lock
Barkley Lock
Kentucky Lock
PADUCAH (934)
NEW MADRID (889)
Cumberland River
Cheatham Lock
Old Hickory Lock
NASHVILLE (191)
Tennessee River
CATOOSA (447)
TULSA
Newt Graham Lock
Chouteau Lock
Webbers Falls Lock
James H. Trimble Lock
Ozark Jeta Taylor Lock
Robert S. Kerr Lock
W. D. Mayo Lock
Arkansas River
Dardanelle Lock
Arthur V. Ormond Lock
Toad Suck Ferry Lock
BLYTHEVILLE (810)
Mississippi River
MEMPHIS (725)
LITTLE ROCK (117)
Murray Lock
David D. Terry Lock
ARKANSAS
Emmett Sanders Lock
PINE BLUFF (71)
Norrell Lock
Pickwick Landing Lock
Chickamauga Lock
Nickajack Lock
Wilson Lock
Wheeler Lock
DECATUR (300)
Guntersville Lock
Tennessee River
Bay Springs Lock
Lock "E"
Lock "D"
Lock "C"
Lock "B"
Lock "A"
Tennessee Tombigbee Waterway
ALABAMA
Ouachita River
ARKANSAS CITY (554)
GREENVILLE (537)
Aberdeen Lock
Columbus Lock
Bevill Lock
Jones Hollis Bankhead Lock
PORT BIRMINGHAM (398)
Holt Lock
William Bacon Oliver Lock
Black Warrior R.
Gainesville Lock
Selden Lock
LAKE PROVIDENCE (484)
Yazoo River
YAZOO CITY (74)
SHREVEPORT (212)
Waggonner Lock
MONROE (169)
Columbia Lock
Russell Long Lock
Mississippi R.
VICKSBURG (437)
Demopolis Lock
MONTGOMERY (288)
Robert Henry Lock
Millers Ferry Lock
Red River
Jonesville Lock
Edwards Lock
VIDALIA (364)
NATCHEZ (364)
MISSISSIPPI
Claiborne Lock
Coffeeville Lock
Tombigbee
Alabama R.
John Overton Lock
Boggs Lock
Old River Lock
LOUISIANA
Atchafalaya River
MOBILE (163)
Mobile River
GONZALES (212)
PENSACOLA (190)
LAKE CHARLES (252)
Port Allen Lock
BATON ROUGE (232)
PASCAGOULA (105)
BEAUMONT (293)
Calcasieu Lock
NEW ORLEANS (95)
BAYTOWN (379)
HOUSTON (402)
Bayou Sorrel Lock
Leland Bowman Lock
Bayou Boeuf Lock
Industrial Canal Lock
Harvey Lock
Algiers Lock
GULF INTRACOASTAL WATERWAY EAST
PANAMA CITY (295)
PORT ARTHUR (289)
TEXAS CITY (359)
MORGAN CITY (95)
HOUMA (50)
FREEPORT (395)
GALVESTON (358)
Brazos Flood Gates
Colorado River Locks

Kirby Corporation

Corporate Headquarters:
55 Waugh Drive, Suite 1000
Houston, Texas 77007

Mailing Address:
P. O. Box 1745
Houston, Texas 77251-1745

(713) 435-1000
Fax: (713) 435-1011

Our Goal Is to Be the Best

By listening to our customers and embracing the concept of continuous improvement, we will provide our customers the highest value for their dollar and create long-term value for our shareholders.

Visit our website at www.kirbycorp.com

Fast Facts About Kirby

- Largest inland tank barge operator with 886 active barges
- Market leader providing safe, efficient and environmentally sound inland marine transportation of liquid cargoes
- Successful integration of 23 inland tank barge and towboat acquisitions
- Offers distribution services throughout the Mississippi River System and Gulf Intracoastal Waterway
- 70% of inland marine transportation business under term contracts, 30% spot market
- Recognized leader and value-added provider of diesel engine services
- Blue chip marine transportation and diesel engine services customer base
- Consistently generates strong earnings and cash flow
- Positioned to take advantage of future growth opportunities, as well as U.S. economic recovery
- Experienced management team with a record of success

Kirby Corporation, based in Houston, Texas, operates inland tank barges and towboats, transporting petrochemicals, black oil products, refined petroleum products and agricultural chemicals throughout the United States inland waterway system. Through its diesel engine services segment, Kirby provides after-market service for large medium-speed diesel engines used in marine, power generation and industrial, and rail applications.