

Kirby Corporation

2001 Annual Report



2001 – Quarterly Synopsis

(In thousands, except per share amounts)

FIRST QUARTER

	<u>2001</u>	<u>2000</u>	<u>Change</u>
Net earnings	\$ 6,755	\$ 6,067	11%
Earnings per share	\$.28	\$.25	12%
EBITDA per share	\$ 1.19	\$ 1.13	5%

- Strong refined products, black oil and liquid fertilizer markets
- Continued weak petrochemical and chemical market
 - Dow's Union Carbide fleet leased in February

SECOND QUARTER

	<u>2001</u>	<u>2000</u>	<u>Change</u>
Net earnings	\$ 10,764	\$ 9,880	9%
Earnings per share	\$.44	\$.40	10%
EBITDA per share	\$ 1.44	\$ 1.41	2%

- Strong refined products, black oil and liquid fertilizer markets
- Continued weak petrochemical and chemical market
 - Lower interest expense, the result of reduced debt levels and lower interest rates

THIRD QUARTER

	<u>2001</u>	<u>2000</u>	<u>Change</u>
Net earnings	\$ 11,389	\$ 9,078	25%
Earnings per share	\$.47	\$.37	27%
EBITDA per share	\$ 1.48	\$ 1.36	9%

- Strong river refined products market
- Continued weak petrochemical and chemical market
- Favorable operating conditions and lower interest expense

FOURTH QUARTER

	<u>2001</u>	<u>2000</u>	<u>Change</u>
Net earnings	\$ 10,695	\$ 9,088	18%
Earnings per share	\$.44	\$.38	16%
EBITDA per share	\$ 1.50	\$ 1.39	8%

- Unseasonably strong river refined products market
- Continued weak petrochemical and chemical market
- Favorable operating conditions and lower interest expense

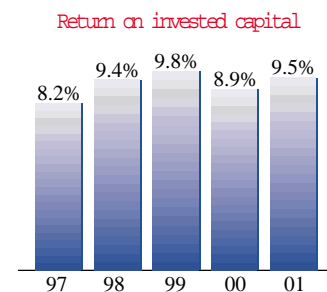
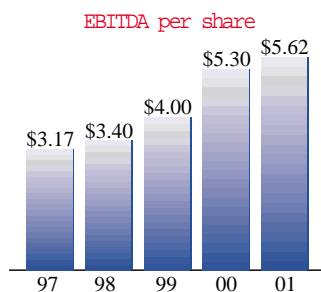
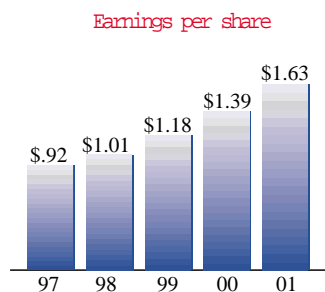
Historical Financial Highlights:

(In thousands, except per share amounts)

Revenues:

	For the years ended December 31,				
	2001	2000	1999	1998	1997
Marine transportation	\$ 481,283	\$ 443,203	\$ 290,956	\$ 244,839	\$ 256,108
Diesel engine services	85,601	69,441	74,648	82,241	79,136
	<u>\$ 566,884</u>	<u>\$ 512,644</u>	<u>\$ 365,604</u>	<u>\$ 327,080</u>	<u>\$ 335,244</u>
Net earnings from continuing operations	\$ 39,603	\$ 34,113	\$ 21,441	\$ 10,109	\$ 22,705
Net earnings (loss) from discontinued operations	—	—	—	—	(1,023)
Net earnings	<u>\$ 39,603</u>	<u>\$ 34,113</u>	<u>\$ 21,441</u>	<u>\$ 10,109</u>	<u>\$ 21,682</u>
Net earnings (loss) per share (diluted):					
Net earnings from continuing operations	\$ 1.63	\$ 1.39	\$ 1.01	\$.46	\$.92
Net earnings (loss) from discontinued operations	—	—	—	—	(.04)
Net earnings	<u>\$ 1.63</u>	<u>\$ 1.39</u>	<u>\$ 1.01</u>	<u>\$.46</u>	<u>\$.88</u>
EBITDA from continuing operations*	\$ 136,408	\$ 129,933	\$ 79,508	\$ 56,296	\$ 77,964
EBITDA per share from continuing operations (diluted)	\$ 5.62	\$ 5.29	\$ 3.73	\$ 2.55	\$ 3.17
Weighted average shares outstanding (diluted)	<u>24,270</u>	<u>24,566</u>	<u>21,293</u>	<u>22,113</u>	<u>24,594</u>

Financial Highlights Before Unusual Charges:



(In thousands, except per share amounts)

	For the years ended December 31,				
	2001	2000	1999	1998	1997
Net earnings from continuing operations	\$ 39,603	\$ 34,113	\$ 21,441	\$ 10,109	\$ 22,705
Unusual charges, net of taxes:					
Impairment of offshore vessels under SFAS No. 121	—	—	692	5,416	—
Loss on sale of Universal Insurance Company	—	—	—	6,849	—
Merger related charges	—	130	2,912	—	—
Net earnings from continuing operations before unusual charges	<u>\$ 39,603</u>	<u>\$ 34,243</u>	<u>\$ 25,045</u>	<u>\$ 22,374</u>	<u>\$ 22,705</u>
Net earnings per share from continuing operations before unusual charges (diluted)	<u>\$ 1.63</u>	<u>\$ 1.39</u>	<u>\$ 1.18</u>	<u>\$ 1.01</u>	<u>\$.92</u>
EBITDA from continuing operations*	\$ 136,408	\$ 129,933	\$ 79,508	\$ 56,296	\$ 77,964
Unusual charges before taxes:					
Impairment of offshore vessels under SFAS No. 121	—	—	1,065	8,333	—
Loss on sale of Universal Insurance Company	—	—	—	10,536	—
Merger related charges	—	199	4,502	—	—
EBITDA from continuing operations before unusual charges	<u>\$ 136,408</u>	<u>\$ 130,132</u>	<u>\$ 85,075</u>	<u>\$ 75,165</u>	<u>\$ 77,964</u>
EBITDA per share from continuing operations before unusual charges (diluted)	<u>\$ 5.62</u>	<u>\$ 5.30</u>	<u>\$ 4.00</u>	<u>\$ 3.40</u>	<u>\$ 3.17</u>

*EBITDA, defined as net earnings before interest expense, taxes on income, depreciation and amortization, is presented because of its wide acceptance as a financial indicator. EBITDA is not a calculation based on generally accepted accounting principles and should not be considered as an alternative to net earnings or operating income as an indicator of Kirby's financial performance or to cash flow as a measure of liquidity. In addition, this EBITDA calculation may not be comparable to other similarly titled measures of other companies.

From 1994 through 2001, Kirby's earnings per share from continuing operations and before unusual charges have grown at a 15.6% compounded growth rate and EBITDA at a 14.2% rate

The year 2001 is certainly one that none of us will ever forget. As we watched the events of September 11 unfold, we were reminded of Charles Dickens' famous line from *A Tale of Two Cities*: "It was the best of times and it was the worst of times." First, we witnessed the worst, an unwarranted attack on peaceful citizens that was unprecedented in our history; then we saw the best as Americans rallied together as we have not seen since World War II. We saw an outpouring of American generosity ranging from volunteers risking their lives to help those in need, to massive blood drives, to Americans sending whatever they could to help the families of survivors. The Kirby family is proud to have been a small part of this very positive response to the events of September 11.

For Kirby, despite the issues that gripped our nation and the world, 2001 was a record setting year. Revenue, net earnings, earnings per share, and EBITDA (earnings before interest, taxes, depreciation and amortization) all achieved the highest levels in Kirby's history.

We are pleased to report that 2001 continued our trend of increasing earnings per share from our marine transportation and diesel engine service businesses. Revenue grew \$54.3 million in 2001, increasing from \$512.6 million to \$566.9 million. Net earnings and EBITDA per share, from continuing operations and before unusual items, have also continued to show record growth. Starting at \$.59 per share in 1994, earnings per share grew to \$1.63 in 2001, a 15.6% compounded rate over the last seven years. During that same period, EBITDA per share grew from \$2.22 to \$5.62, a compounded annual rate of return of 14.2%.

These record results were set in spite of a difficult year for the U.S. and world economies. Due to the overall weakness of the U.S. economy, the petrochemical and chemical sector, which represents about 60% of our marine transportation revenues, was weak during 2001. The softness in this sector, however, was more than offset by strong performance in a number of other markets. Kirby performed well in the agricultural chemical and black oil markets, which were aided by high prices for natural gas, and in the refined products market, where our ability to



Berdon Lawrence, Chairman

Joe Pyne, President

move critical volumes of refined products was an important component in keeping the Midwest supplied with gasoline after a Chicago area refinery fire in mid-August. We also recorded higher earnings from our diesel engine services segment, lower interest expense and realized benefits from a concentrated effort to increase the efficiency and productivity of all facets of Kirby's operations.

Revenue and earnings were also enhanced by the leasing of 94 tank barges from The Dow Chemical Company. These barges were dedicated to Dow's Union Carbide service during the first and second quarters. During the third quarter, many of the leased barges were integrated into Kirby's fleet under the terms of its long-term contract with Dow, improving the operating results for most of the third and all of the fourth quarter; however, the margins were lower since the barges were primarily used in dedicated service.

All of these factors combined to provide a strong cash flow, allowing us to reduce our outstanding debt by \$43.6 million, and lower our debt-to-capitalization ratio from 52.8% at the end of 2000 to 45.3% at the end

of 2001. We used some of this cash for capital expenditures of \$59.2 million, of which \$17.8 million was for new barges. Kirby also purchased \$2.8 million of treasury stock during the year.

In order to position Kirby for future growth opportunities, we increased our revolving debt facility from \$100 to \$150 million and extended the maturity date to October 2004. We also retired the remaining \$50 million of our Medium Term Notes in January 2002.

In addition to the very positive financial returns in the marine transportation side of our business, we continued to emphasize both safety and our commitment to being the value leader in our industry. We implemented several significant safety programs and system-wide cost savings initiatives during 2001, all of which will make us even safer and more efficient in 2002. Our continuing goal is to provide our customers service that is the best value for their dollar.

Our commitment to continually upgrade our marine transportation capability is reflected in three important tank barge projects. The first of these was the delivery in 2001 of six new 30,000 barrel double hull tank barges for use in the petrochemical, chemical and refined products markets. These new barges, which were contracted for in September 2000, replaced single hull barges removed from service.

The second of these projects was the delivery of five 30,000 barrel double hull tank barges for use in the asphalt trade. These barges, contracted for in January 2001 and delivered in late 2001, will assist us in meeting expanded asphalt towing opportunities. We have also recently ordered two additional asphalt barges to replace two that will be taken out of service.

The third project was initiated in June 2001 with the order of six 30,000 barrel double hull barges for use in the petrochemical, chemical and refined products markets. Like the barges that were delivered in 2001, these six barges will replace older single hull barges that will be removed from service. Delivery of these barges is expected in 2002.

The diesel engine services business, which contributed 15% of Kirby's 2001 revenue, reported increased revenue and operating income in 2001. These positive results were primarily due to two acquisitions made at the end of 2000 and the expanded rail market that came as a result of a distributorship agreement with EMD in July for certain transit and Class II railroads. While revenue and operating income were up for the year, the operating margin declined slightly from 10% to 9.5%. Market conditions for marine, power generation, industrial, nuclear and rail diesel engine requirements are expected to remain relatively steady during 2002.

Kirby's commitment to stay connected to our customers so that they can receive the most up-to-date information on the status of their tows was enhanced by the new website (www.kirbycorp.com) that we launched in late 2001. This new website is not only more customer friendly, but more investor friendly; it is more informative and more appealing to the eye.

Finally, under a new accounting rule SFAS No. 142, Kirby will cease amortizing goodwill effective in 2002. Goodwill will be tested for impairment annually and, if impaired, will be reduced to its fair value by an impairment charge. For 2001, goodwill amortization was \$6.3 million or \$.26 per share. Earnings per share in 2001, on a pro forma basis without the goodwill amortization, was \$1.89.

Entering 2002, Kirby is in a very sound position, financially and operationally. Performance in 2002 will be determined by the state of the U.S. and world economies, particularly the strength and pace of the recovery. When this occurs, the concurrent demand that it will create will greatly assist our core business customers in the petrochemical and chemical market to move more product.

We want to take this opportunity to thank our excellent team of vessel and shore-based employees for their record 2001 achievements. We also want to thank our Board of Directors for their continued counsel, and our customers and suppliers for their continued support.

We began this letter with an acknowledgment of the terrible events and incredibly heroic response to these events that we all witnessed in 2001. These events made us all more aware of how fortunate we are to live in a country dedicated to "life, liberty and the pursuit of happiness." Kirby is proud to carry the flag and its inherent message on all our vessels.

Respectfully submitted,



C. Berdon Lawrence
Chairman of the Board



J. H. Pyne
President

Houston, Texas
March 7, 2002



Kirby Inland Marine loads, transports and discharges vital products along the Gulf Intracoastal Waterway and the Mississippi River System.



A Kirby Inland Marine Linehaul tow with 13 barges passes under the Mississippi River I-40 bridge at Memphis, Tennessee.



Committed to continually upgrading its fleet, Kirby has taken delivery of 11 new tank barges during 2001, and has on order eight new tank barges for delivery in 2002 and early 2003.



The Peterkin Center, headquarters for Kirby Inland Marine's operations department, is located adjacent to the Houston Ship Channel.

Marine Transportation Kirby Inland Marine, LP

Services Offered

Kirby Inland Marine, a subsidiary of Kirby Corporation, is the largest transporter of bulk liquid products by tank barge on the Mississippi River System and the Gulf Intracoastal Waterway. From Brownsville, Texas, to St. Marks, Florida, from New Orleans, Louisiana, to Minneapolis, Minnesota, and on many of the tributaries of the Mississippi River, Kirby barges and towboats load, transport and discharge critical cargoes that feed literally hundreds of industries. Kirby is proud of the fact that we service our customers' complete inland marine transportation requirements.

Kirby Inland Marine's fleet consists of 858 inland tank barges, with a liquid cargo capacity of 15.3 million barrels, and 214 inland towboats.

Markets Served

Petrochemicals, chemicals and pressurized products: Kirby is the largest inland tank barge transporter of petrochemicals, chemicals and pressurized products in the U.S. Representing 60% of Kirby's transportation revenue, this market historically tracks the general domestic economy and is driven by consumer goods, housing, automobiles and clothing.

Refined petroleum products: Kirby transports various blends of gasoline, jet fuel, naphtha and diesel fuel. This market, comprising 20% of transportation revenue, is driven by automobile usage and jet travel, as well as weather conditions where No. 2 oil is used for home heating.

Black oil products: Representing 10% of transportation revenue, products transported include asphalt, No. 6 fuel oil and boiler fuel. Demand for these products is directly related to road construction, need for refinery feedstocks, and fuel for electrical generation and ships.

Agricultural chemical products: Anhydrous ammonia is used in the production of corn, cotton and wheat. Anhydrous ammonia is also used as a chemical feedstock. This market represents 10% of transportation revenue.

Diesel Engine Services Kirby Engine Systems, Inc.

Services Offered

Kirby Corporation overhauls and services large diesel engines and sells diesel engine parts through its subsidiary Kirby Engine Systems. Kirby Engine Systems provides these services to distinct segments of the market through its three subsidiaries, Marine Systems, Inc., Engine Systems, Inc. and Rail Systems, Inc.

Central to the continuing success of this segment is Kirby's 36-year relationship with the Electro-Motive Division (EMD) of General Motors, which manufactures large medium-speed diesel engines.

Service is provided at eight facilities across the U.S. These facilities provide shop mechanics to inspect, repair or rebuild engine component parts, entire engines and reduction gears. Each facility sells OEM replacement parts.

Field service is provided by project engineers and mechanics who troubleshoot, inspect, overhaul and repair engines and reduction gears.

Markets Served

Marine: Service to marine customers is the largest of Kirby's three markets, making up 69% of diesel engine services revenue. This market consists of engines on inland and offshore towing vessels, offshore oil service vessels, oil and gas drilling rigs, commercial fishing fleets and U.S. Government vessels.

Power generation, nuclear and industrial:

This market segment contributes 18% of diesel engine services revenue. Kirby services diesel engines that are used as standby, peak and base load power sources for the power generation and nuclear industries, and gears used in the cement, mining and paper industries.

Railroad: The railroad market contributes 13% of diesel engine services revenue, serving shortline and industrial railroads, and certain U.S. transit and Class II railroads.

Field project engineers and mechanics service customers' needs worldwide by providing troubleshooting, engine and reduction gear overhauls, block welding, line boring and in-place machining.



In-house engineers, mechanics and machinists perform all repairs in strict compliance with original equipment manufacturers' specifications and factory rebuild procedures.



Kirby's eight parts and service facilities stock an extensive, computerized inventory of new and remanufactured parts.



Kirby serves as a nationwide distributor of parts for the Electro-Motive Division of General Motors, the world's largest manufacturer of diesel-electric locomotives.



Kirby Inland Marine is committed to providing the safest and most efficient method of transporting large volumes of liquid cargo

Many people ask, “Why barges, why not rail or truck?” The answer is that barges are the superior mode of transportation in many respects. They are generally more efficient and safer when transporting large volumes of cargo. For example, to carry the same amount of cargo as a typical Kirby Inland Marine two-barge, 60,000 barrel liquid tow would require 80 rail cars or 300 trucks.

Looking at it another way, one gallon of fuel can move one ton of freight 514 miles by barge, 202 miles by rail and only 59 miles by truck. Additionally, U.S. inland barge transportation produces considerably less nitrous oxides and does not contribute to the congestion on our nation’s highways. Kirby Inland Marine is pleased to be the leader in the safe and environmentally sound transport of liquid cargoes in this country.

Canal, River and Linehaul Operations

Kirby Inland Marine’s operations are essentially broken into three separate, but related, operational fleets—Canal, River and Linehaul. Each of these provide tank barge transportation services to Kirby customers. The Canal operations transport petrochemical feedstocks, processed chemicals, pressurized products, refined petroleum products and black oil products along the Gulf Intracoastal Waterway, the Mississippi River below Baton Rouge, and the Houston Ship Channel. Canal tows typically consist of one to six 10,000 to 30,000 barrel barges, pushed by an 800 to 1900 horsepower towboat.

Kirby’s River operations transport petrochemical feedstocks, processed chemicals, pressurized products, refined petroleum products, agricultural chemicals and black oil products along the Mississippi River and its tributaries, including the Arkansas, Illinois, Red, Ohio, Missouri, Tennessee and Tombigbee rivers. A typical River “unit tow” consists of four to eight barges pushed by a 3600 to

6000 horsepower towboat. A unit tow is a dedicated tow, dedicated to the service of a single customer with the same towboat and barges generally used for each trip.

Kirby’s Linehaul operations transport petrochemical feedstocks, processed chemicals and agricultural chemicals along the Mississippi, Illinois and Ohio rivers and the Gulf

Intracoastal Waterway.

A Linehaul tow operates more like a highly efficient train, dropping off and picking up barges as it moves up and down the river. A typical Linehaul operation picks up loaded barges containing products from Gulf Coast refineries located on the Gulf Intracoastal Waterway, accumulates the barges in Baton Rouge, then transports the barges upriver to terminals and plants on the Mississippi, Illinois and Ohio rivers.

A Linehaul river tow may consist of a 3600 to 6000 horsepower towboat pushing from 10 to 25 barges. A Linehaul tow on the Gulf Intracoastal Waterway may consist of a 1400-1900 horsepower towboat with three to five barges.

Results of Operations—2001

Kirby Inland Marine reported record revenue and operating income despite the slow economy and resulting softness in its core petrochemical and chemical market. Strong refined products, black oil and agricultural chemical markets during portions of the year, as well as continuing improvements in efficiency and productivity, enhanced the results. In addition, results were favorably impacted by the leasing of Dow’s Union Carbide fleet in February 2001. The operating margin for 2001 declined slightly to 17.3% compared with 17.6% for 2000, reflecting higher volume on lower margin refined products and agricultural chemical movements.

Most U.S. refineries and petrochemical plants are located on the inland waterway system taking advantage of this efficient and flexible means of transportation.

Kirby Inland Marine Statements of Operating Income (In thousands)		
For the years ended December 31,	2001	2000
Revenues:		
Marine transportation	\$ 481,283	\$ 443,203
Costs and expenses:		
Costs of sales and operating expenses	286,641	262,725
Selling, general and administrative	54,070	47,149
Taxes, other than on income	11,211	9,908
Depreciation and amortization	46,287	45,321
	398,209	365,103
Operating income	\$ 83,074	\$ 78,100
Operating margin	17.3%	17.6%





Sales

The customer's call is received by an experienced sales representative, supported by knowledgeable fleet managers and state-of-the-art technology. The sales representative reviews order specifications with the customer and enters the order.



Dispatch

Sales orders flow electronically to our traffic/dispatch department where barge and towboat availability is determined, equipment assigned to the specific requirement and orders are issued via satellite to the towboat.



*The wheelman
order on the
begins the job
barges specific
customer's fa*



Maintenance/Make Ready



Our Customer

Kirby customers are the major petrochemical, chemical and refining companies in the U.S. Customers know that Kirby's fleet of 858 inland tank barges and 214 towboats can safely and efficiently meet their marine transportation requirements.



**Operations, Logistics and
Emergency Response**

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At Kirby, “We Deliver” is much more than a motto or a slogan. Behind our commitment to deliver the product safely, is a logistics management system, and a staff of experienced, knowledgeable employees. From our sales team who receives the call, to our traffic and dispatch operations, to our vessel crews, the commitment to deliver the product safely and competitively is the paramount consideration. These front-line people are backed by sophisticated IT systems, by skilled support staff and by a management team that is focused on providing our customers the highest value for their dollar .



*Towboat
y receives the
The towboat then
picking up the
proceeding to the*



Customer Facility Load

Arriving at the customer's facility, the towboat's tankerman meets with dock personnel to confirm product, quantity, flow rates and other requirements. Once "hose on" is completed, the tankerman loads the barge, ensuring an even and safe loading of product.



In Transit

"Making tow" is the first step in the transportation of product. While underway, towboat personnel continually monitor traffic and check the barges to ensure a safe transit. A customer can determine the location of the tow at any time on Kirby's website.



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Information Systems



Safety



Facility Discharge

Discharging the product is the end of the voyage. Like the loading process, discharging begins with a conference between the towboat's tankerman and dock personnel.

VICE
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WE TRANSPORT

Kirby Inland Marine transports the building blocks for the products you use every day

Whether it is gasoline and diesel fuel for cars and trucks, styrene for plastics, or bunker fuel for large ships, Kirby Inland Marine plays a vital role in ensuring that the critical products that our economy needs are transported safely and efficiently along the Gulf Intracoastal Waterway and the Mississippi River and its tributaries. Kirby's headquarters and primary fleeting areas are located in the greater Houston and lower Mississippi areas, in close proximity to 80% of the petrochemical and chemical production in the United States.

Kirby Inland Marine plays a vital role in linking suppliers, producers and consumers. Kirby may load

acrylonitrile at one plant and transport it to another where the acrylonitrile is made into acrylic fibers for use in carpets, apparel or home furnishings. We may load styrene at one plant and transport it to another where it is discharged and made into polystyrene for use in housewares, furniture and medical products.

Kirby Inland Marine's loading and discharging of critical products takes place over 3,600 times per month. Kirby plays a crucial role in moving petrochemicals and chemicals, refined petroleum products, black oil and agricultural chemicals which are important to our nation's economy.

Kirby's Top Transported Products and What They Produce

Petrochemicals				
Benzene	Styrene	Phenol	Methanol	Acrylonitrile
Auto Parts Carpet Disinfectants Electronic Components				
Home Building Materials Leather Finishes Medical/Dental Products Paints				
Plywood Adhesives Polishes Seat Belts Styrofoam Telephones Transparent Plastics				

Refined Petroleum Products		
Gasolines	Diesels	Jet Fuels
Automobiles Trucks Airplanes		

Chloro-Alkali Products	
Caustic Soda	Chloroform
Cleaners Detergents	
Drilling Muds Refrigerants	
Soaps Wood Pulp/Paper	

Nitrogen Products	
UAN	Ammonia
Fertilizers	
Chemical Feedstocks	

Lube Products
Lubricants
Automotive Machinery

Residual Products	
Asphalt	Bunker Fuels
Highways Fuel for Ships	

Alcohol Products
Glycol
Antifreeze
Paints
Polyester Fibers

Kirby Inland Marine plays a vital role in the transportation of raw materials that are made into the plastics, fibers, medicines, fertilizers that impact the lives of Americans everyday. Shown is the top product groups transported by Kirby and a list of typical consumer goods for each group.



A Kirby towboat pushes three loaded 30,000 barrel inland tank barges along the Gulf Intracoastal Waterway near High Island, between Houston and Port Arthur, Texas.

Kirby Engine Systems provides service for diesel engines and reduction gears that are essential to the day-to-day operations of its customers

Whether it is emergency service required or routine maintenance performed, Kirby Engine Systems, Inc. and its subsidiaries, Marine Systems, Inc., Engine Systems, Inc. and Rail Systems, Inc., have the capability to maintain and repair large medium-speed diesel engines and reduction gears in three diverse markets: marine operations, power generation, nuclear and industrial applications, and rail operations.

In the marine operations market, Marine Systems serves inland and offshore towing vessels, offshore oil service vessels, oil and gas drilling rigs, commercial fishing fleets and U.S. Government vessels.

In the power generation and industrial applications market, Engine Systems serves the standby power generation industry and the nuclear power industry worldwide, and Marine Systems serves the industrial markets for gears used in the cement, paper and mining industries, and for marine engines.

The rail market, served by Rail Systems, focuses on short-line, industrial, and certain transit and Class II railroads.

Facilities and Services

Kirby Engine Systems is a value-added provider of service with a reputation for quality. Through eight parts and service facilities strategically located across the U.S., employing more than 120 project engineers, mechanics and machinists, Kirby Engine Systems has the largest service area of any medium-speed U.S. diesel engine service company. Kirby Engine Systems provides OEM replacement parts for the diesel engines it services and provides two basic service functions.

The first service function is the in-house inspection, repair or rebuilding of engines, as well as inspection and repair of engine components and reduction gears. These projects typically take place in one of the service facilities.

The second service function is the in-field engine troubleshooting, repair and overhaul, including machining, block welding and on-site line boring. This function is carried out wherever needed, and our field project engineers and mechanics travel the world over to provide these services to meet customer needs.

Distributorships

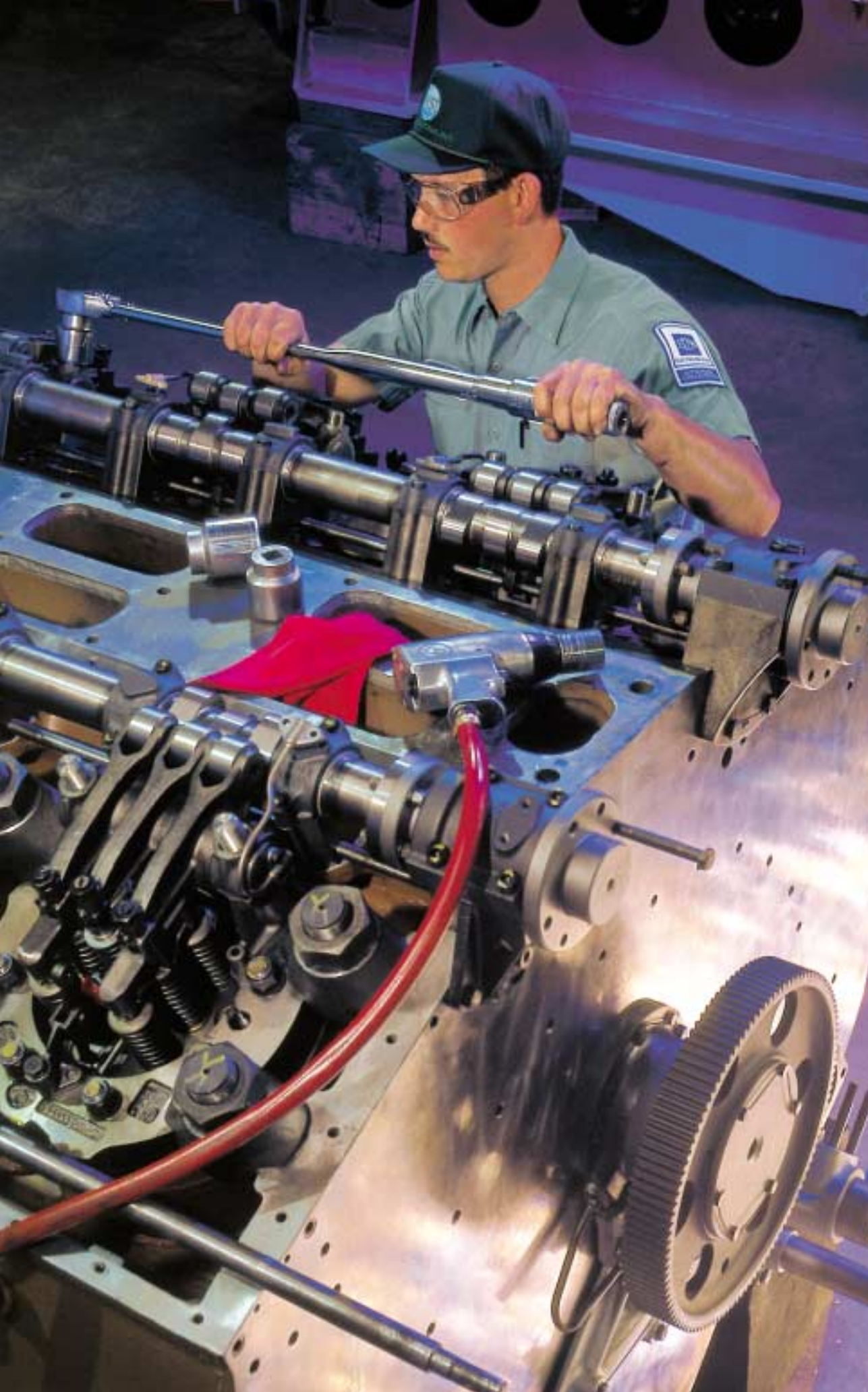
Kirby Engine Systems is the authorized distributor for General Motors Electro-Motive Division (EMD) in 17 eastern states and the Caribbean, and has a 36-year relationship with EMD. These EMD engines are the principal engine serviced. Kirby Engine Systems is also the exclusive distributor of EMD parts to the nuclear industry

worldwide, and operates non-exclusive service centers for EMD engines in the Gulf Coast, Midwest and West Coast regional areas. Other exclusive distributorships include EMD parts to U.S. shortline, industrial, and certain transit and Class II railroads; marine distributor and industrial renew center for Falk reduction gears; worldwide distributor for Enterprise and Cooper-Bessemer KSV engines to the nuclear industry; exclusive U.S. distributorship of Alco engines for marine, power and industrial applications; and worldwide distributor for Woodward Governor for the nuclear industry.

Results of Operations for 2001

Kirby Engine Systems reported record revenue and operating income. The results reflect a full year of operations for two acquisitions that were completed in late 2000, and the transit and Class II railroad distributorship with EMD that started in July 2001. While record results were achieved in 2001, the operating margin dipped slightly from 10% to 9.5%, primarily due to a slower Gulf Coast oil services market and the increase in parts sales to railroad customers. Parts sales typically earn a lower operating margin than service work.

Kirby Engine Systems Statements of Operating Income (In thousands)		
For the years ended December 31,	2001	2000
Revenues:		
Diesel engine services	\$ 85,601	\$ 69,441
Costs and expenses:		
Costs of sales and operating expenses	64,150	52,610
Selling, general and administrative	11,680	8,917
Taxes, other than on income	286	268
Depreciation and amortization	1,374	691
	77,490	62,486
Operating income	\$ 8,111	\$ 6,955
Operating margin	9.5%	10.0%



Through its three operating subsidiaries Marine Systems, Inc., Engine Systems, Inc., and Rail Systems, Inc. Kirby Engine Systems provides in-field service to overhaul and repair large medium-speed engines and reduction gears, provides in-house service to rebuild component parts, entire engines and reduction gears, and sells OEM replacement parts.

A shop mechanic in Houma, Louisiana, remanufactures an EMD engine for repowering or for new boat construction.

Officers

Kirby Corporation

C. Berdon Lawrence,
Chairman of the Board

J. 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 and Controller

Howard G. Runser,
Vice President—Information Technology

Thomas G. Adler,
Secretary

Kirby Inland Marine, LP

Steven P. Valerius,
President

William G. Ivey,
Executive Vice President

Gregory R. Binion,
Vice President—Canal Operations

Mel R. Jodeit,
Vice President—Sales

Dennis A. Kirkonis,
Vice President—Sales

Scott E. Mickey,
Vice President—Logistics Planning

Michael C. Molloy,
Vice President—Sales

Richard 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

Kirby Logistics Management

Mark C. Lawrence,
Vice President

Western Towing Company

Robert D. Goolsby,
Vice President

Dixie Offshore Transportation Company

J. H. Pyne,
President

Kenneth C. Bush,
Executive Vice President

Thomas J. Johnson,
Vice President—Marketing

Kirby Engine Systems, Inc.

Dorman L. Strahan,
President

John A. Manno,
Vice President

David H. Farrar,
Controller

Engine Systems, Inc.

P. Scott Mangan,
Vice President—Sales

Marine Systems, Inc.

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

Thomas W. Bottoms,
Vice President and General Manager
Industrial

Rail Systems, Inc.

L. Michael Clavio,
General Manager

Board of Directors



C. Sean Day
Chairman of
Teekay Shipping Corporation
Joined board 1996



Bob G. Gower
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.
Private Investor
Joined board 1979



C. Berdon Lawrence
Chairman of the Board of Kirby
and former President of
Hollywood Marine, Inc.
Joined board 1999



George A. Peterkin, Jr.
Chairman Emeritus
of Kirby
Joined board 1973



J. H. Pyne
President and Chief Executive
Officer of Kirby
Joined board 1988



Robert G. Stone, Jr.
Chairman Emeritus
of Kirby
Joined board 1983



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

Committees

Executive Committee

C. Berdon Lawrence,
Chairman
Bob G. Gower
William M. Lamont, Jr.
George A. Peterkin, Jr.
J. H. Pyne

Audit Committee

Bob G. Gower,
Chairman
Walter E. Johnson
William M. Lamont, Jr.
Richard C. Webb

Compensation Committee

William M. Lamont, Jr.,
Chairman
Bob G. Gower
Robert G. Stone, Jr.
Richard C. Webb

Committee on Directors and Board Governance

C. Berdon Lawrence,
Chairman
William M. Lamont, Jr.
Robert G. Stone, Jr.

Operating Locations and Mailing Addresses

Kirby Corporation

55 Waugh Drive, Suite 1000
P. O. Box 1745
Houston, Texas 77251-1745
(713) 435-1000
Fax: (713) 435-1010

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 1/4 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

Western Towing Company

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

4102 Barge Terminal Road
Crystal Beach, Texas 77650
(409) 684-6418
Fax: (409) 684-6205

503 Port Road
Freeport, Texas 77541
(281) 393-1431
Fax: (979) 239-3202

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

Imperial Woods and River Road
Harahan, Louisiana 70123
P.O. Box 10859
Jefferson, Louisiana 70181-0859
(504) 737-7526
Fax: (504) 738-3941

Matagorda Terminal

Oyster Lake
Collegeport, Texas
(713) 435-1000
Fax: (713) 435-1464

Red River Terminal

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
(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 S. Washington Street
P. O. Box 1928
Rocky Mount, N. 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

West Coast

950 N.W. Leary Way
Seattle, Washington 98107
(206) 784-3302
Fax: (206) 784-3358

Industrial

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

3824 Peters Road
Harvey, Louisiana 70058
(504) 368-9250
Fax: (504) 368-0472

Rail Systems, Inc.

114 Capital Boulevard
Houma, Louisiana 70360
(985) 223-7300
Fax: (985) 223-7333

Shareholder Information

Annual Meeting

The 2002 Annual Meeting of Stockholders will be held in the Highland Room of the Four Seasons Hotel, 1300 Lamar, Houston, Texas 77010, at 10:00 a.m. (CDT), Tuesday, April 16, 2002.

Corporate Headquarters

Executive Office:

55 Waugh Drive, Suite 1000
Houston, Texas 77007
Telephone: (713) 435-1000
Fax: (713) 435-1010

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.
c/o EquiServe, Inc.
P.O. Box 43010
Providence, RI 02940-3010
Telephone: (781) 575-3400
Fax: (781) 828-8813
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 and Controller, 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 5, 2002, there were 24,119,005 common shares outstanding held by approximately 1,000 registered shareholders. The number of registered shareholders does not reflect the number of beneficial owners of common stock.

Common Stock Market Price

	2001 Sales Price		2000 Sales Price	
	High	Low	High	Low
1st Quarter	\$22.19	\$18.35	\$20.50	\$17.63
2nd Quarter	\$25.45	\$19.83	\$24.63	\$19.63
3rd Quarter	\$25.60	\$20.85	\$24.00	\$19.00
4th Quarter	\$29.00	\$22.00	\$21.00	\$17.25
January 1 to March 5, 2002	\$32.00	\$25.65		

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. Contact G. Stephen Holcomb, Vice President and Controller, at Kirby's corporate headquarters, or e-mail Steve.Holcomb@kirbycorp.com.



Kirby Corporation

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.

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) 435-1010

Visit our website at www.kirbycorp.com

Kirby Corporation, based in Houston, Texas, operates inland tank barges and towboats, transporting petrochemicals, chemicals, refined petroleum products, black oil 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, industrial, nuclear and rail applications.