

Kirby Corporation

2 0 0 2 A n n u a l R e p o r t



2002 – Quarterly Review

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

First Quarter

	<u>2002</u>	<u>2001¹</u>	<u>Change</u>
Net earnings	\$ 8,808	\$ 8,320	6%
Earnings per share	\$.36	\$.35	3%
EBITDA per share	\$ 1.19	\$ 1.19	—%

- Weak petrochemical market
- Weak refined products market, impacted by September 11, with some volumes curtailed by new pipeline from Gulf Coast to Midwest
- Weak liquid fertilizer market due to high Midwest inventory levels

Second Quarter

	<u>2002</u>	<u>2001¹</u>	<u>Change</u>
Net earnings	\$ 8,756	\$ 12,320	(29)%
Earnings per share	\$.36	\$.51	(29)%
EBITDA per share	\$ 1.18	\$ 1.44	(18)%

- Weak petrochemical market
- Weak refined products market, impacted by September 11 and new pipeline
- Weak liquid fertilizer market, the result of significant Midwest rains, reducing demand for fertilizer usage

Third Quarter

	<u>2002</u>	<u>2001¹</u>	<u>Change</u>
Net earnings	\$ 11,957	\$ 12,946	(8)%
Earnings per share	\$.49	\$.53	(8)%
EBITDA per share	\$ 1.38	\$ 1.48	(7)%

- Midwest petrochemical market improved, but Gulf Coast market remained depressed
- Refined products and liquid fertilizer markets improved with seasonality of markets
- Results negatively impacted by tropical storm Isidore

Fourth Quarter

	<u>2002²</u>	<u>2001¹</u>	<u>Change</u>
Net earnings	\$ 10,423	\$ 12,270	(15)%
Earnings per share	\$.43	\$.50	(14)%
EBITDA per share	\$ 1.31	\$ 1.50	(13)%

- Petrochemical market improved and refined products market stable
- Liquid fertilizer market weak, the result of a production problem at a customer's facility
- Black oil market enhanced with Coastal Towing acquisition and barge management agreement

¹ Adjusted to exclude goodwill amortization

² Adjusted to exclude asset impairment charges

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, 2002, included in this Annual Report and filed with the Securities and Exchange Commission.

Cover: The *M/V Daytona*, a Kirby 4600 horsepower towboat, pushes a string of loaded tank barges up the Mississippi River near Baton Rouge.

Historical Financial Highlights:

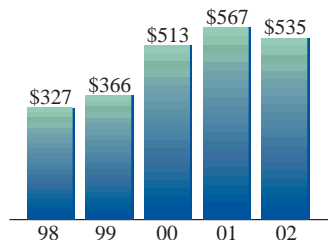
(In thousands, except per share amounts)

Revenues:

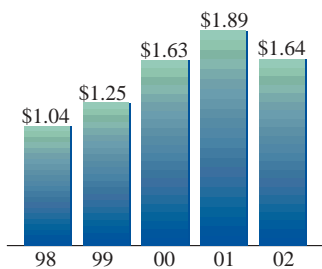
	2002	For the years ended December 31,			
		2001	2000	1999	1998
Marine transportation	\$ 450,280	\$ 481,283	\$ 443,203	\$ 290,956	\$ 244,839
Diesel engine services	85,123	85,601	69,441	74,648	82,241
	<u>\$ 535,403</u>	<u>\$ 566,884</u>	<u>\$ 512,644</u>	<u>\$ 365,604</u>	<u>\$ 327,080</u>
Net earnings	\$ 27,446	\$ 39,603	\$ 34,113	\$ 21,441	\$ 10,109
Net earnings per share (diluted)	\$ 1.13	\$ 1.63	\$ 1.39	\$ 1.01	\$ 0.46
Earnings before interest, taxes, depreciation and amortization (EBITDA)*	\$ 104,540	\$ 136,408	\$ 129,933	\$ 79,508	\$ 56,296
EBITDA per share (diluted)	\$ 4.29	\$ 5.62	\$ 5.29	\$ 3.73	\$ 2.55
Weighted average shares outstanding (diluted)	24,394	24,270	24,566	21,293	22,113

Financial Highlights Excluding Adjustments:

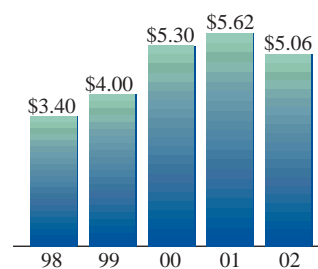
Revenues
(In millions)



Earnings Per Share



EBITDA Per Share



(In thousands, except per share amounts)

	2002	For the years ended December 31,			
		2001	2000	1999	1998
Net earnings	\$ 27,446	\$ 39,603	\$ 34,113	\$ 21,441	\$ 10,109
Adjustments, net of taxes:					
Impairment of assets	12,498	—	—	692	5,416
Amortization of goodwill expense	—	6,253	5,844	1,660	600
Loss on sale of Universal Insurance Company	—	—	—	—	6,849
Merger related charges	—	—	130	2,912	—
Net earnings excluding adjustments	<u>\$ 39,944</u>	<u>\$ 45,856</u>	<u>\$ 40,087</u>	<u>\$ 26,705</u>	<u>\$ 22,974</u>
Net earnings per share excluding adjustments (diluted)	<u>\$ 1.64</u>	<u>\$ 1.89</u>	<u>\$ 1.63</u>	<u>\$ 1.25</u>	<u>\$ 1.04</u>
EBITDA*	\$ 104,540	\$ 136,408	\$ 129,933	\$ 79,508	\$ 56,296
Adjustments before taxes:					
Impairment of assets	18,933	—	—	1,065	8,333
Loss on sale of Universal Insurance Company	—	—	—	—	10,536
Merger related charges	—	—	199	4,502	—
EBITDA excluding adjustments	<u>\$ 123,473</u>	<u>\$ 136,408</u>	<u>\$ 130,132</u>	<u>\$ 85,075</u>	<u>\$ 75,165</u>
EBITDA per share excluding adjustments (diluted)	<u>\$ 5.06</u>	<u>\$ 5.62</u>	<u>\$ 5.30</u>	<u>\$ 4.00</u>	<u>\$ 3.40</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 a company'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.

A Look at 2002 and Beyond

The year 2002 was a very positive year for Kirby as we recorded the second best earnings per share performance, before asset impairment charges, in the history of the company. Additionally, through several strategic acquisitions and management efficiency efforts, we positioned Kirby to become an even stronger player in both the inland tank barge and diesel engine services industries in the coming years.

During 2002, we were able to use our cash flow to significantly enhance the strength of our inland tank barge fleet through three significant acquisitions. The first occurred in early March with the purchase of Cargill's Cargo Carriers fleet of 15 double hull tank barges for \$2.3 million. In October, we acquired 10 double hull black oil tank barges and 13 towboats from Coastal Towing, Inc. for \$18.9 million. In addition, we signed a barge management agreement for Coastal's remaining 54 active black oil tank barges. In December, we purchased 94 double hull tank barges from Union Carbide Finance Corporation for \$23 million. While this was a significant addition to Kirby's fleet, we had been operating these barges under a lease agreement since February 2001.

A fourth and very significant acquisition occurred in January 2003. The work to arrange this purchase began in 2001 and continued through all of 2002. This year-and-a-half effort culminated in the purchase of the fleet of SeaRiver Maritime, Inc., the U.S. marine transportation affiliate of Exxon Mobil Corporation. The purchase included 48 double hull tank barges and seven towboats for

\$35.6 million. In addition, Kirby assumed the leases on 16 double hull tank barges and entered into a contract to provide inland marine transportation services to SeaRiver.

For 2002, Kirby reported net earnings, before asset impairment charges, of \$1.64 per share, ending our string of growth that began in 1994 and continued through 2001. During that time, Kirby's earnings from continuing



Berdon Lawrence, *Chairman*

Joe Pyne, *President*

operations, excluding goodwill amortization, grew at a compounded growth rate of 17.5%, from \$.61 per share in 1994 to \$1.89 in 2001. In 2002, we also saw our consecutive EBITDA growth rate string broken. EBITDA per share from continuing operations grew from \$2.22 in 1994 to \$5.62 in 2001, a compounded growth rate of 14.2%. EBITDA, before asset impairment charges, fell to \$5.06 per share in 2002.

The 2001 year saw the best earnings performance ever recorded by Kirby. This was partially due to two market anomalies, a fire in a Midwest refinery that increased demand for refined products in the Midwest, and strong fertilizer and black oil markets, both aided by high natural gas prices.

The impact of these anomalies in 2001 more than offset the weakness in our core petrochemical market caused by a slow national economy.

In 2002, we took after-tax asset impairment charges of \$12.5 million, or \$.51 per share. The impairment charges were primarily due to reduced estimated cash flows resulting from reduced lives on 114 single hull tank barges, due to the impact of

a new U.S. Coast Guard regulation that requires the installation of tank level monitoring devices on all single hull tank barges by October 2007, as well as growing market bias against single hull tank barges. The impairment charges also included the reduction to fair value of 21 out-of-service double hull tank barges and five inactive towboats that we have committed to sell, as well as two smaller impaired assets. This resulted in net earnings

of \$1.13 per share for 2002, compared with \$1.89 for 2001, adjusted for goodwill amortization.

In spite of weaker earnings, Kirby had another strong year of cash generation. Our debt-to-capitalization ratio decreased slightly from 45.3% at the end of 2001 to 45.1% at year end 2002, after cash was used in the fourth quarter for the acquisition of the Coastal Towing and Union Carbide equipment, and after a \$17.5 million contribution was made to our defined benefit pension plan. Our contribution policy for the pension plan is to fully fund the accumulated benefit obligations.

Overall, 2002 was a demanding year for marine transportation, and we are pleased that Kirby was able

to perform well, despite the slow demand in our core petrochemical market. Petrochemical volumes were weak for the first half of the year, with tonnage to the Midwest showing some improvement in the second half. Chemical manufacturers continued to maintain relatively low inventory levels over most of 2002.

Refined products also saw a slow first half of the year, with improvement noted in the second half with seasonal demand and certain Midwest refinery shutdowns for maintenance turnarounds. A new pipeline from the Gulf Coast to the Midwest also negatively impacted our refined products volumes.

Black oil was sluggish for the entire year. Because we see long-term potential in this market, as we stated earlier, we enhanced our position in black oil transportation with the purchase of 10 black oil tank barges and 13 towboats from Coastal Towing, and signed an agreement to manage their remaining 54 active tank barges.

The movement of liquid fertilizer was weak for most of the year. Heavy spring rainfall kept farmers from fertilizing their fields, while fourth quarter volumes were hampered by production problems at the facility of our largest customer in this market.

In order for Kirby to maintain and expand market share, we continued to upgrade our tank barge fleet. During 2002, we not only upgraded our fleet through strategic acquisitions, but we also continued to retire single hull tank barges, replacing them with state-of-the-art double hull equipment. Capital spending for 2002, excluding acquisitions, was \$47.7 million, including \$8.4 million for new tank barge construction. In 2003, we will take delivery of six 30,000 barrel tank barges for use in the petrochemical and refined products markets, and two 30,000 barrel tank barges for use in black oil service. The cost of these eight barges will be \$12.5 million. Additionally,

we are scheduled to take delivery of six tank barges in 2004.

For 2002, Kirby's diesel engine services sector earned the highest level of operating income in its history, \$8.8 million, a slight improvement over the \$8.6 million earned in 2001, adjusted for goodwill amortization. The 2002 year revenue of \$85.1 million was slightly under the record of \$85.6 million generated in 2001. The relatively strong 2002 market was characterized by two major factors. First was a strong power generation market, benefiting from service and parts sales to the nuclear industry. Second was an expanded rail market, primarily the result of a new distributorship agreement signed in June 2001 with the Electro-Motive Division of General Motors. While power generation and rail were relatively strong, the inland dry cargo marine market was depressed for most of the year. The Gulf Coast offshore oil service market also remained weak, with a modest improvement seen in the fourth quarter.

We are cautiously optimistic about 2003. Kirby is in excellent financial condition with consistently strong cash flow. Our strategic acquisitions during 2002 and early 2003, and our firm commitment to continuously upgrade our fleet, have put us in an outstanding position when economic recovery occurs. Our petrochemical customers are optimistic about improvement in market conditions in late 2003 or 2004. Both our inland marine and diesel sectors are poised to take advantage of growth opportunities when the recovery begins in earnest. It is our commitment to continue to position Kirby to be flexible and cost efficient in meeting our customers' needs, and to continually improve the levels of service we provide.

For our two core businesses to be successful, we must provide our customers with the best value for their dollar. To accomplish this, we must have all four legs of our stool very strong. The four legs are as

follows: (1) Excellent equipment that meets our customers' requirements; (2) Highly trained crews to man our towboats; (3) Experienced and dedicated project engineers, machinists and mechanics to support our diesel business; and (4) Strong shoreside support for our customers, and our marine transportation and diesel engine services operations. Our commitment is to continuously work to improve each of the four legs of our stool, and to ensure Kirby is consistent with its mission of being the best in our two core businesses.

Most importantly, we want to thank the Kirby team. From the vessel employees who safely transit the waterways with customer cargoes, to the diesel employees working in our facilities or at a customer's location, to the shoreside support staff that ensures that the product is delivered or serviced on time and according to customer requirements, we acknowledge your efforts and are grateful for your contribution. We also wish to thank our Board of Directors for their continued guidance and direction, and offer a special vote of appreciation to our customers, who have worked so closely with us during this very challenging and important year.

Respectfully submitted,



C. Berdon Lawrence
Chairman of the Board



Joseph H. Pyne
President

Houston, Texas
March 6, 2003

Marine Transportation

Kirby Inland Marine, LP

Services Offered

Kirby Inland Marine is the leading transporter of bulk liquid products on the Mississippi River and Gulf Intracoastal Waterway.

Kirby's tank barge fleet represents approximately 33% of the U.S. inland tank barge capacity, transporting petrochemicals, refined petroleum products, black oil products and agricultural chemicals.

Strengths

Operating 911 active inland tank barges, with 16.6 million barrels of cargo capacity, and 215 active towboats, Kirby is one of the few carriers capable of servicing its customers' needs throughout the inland waterway system.

Kirby's towboats are operated by highly trained crews, whose knowledge, skills and dedication are the backbone of Kirby's service to its customers. Supporting the crews are an experienced shoreside staff, and state-of-the-art communication systems and training facilities.

Kirby's fleet size, and distribution and communication systems allow for better asset utilization through backhaul opportunities, faster barge turnarounds, more efficient use of horsepower and barges positioned closer to cargoes, as well as lower incremental costs.

Kirby Inland Marine

Statements of Operating Income (In thousands)

For the years ended December 31,	2002	2001	2000	1999	1998
Revenues:					
Marine transportation	\$ 450,280	\$ 481,283	\$ 443,203	\$ 290,956	\$ 244,839
Costs and expenses:					
Costs of sales and operating expenses	269,838	286,641	262,725	175,118	150,027
Selling, general and administrative	52,967	54,070	47,149	32,207	25,802
Taxes, other than on income	10,548	11,211	9,908	8,228	7,372
Depreciation and amortization	42,332	40,677	39,705	26,534	23,749
	<u>375,685</u>	<u>392,599</u>	<u>359,487</u>	<u>242,087</u>	<u>206,950</u>
Operating income	\$ 74,595	\$ 88,684	\$ 83,716	\$ 48,869	\$ 37,889
Operating margin	<u>16.6%</u>	<u>18.4%</u>	<u>18.9%</u>	<u>16.8%</u>	<u>15.5%</u>

1998-2001 adjusted to exclude goodwill amortization expense

Markets

The **Petrochemical** market, Kirby's largest transportation market, contributed 70% of 2002 marine transportation revenue. Petrochemical products are used in the plastics, paper and fiber industries, with demand driven by the sale of consumer goods, housing, automobiles and clothing.

The **Refined Petroleum Products** market provided 13% of 2002 marine transportation revenue. Gasoline, diesel fuel and jet fuel are the primary products transported, with demand driven by vehicle usage, air travel and weather conditions.

The **Black Oil Products** market supplied 12% of Kirby's marine transportation 2002 revenue. Products transported include asphalt, residual oil, coker feedstocks and boiler fuel. The demand drivers are road construction, refinery feedstocks and fuel for electric generation and ships.

The **Agricultural Chemical** market contributed 5% of 2002 marine transportation revenue. Anhydrous

ammonia and nitrogen-based liquid fertilizer are used in the production of corn, cotton and wheat.

Results of Operations for 2002

Kirby Inland Marine reported lower revenue and operating income for 2002, reflecting a continued weakness in the petrochemical market, lower refined products volumes into the Midwest, and lower black oil and agricultural chemical volumes. On a positive note, during the second half of 2002, petrochemical volumes into the Midwest improved as Midwest manufacturers began to replenish low inventory levels. Black oil volumes improved in October with 10 black oil barges purchased from Coastal Towing and the signing of a barge management agreement for Coastal's remaining fleet of 54 barges. The 2002 operating margin declined to 16.6%, compared with 18.4% for 2001, reflecting lower 2002 spot market rates and relatively flat contract renewals, as well as lower volumes.

Diesel Engine Services

Kirby Engine Systems, Inc.

Services Offered

Kirby Engine Systems provides shop and field overhaul and repair of large medium-speed diesel engines and reduction gears, and the related sale of parts to three distinct diesel markets: marine, power generation and industrial, and railroad.

Kirby Engine Systems serves these three markets

through its three subsidiaries: Marine Systems Inc., Engine Systems, Inc. and Rail Systems, Inc.

Strengths

Kirby is a value-added provider of service with a reputation for quality. Employing 120 project engineers, mechanics and machinists, Kirby has the largest service area of any medium-speed U.S. diesel engine service company.

Kirby has a 37-year relationship with the Electro-Motive Division of General Motors, as well as relationships with other manufacturers including Falk, ALCO, Woodward, Cooper Bessemer, Lufkin and Ingersoll-Rand. These relationships allow Kirby to provide high quality parts to complement high quality service.

With field service capabilities and OEM parts from any one of seven strategically located service centers across the U.S., Kirby provides a quick response whenever needs arise.

Kirby Engine Systems

Statements of Operating Income (In thousands)

For the years ended December 31,	2002	2001	2000	1999	1998
Revenues:					
Diesel engine services	\$ 85,123	\$ 85,601	\$ 69,441	\$ 74,648	\$ 82,241
Costs and expenses:					
Costs of sales and operating expenses	63,928	64,150	52,610	57,911	60,390
Selling, general and administrative	11,111	11,680	8,917	8,517	12,652
Taxes, other than on income	303	286	268	249	232
Depreciation and amortization	940	873	605	566	641
	<u>76,282</u>	<u>76,989</u>	<u>62,400</u>	<u>67,243</u>	<u>73,915</u>
Operating income	\$ 8,841	\$ 8,612	\$ 7,041	\$ 7,405	\$ 8,326
Operating margin	<u>10.4%</u>	<u>10.1%</u>	<u>10.1%</u>	<u>9.9%</u>	<u>10.1%</u>

1998-2001 adjusted to exclude amortization of goodwill

Kirby's field project engineers and mechanics travel the world over to provide the services to meet customer needs.

Markets

The **Marine** market is Kirby's largest diesel market, contributing 63% of diesel engine services 2002 revenue. This market includes service and parts for diesel 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.

The **Power Generation and Industrial** market supplied 20% of the 2002 revenue for the diesel engine service segment. Kirby services diesel engines and provides parts for the standby power generation and nuclear industries, and services reduction gears for the cement, chemical, paper and mining industries.

The **Railroad** market provided 17% of Kirby's diesel engine services 2002 revenue. Kirby offers a complete range of services and parts to shortline and industrial railroads, and certain transit and Class II railroads.

Results of Operations for 2002

Kirby Engine Systems reported record 2002 operating income of \$8.8 million, compared with \$8.6 million for 2001, on slightly lower revenue. Strong power generation, industrial and rail markets offset a continued weak Gulf Coast oil and gas services market, a market weak since the second half of 2001, and a weak Midwest dry cargo inland marine market. The 2002 operating margin improved to 10.4%, compared with 10.1% for 2001, primarily due to a more favorable margin on improved power generation revenue.

At Kirby Inland Marine

“Safety is our franchise to operate”

Kirby Inland Marine summarizes its commitment to safety in one phrase, “Safety is our franchise to operate.” This phrase, with its simplicity and clarity, conveys an unmistakable message that without safe practices Kirby Inland Marine cannot properly protect its employees, its assets, or satisfy its customers. This is communicated to every crew member on every towboat from the first day of training.

Safety is an operational philosophy that is supported by a training program that ensures that every towboat employee receives both initial and ongoing training in a comprehensive program of safe work practices. This philosophy begins with the Kirby Inland Marine personnel department, as it screens candidates for Kirby’s training program.

Once admitted into the training program, the trainees attend their first Kirby Inland Marine training course, the Basic Deckhand Program. Basic Deckhand is a 12-day, 120-hour program that begins the process of acclimating the trainee to both the demands and the opportunities of life on a Kirby towboat. The trainee not only receives hands-on training in safety, basic seamanship and basic tow configurations, but also begins the process of experiencing towboat life by working towboat hours and living with other trainees at Heidler Hall, one of two Kirby Training Center dormitories.

Not all trainees complete the 12-day program. Instructors look for candidates with the skills and atti-

tudes required to successfully complete the entire program and who can likely become one of Kirby’s professional tankermen. Those who do graduate from the Basic Deckhand Program are assigned to a towboat and spend two months on the water as a trainee, putting into practice what was learned during the shore-based training program.

Trainees who demonstrate the required deck skills and receive a recommendation from their towboat captain are enrolled in the Tankerman course. This 14-day course is held at the Kirby Training Center and incorporates both formal classroom and hands-on training techniques. Most importantly, the trainees learn proper loading and discharging techniques aboard the *Kirby 101*, a 1,000 barrel tank barge simulator. In addition to experiencing cargo transfer procedures in controlled and closely supervised simulations, trainees learn about cargo characteristics, transfer system components, first aid, CPR, fire fighting and more.

While Kirby offers many additional career development courses for tankermen, such as the Advanced Tankerman Program, the next step for those who have the ability and interest is the Mate/Pilot Towing Vessel Program. Top performers with a number of years on the water as a tankerman may qualify for this program, which prepares the candidate to become a licensed pilot. Candidates must have a minimum of 18 months as a tankerman, achieve Level III

tankerman status and have a written recommendation from a Kirby towboat captain.

The Mate/Pilot Towing Vessel Program is a two-phase program that requires both classroom work and hands-on experience. Classroom curriculum includes chart navigation and piloting, rules of the road and navigation safety, but the real world application is in the actual experience aboard a Kirby towboat. Here candidates are carefully supervised by a Designated Examiner as they gain “hours with the wheel.” By the end of Phase I, the apprentice pilot will have over 100 carefully supervised hours. During Phase II, the apprentice pilot must complete eight monthly examinations, in order and on time, and a two-week licensing course to be licensed as a Mate of Towing Vessels.

Kirby’s commitment to safety and training is ongoing, as Kirby offers employees advanced coursework in both tankering and piloting, including the Advanced Pilothouse Management Program, which utilizes a state-of-the-art towboat simulator and advanced radar training. This rigorously designed and implemented program assures that Kirby pilots will be well trained in the critical skills required for the job.

Kirby Inland Marine supports the statement, “Safety is our franchise to operate,” and is committed to dedicating the resources to achieve this objective.

Kirby Training Center instructor Richard Baker discusses cargo transfer system alignments with tankerman trainees aboard the Kirby 101, the Training Center’s 1,000 barrel tank barge simulator.



**DANGER
KEEP OUT**

"I wish I was back there piloting up & down the river again. Verily, all is vanity and little worth--save piloting."

-Mark Twain, 10/1865

"Little worth—save piloting," wrote Mark Twain (Samuel Clemens) in October of 1865. Twain, a veteran pilot of the Mississippi, wished that he were back there, piloting a vessel on that great American river. This sentiment is echoed by the Kirby crews who pilot their vessels on this same river 137 years later. Would Twain recognize life on the Mississippi today? Very likely, and we feel he would also recognize the professionalism of the Kirby towboat crews who carry on the spirit of Mississippi River life as he did.

The *M/V Daytona* boasts one such Kirby crew. The *M/V Daytona* carries a crew of six to seven professional mariners and is powered by two diesel engines that produce 4600 horsepower (a bit more than an old paddlewheeler). It typically picks up six to eight 30,000 barrel barges loaded with refined products such as gasoline and distillates in Baton Rouge, Louisiana, and delivers them to Memphis, Tennessee. The round trip typically takes 7 to 10 days.



One thing that hasn't changed since Twain's day is the need for crews to be well fed. On Kirby towboats, cooking is part of the job and is rotated among the crew. Here, Danny Townley, a tankerman from Union, Mississippi, with seven years of experience, is enjoying his noon meal.



Life on the Mississippi, Yesterday and Today

The Crew of the M/V Daytona

Pictured below from left to right are:

Tankerman Jody Morgan from Liberty, Mississippi

Relief Captain Dave Slaydon from Kirbyville, Texas

Tankerman Shawn McKinney from Mantee, Mississippi

Engineer Hardy Peacock from McCarley, Mississippi

Not Pictured:

Captain John Fare from Wynne, Arkansas

Relief Engineer Billy Cotney from Collingston, Louisiana

Pilot William Battise from Biloxi, Mississippi

Tankerman Danny Townley from Union, Mississippi

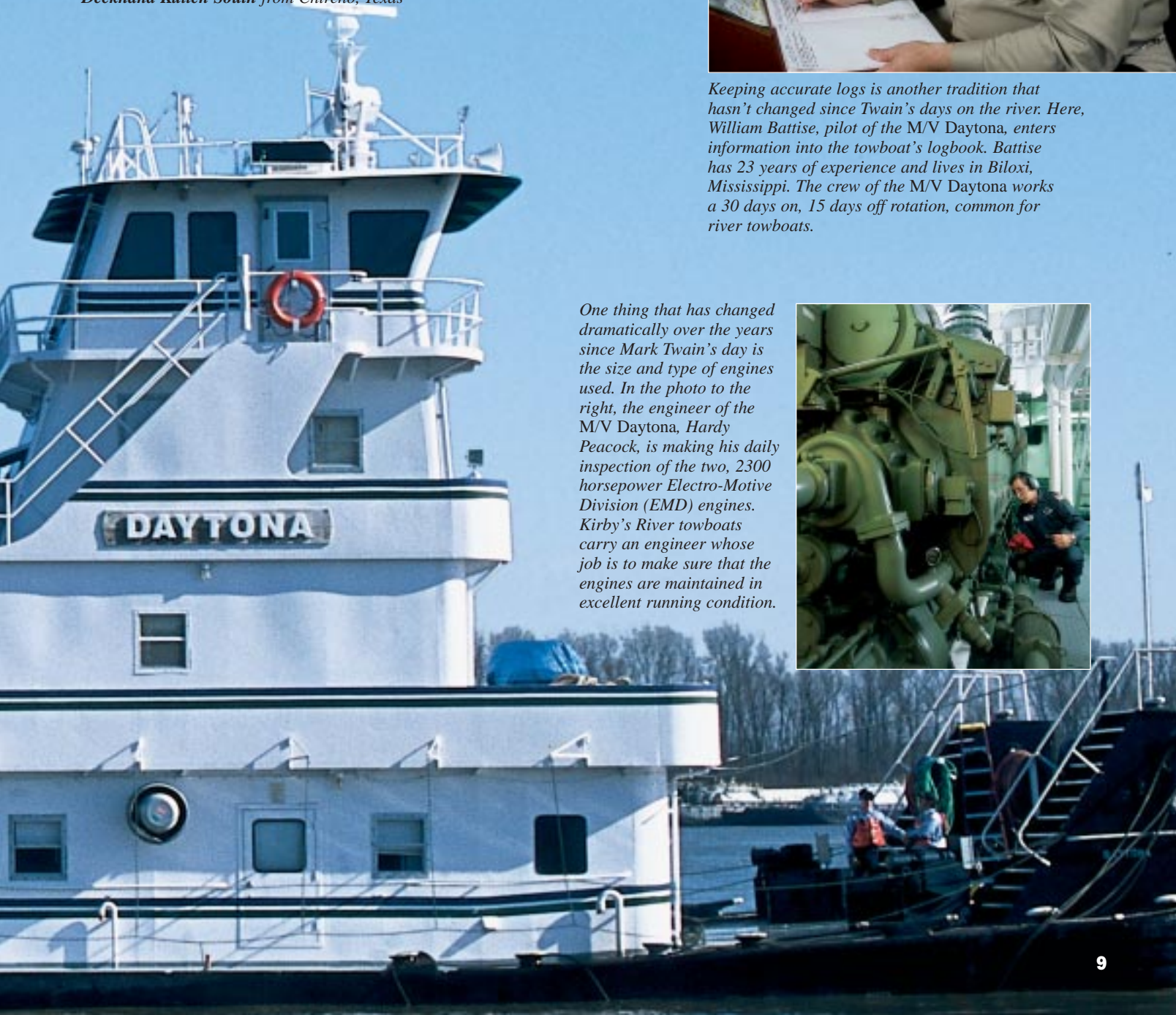
Tankerman Sam Blanco from Houston, Texas

Deckhand Dock Kelly from Grayson, Louisiana

Deckhand Kullen South from Chireno, Texas



Keeping accurate logs is another tradition that hasn't changed since Twain's days on the river. Here, William Battise, pilot of the M/V Daytona, enters information into the towboat's logbook. Battise has 23 years of experience and lives in Biloxi, Mississippi. The crew of the M/V Daytona works a 30 days on, 15 days off rotation, common for river towboats.



One thing that has changed dramatically over the years since Mark Twain's day is the size and type of engines used. In the photo to the right, the engineer of the M/V Daytona, Hardy Peacock, is making his daily inspection of the two, 2300 horsepower Electro-Motive Division (EMD) engines. Kirby's River towboats carry an engineer whose job is to make sure that the engines are maintained in excellent running condition.





Captain David Nolfo pilots the M/V Francis Drake at Kirby's Houston Fleeting Facility while picking up his barges and heading for Corpus Christi. Captain Nolfo has 14 years experience on inland towboats and lives in Gray, Louisiana.



Captain Nolfo meets with tankerman trainee Ricardo Garza (left) and tankerman Dorian Rocha to discuss cargo loading and discharging procedures for the upcoming trip.

The Crew of the M/V Francis Drake

Pictured below from left to right are:

Pilot Michael Bredeson from Dayton, Texas

Tankerman Trainee Ricardo Garza from Lozano, Texas

Captain David Nolfo from Gray, Louisiana

Tankerman Michael Williamson from Orange, Texas

Tankerman Dorian Rocha from La Porte, Texas

Not Pictured:

Relief Captain Brian Puckett from Longville, Louisiana

Tankerman Thomas Scott from Baytown, Texas



Life on the Intracoastal Waterway

Life on the Intracoastal Waterway features towboats optimized for smaller cargo and shorter trips than those on the Mississippi River. The *M/V Francis Drake*, an Intracoastal Waterway towboat, is a 1500 horsepower vessel that normally carries a crew of five professional mariners—two wheelmen, two tankermen and a trainee. The crew maintains a rotating schedule of 20 days on and 10 days off. The *M/V Francis Drake* moves black oil barges between Houston, Corpus Christi and New Orleans. A typical one-way voyage from Houston to Corpus Christi is a little over two days and from Houston to New Orleans, about four days.



A safe voyage begins with a strong coupling of the towboat to the barges. Above, tanker-man Michael Williamson, assisted by tanker-man trainee Ricardo Garza, is in the process of “facing-up” the towboat to the barge. This is accomplished by attaching the towboat’s face wires to the barge’s deck fittings and tightening with the towboat’s deck winches.

Kirby Engine Systems is a value-added provider of diesel engine services with a reputation for quality

Kirby Engine Systems, through its three operating subsidiaries, Marine Systems, Inc., Engine Systems, Inc. and Rail Systems, Inc., and its seven strategically located facilities, is the recognized leader in both shop and field repair and rebuild of large medium-speed diesel engines and reduction gears. Kirby Engine Systems' subsidiaries are recognized for their leadership worldwide, and provide a service that is essential to the day-to-day operations of its marine, power generation and industrial, and railroad customers.

Facilities and Services

From Houma, Louisiana, to Chesapeake, Virginia, and from Seattle, Washington, to Miami, Florida, Kirby Engine Systems, through its seven service and parts facilities, has the largest service area of any medium-speed U.S. diesel engine service company. With 120 factory-trained and authorized project engineers, mechanics and machinists, Kirby provides shop or field service of diesel engines and reduction gears. Kirby sells OEM (Original Equipment Manufacturer) replacement parts, as well as refurbished or rebuilt parts.

The shop services provided at Kirby facilities include inspection, repair or rebuilding of diesel engines, as well as inspection and repair of the

engine's components and reduction gears. All repairs or rebuilds are completed in strict compliance with the latest factory specifications. Rebuilt components are thoroughly tested before being put into service, and tools are regularly calibrated for pinpoint accuracy. Kirby Engine Systems' state-of-the-art, computer-controlled engine testing facilities provide assurance of engine performance.

Field service is provided on a worldwide basis to meet customers' needs. Whether it is on a towboat on the Mississippi River or a drilling rig off the coast of Africa, Kirby's field project engineers and mechanics provide diesel engine troubleshooting, repair and overhaul, including on-site machining, block welding and line boring. Field reduction gear repair includes bearing and element replacement, case welding and machining, line boring and alignment.

Distributorships

The key to Kirby Engine Systems' success is its long-term relationships with the manufacturers of large medium-speed diesel engines and reduction gears. The principal diesel engine serviced by Kirby is manufactured by the Electro-Motive Division (EMD) of General Motors and used in marine, power generation, nuclear, industrial and railroad applications.

Kirby has a 37-year relationship with EMD, serving as the authorized distributor for EMD in 17 eastern states and the Caribbean, and providing authorized service centers for EMD in the Gulf Coast, Midwest and West Coast regional areas. In addition, Kirby serves as the exclusive U.S. distributor for ALCO engines for marine, power and industrial applications, and marine distributor and a Midwest industrial renew center for Falk reduction gears.

For the nuclear industry, Kirby serves as the worldwide distributor for both EMD and Woodward controls. In addition, Kirby serves as the worldwide nuclear distributor for the Cooper Bessemer and Enterprise product lines of Cooper Energy Services, and the authorized nuclear distributor for Ingersoll-Rand.

For the railroad industry, Kirby serves as the authorized distributor of diesel engine power products manufactured by General Motors for the domestic shortline, industrial and certain transit and Class II railroads.

Aubrey Billiot, a shop mechanic in Houma, Louisiana, remanufactures a 3600 horsepower EMD diesel engine for use on an offshore towing vessel.



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.^{1,2,3,4}

Private Investor
Joined board 1979

C. Berdon Lawrence¹

Chairman of the Board of Kirby
Joined board 1999

George A. Peterkin, Jr.¹

Chairman Emeritus of Kirby
Joined board 1973

Joseph H. Pyne¹

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. Webb³

Vice Chairman of
Sanders Morris Harris
Joined board 2000

¹ Executive Committee

² Audit Committee

³ Compensation Committee

⁴ Committee on Directors and
Board Governance

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

William G. Ivey

Executive Vice President

Gregory R. Binion

Vice President—Canal Operations

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

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

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 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) 435-1464

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
P.O. Box 880
Belle Chasse, 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 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 2003 Annual Meeting of Stockholders will be held at 55 Waugh Drive, 8th Floor, Houston, Texas 77007, at 10:00 a.m. (CDT), Tuesday, April 22, 2003.

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 43023
Providence, RI 02940-3023
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 5, 2003, there were 24,065,789 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

	Sales Price	
	High	Low
2003		
First Quarter (through March 5, 2003)	\$29.25	\$21.62
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
2001		
First Quarter	\$22.19	\$18.35
Second Quarter	\$25.45	\$19.83
Third Quarter	\$25.60	\$20.85
Fourth Quarter	\$29.00	\$22.00

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 1st Quarter Results
Thursday, April 24, 2003

Announcement of 2nd Quarter Results
Thursday, July 24, 2003

Announcement of 3rd Quarter Results
Thursday, October 23, 2003

Announcement of 4th Quarter and
Year-End Results
Thursday, January 29, 2004



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

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.

Fast Facts About Kirby

- Largest inland tank barge operator with over 900 active barges
- Market leader providing safe, efficient and environmentally sound inland marine transportation of liquid cargoes
- Offers distribution services throughout the Mississippi River System and Gulf Intracoastal Waterway
- 70% of inland marine transportation business under term contracts, 30% spot market
- Blue chip 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

Visit our website at www.kirbycorp.com

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