

# Kirby Corporation

*2008 Annual Report*



JEFF MONTGOMERY  
WILMINGTON, DE

# Kirby Corporation

Largest inland tank barge operator, offering transportation services throughout the Mississippi River System and Gulf Intracoastal Waterway

Nationwide diesel engine service and parts provider for marine, power generation and railroad markets

Successful integration of 25 marine transportation and 15 diesel engine services acquisitions

Revenue growth rate of 17.4% from 1988 through 2008

Earnings per share growth rate of 17.4% from 1994 through 2008

**Cover:** The *M/V Jeff Montgomery*, Kirby Inland Marine's new 1800 horsepower towboat, pushes two loaded tank barges on the Houston Ship Channel. The *M/V Jeff Montgomery* is named after the late Jeff Montgomery, former President and later Chairman of the Board of Kirby and its predecessor company, Kirby Industries, Inc., from 1956 to 1982. Under his leadership, Kirby entered the marine transportation business, purchasing Dixie Carriers, Inc. in 1969, and entered the diesel engine services business in 1982 with the purchase of Marine Systems, Inc.

**Right:** A view of the wheelhouse of the *M/V Jeff Montgomery*. The wheelhouse and the wheelman console are designed to provide an unobstructed view of the main deck and sides of the towboat. Propulsion is provided by two Cummins 900 horsepower diesel engines.



## 2008 Quarterly Review

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

### First Quarter

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenues	\$330,570	\$274,211	<b>21%</b>
Net earnings	\$ 36,647	\$ 24,422	<b>50%</b>
Earnings per share	\$ .68	\$ .46	<b>48%</b>
EBITDA	\$ 85,504	\$ 64,323	<b>33%</b>

- Favorable marine transportation fundamentals
- Higher rates on contract renewals and spot market pricing
- Time charter contracts insulated revenue fluctuations caused by weather and navigational delays and temporary market declines
- Diesel engine services benefited from strong medium-speed market, partially offset by lower demand in high-speed oil services market

### Second Quarter

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenues	\$348,260	\$288,008	<b>21%</b>
Net earnings	\$ 40,334	\$ 30,137	<b>34%</b>
Earnings per share	\$ .74	\$ .56	<b>32%</b>
EBITDA	\$ 91,266	\$ 74,560	<b>22%</b>

- Favorable petrochemical market
- Time charter contracts insulated revenue fluctuations caused by weather and navigational delays and temporary market declines
- Higher rates on contract renewals and spot market pricing
- High water conditions on Mississippi River throughout quarter negatively impacted results
- Diesel engine services benefited from strong medium-speed market, partially offset by lower demand in high-speed oil services market

### Third Quarter

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenues	\$354,647	\$302,556	<b>17%</b>
Net earnings	\$ 41,778	\$ 34,430	<b>21%</b>
Earnings per share	\$ .77	\$ .64	<b>20%</b>
EBITDA	\$ 93,505	\$ 81,446	<b>15%</b>

- Favorable petrochemical and black oil markets
- Hurricanes Gustav and Ike negatively impacted results
- Time charter contracts insulated revenues from impact of hurricanes and market declines
- Higher rates on contract renewals and spot market pricing
- Diesel engine services benefited from strong medium-speed market, partially offset by lower demand in high-speed oil services market

### Fourth Quarter

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenues	\$326,677	\$307,850	<b>6%</b>
Net earnings	\$ 38,409	\$ 34,352	<b>12%</b>
Earnings per share	\$ .72	\$ .64	<b>13%</b>
EBITDA	\$ 89,600	\$ 80,703	<b>11%</b>

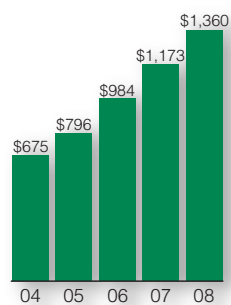
- Lower marine transportation demand driven by economic slowdown
- Time charter contracts insulated revenues from impact of hurricanes and market declines
- Higher rates on contract renewals and spot market pricing
- Increased allowance for doubtful accounts due to deteriorating economic environment
- Diesel engine services medium-speed market softened, along with continued lower demand in high-speed oil services market

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. Forward-looking statements are based on currently available information and Kirby assumes no obligation to update any such statements. A list of these factors can be found in Kirby's Annual Report on Form 10-K for the year ended December 31, 2008, included in this Annual Report and filed with the Securities and Exchange Commission.

## Financial Highlights

(In thousands, except per share amounts)	For the years ended December 31,				
	2008	2007	2006	2005	2004
<b>Revenues:</b>					
Marine transportation	\$ 1,095,475	\$ 928,834	\$ 807,216	\$ 685,999	\$ 588,828
Diesel engine services	264,679	243,791	177,002	109,723	86,491
	<u>\$ 1,360,154</u>	<u>\$ 1,172,625</u>	<u>\$ 984,218</u>	<u>\$ 795,722</u>	<u>\$ 675,319</u>
<b>Net earnings</b>	<u>\$ 157,168</u>	<u>\$ 123,341</u>	<u>\$ 95,451</u>	<u>\$ 68,781</u>	<u>\$ 49,544</u>
<b>Net earnings per share (diluted)</b>	<u>\$ 2.91</u>	<u>\$ 2.29</u>	<u>\$ 1.79</u>	<u>\$ 1.33</u>	<u>\$ .98</u>
<b>Weighted average shares outstanding (diluted)</b>	<u>54,020</u>	<u>53,764</u>	<u>53,304</u>	<u>51,562</u>	<u>50,314</u>
<b>EBITDA—Earnings before interest, taxes, depreciation and amortization:*</b>					
Net earnings	\$ 157,168	\$ 123,341	\$ 95,451	\$ 68,781	\$ 49,544
Interest expense	14,064	20,284	15,201	12,783	13,263
Provision for taxes on income	97,444	76,491	58,751	42,341	30,365
Depreciation and amortization	91,199	80,916	64,396	57,405	55,120
<b>EBITDA*</b>	<u>\$ 359,875</u>	<u>\$ 301,032</u>	<u>\$ 233,799</u>	<u>\$ 181,310</u>	<u>\$ 148,292</u>
<b>Property and equipment, net</b>	<u>\$ 990,932</u>	<u>\$ 906,098</u>	<u>\$ 766,606</u>	<u>\$ 642,381</u>	<u>\$ 574,211</u>
<b>Total assets</b>	<u>\$ 1,526,098</u>	<u>\$ 1,430,475</u>	<u>\$ 1,271,119</u>	<u>\$ 1,025,548</u>	<u>\$ 904,675</u>
<b>Long-term debt, including current portion</b>	<u>\$ 247,307</u>	<u>\$ 297,383</u>	<u>\$ 310,362</u>	<u>\$ 200,036</u>	<u>\$ 218,740</u>
<b>Stockholders' equity</b>	<u>\$ 890,053</u>	<u>\$ 769,830</u>	<u>\$ 631,995</u>	<u>\$ 537,542</u>	<u>\$ 435,235</u>

**Revenues**  
(In millions)



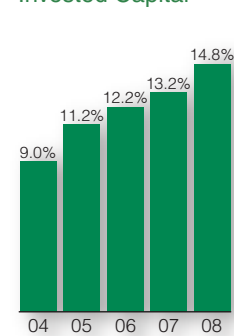
**Earnings Per Share**



**EBITDA\***  
(In millions)



**Return on Invested Capital**



\* 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).

## To Our Shareholders

By almost any measure, 2008 was a remarkable year for Kirby. For the fifth year in a row, Kirby produced record financial returns in all key areas: revenues of \$1.4 billion, net earnings of \$157 million and earnings per share of \$2.91. These record results included a \$.09 per share third quarter negative impact from Hurricanes Gustav and Ike, and a \$.07 per share fourth quarter negative impact from an increase in the allowance for doubtful accounts due to the challenging current economic environment.

2009 will not be as easy. The United States and global economies are in a recession. Our petrochemical and refining customers are under significant pressure and some are credit risks to Kirby. Visibility with respect to our near-term demand is poor. We take comfort in our strong customer relationships and term contract base, our strong balance sheet and our strong cash flows.

During this challenging economic period, we will focus on what we can control: our costs, our customer relationships and being safe. Our term contract to spot mix is at historical highs, providing some stability to our revenues. We have also implemented an early retirement and staff reduction plan, responding to lower demand during 2009. We will take an estimated \$.05 per share charge in the first quarter of 2009 for this early retirement and staff reduction process.

Challenging times have historically meant more opportunities for Kirby, as most of our 40 acquisitions have occurred during more difficult economic periods. We will continue to look for acquisition opportunities that meet our investment objectives in both the marine transportation and diesel engine services segments of our business.

In 2008, we reported an improvement over our record 2007 year. During the year we increased revenues by 16% and net earnings by 27%. EBITDA for 2008 was \$359.9 million, a 20% increase over the \$301.0 million for 2007. We also had a return on invested capital of 14.8% compared to our 2007 return of 13.2%.

Our cash flow remained strong during 2008, with net cash provided by operating activities of \$245.9 million. Cash flow and other sources of cash were used for capital expenditures of \$173.0 million, including \$83.8 million for upgrades to our existing fleet and \$89.2 million for new tank barge and towboat construction, \$33.4 million for common stock repurchases, \$5.5 million for the acquisition of Lake Charles Diesel, Inc. and six previously leased inland tank barges, and \$50.1 million for payment on Kirby's revolving line of credit.

Kirby maintained its strong balance sheet during 2008. Debt as of December 31, 2008, was \$247.3 million compared to \$297.4 million at the end of 2007. Our debt-to-capitalization ratio at December 31 declined to 21.7% compared with 27.9% one year earlier.

Our 2008 results were negatively impacted by two major Gulf Coast hurricanes, Gustav on September 1 and Ike on September 13. Hurricane Gustav disrupted our marine transportation and diesel engine services operations in Louisiana for several days. Hurricane Ike struck the Houston/ Galveston area as a strong Category 2 hurricane, significantly affecting the petrochemical and refining facilities in the path of the storm and closing the Gulf Intracoastal Waterway between Houston and Louisiana for 11 days.

Kirby's marine transportation segment produced record results for the fifth consecutive year, with the operating margin improving to 22.4% compared with 21.1% in 2007 and 19.0% in 2006. Strong demand in our petrochemical and black oil markets was maintained through the third quarter. Midwest refined products volumes declined with high gasoline prices; however, much of the equipment normally used for this service was relocated to the Gulf Coast in support of continued strong petrochemical and refined products demand. Agricultural chemical volumes were strong for the first five months of 2008; however, Midwest flooding in June and July appreciably curtailed traditional late spring/early

summer planting and created high inventory levels. Upriver movements of petrochemicals weakened in the fourth quarter as petrochemical companies responded to a deteriorating economic environment. During the fourth quarter, petrochemical plants closed and volumes were reduced in order to lower petrochemical inventories. Despite these fourth quarter issues, demand along the Gulf Intracoastal Waterway remained fairly stable. Results were also helped by a term contract to spot mix of 80% term and 20% spot. Time charters helped insulate us against revenue fluctuations caused by weather, navigational delays and temporary market declines, averaging 56% of term contract revenues during 2008. We also maintained our excellent safety performance record during 2008. Reduced accidents, spills and injuries not only positively impact our earnings but also correspond with our customers' objectives.

During 2008, term contract rates increased in the 8% to 11% average range, and spot market rates, which include fuel, increased in the 8% to 15% range compared with 2007. Also, annual escalators on multiyear contracts for labor and producer price index increased the rate on those contracts by 5% to 6%, excluding fuel.

The diesel engine services segment also produced record results for a fifth consecutive year, a reflection of strong demand for in-house and in-field service and direct parts sales in the medium-speed market during the first nine months. This was partially offset by softness in the high-speed market's Gulf Coast oil services sector for the majority of the year. The diesel engine services segment benefited from higher service rates and parts pricing implemented during 2007 and 2008. The segment's operating margin for 2008 was 15.0% compared with 15.6% for 2007 and 14.9% in 2006.

Our commitment to building long-term value continued in 2008 through our tank barge and towboat construction projects and capital enhancements of our existing fleet. Capital expenditures for 2008 were

\$173.0 million, consisting of \$73.1 million for 26 tank barges, representing 586,000 barrels of capacity, \$16.1 million for four 1800 horsepower towboats and \$83.8 million expended primarily on upgrading our existing marine transportation fleet. In addition, we chartered five new tank barges with a capacity of 110,000 barrels.

Capital projections for 2009 of \$185 to \$195 million will consist of 48 new tank barges, representing 1.1 million barrels of capacity, and five 1800 horsepower towboats, at a cost of approximately \$140 million. We also anticipate the delivery of seven new chartered tank barges representing 74,000 barrels of capacity. This new 2009 capacity will likely approximate capacity we will retire. Capital enhancements to our existing fleet for 2009 are anticipated at \$45 to \$55 million. At the present time, we have not signed any new 2010 equipment construction commitments.

As stated earlier, the outlook for 2009 remains guarded due to lack of customer visibility. We anticipate some improvement in upriver petrochemical movements as customers restart plants to meet what they consider to be sustainable demand, but this will be offset by volume reductions and excess tank barge capacity along the Gulf Coast. Overall marine transportation volumes are anticipated to decline during 2009. We also anticipate that our diesel engine services segment will see reduced demand, which will affect its earnings performance.

In anticipation of lower demand for both the marine transportation and diesel engine services segments, we will take the following steps:

- Aggressively seek additional cost savings. The cost reduction process has been active for many years at Kirby, well in advance of the current economic recession.
- Reduce the number of towboats we operate as we align horsepower with barge demand. We are currently operating 234 towboats, 26 less than the 2008 high of 260.
- Eliminate approximately 60 shore staff positions or approximately 6% of our shore staff through early

retirement incentives and staff reductions. We will take an estimated \$.05 per share charge in the first quarter of 2009 for the cost of these reductions.

- Freeze all officers' and management salaries at 2008 levels.

On the positive side, the risk of industry over-building of tank barges is likely behind us. During 2008, we estimate that 215 new tank barges were placed in service and 80 to 100 were retired. For 2009, orders have been placed for an additional 180 to 200 tank barges. With the deteriorating economic conditions, some of this equipment may not be built and financing of barges in 2009 may be difficult for some operators. Also decreasing the risk of overcapacity is the age of the industry fleet, with approximately 925 tank barges over 30 years old and 500 of those over 35 years old. Declining volumes should lead to early retirement of many of these barges.

Historically, the majority of our 25 marine transportation and 15 diesel acquisitions have been completed during difficult economic times. Kirby has maintained strong financial discipline over the past several years and enters 2009 with a very strong balance sheet that can be used to take advantage of acquisition opportunities in both of our core marine transportation and diesel engine services segments.

In summary, we would like to emphasize that Kirby enters this period of uncertainty with a management team with years of experience, strong customer relationships, a very strong balance sheet, sustainable cash flows, significantly reduced new equipment commitments for 2010, good control over our costs, and the ability to fine-tune our tank barge and towboat fleet up or down as necessary. Rather than worry about what we can't control, we will focus on what we can and take advantage of the opportunities presented to us. This has been our strategy during past economic weaknesses and it is our strategy today. The discipline that we have exercised during the good times will enable us to do well in the tough times and take advantage of acquisition opportunities to



*Berdon Lawrence*  
Chairman of the Board

*Joe Pyne*  
President and  
Chief Executive Officer

grow our businesses.

We want to thank our employees for their hard work and our Board of Directors and stockholders for their continuing direction and support. We are confident that with the assistance of all involved parties, we will continue to grow stronger.

Respectfully submitted,

C. Berdon Lawrence  
Chairman of the Board

Joseph H. Pyne  
President and Chief Executive Officer

Houston, Texas

March 3, 2009

# Kirby

## Inland Marine

Largest inland tank barge company, operating 914 barges and 234 towboats

Fleet represents approximately 30% of total industry fleet

Transports petrochemicals, black oil products, refined products and agricultural chemicals for a blue chip list of customers

“One-Stop Shop” for customers

80% of business under contract and 20% in the spot market

Extensive company-owned and operated training facility

Strong emphasis on safety, as “Safety Is Our Franchise to Operate”

A Kirby Inland Marine towboat pushing a pressure barge, one of 65 owned and operated by the Company, departs the west side of the Colorado Locks eastbound. The Colorado Locks are located on the Gulf Intracoastal Waterway near Bay City, Texas.





WARNING  
DANGEROUS LIQUID  
NO VISITORS  
NO SMOKING  
NO OPEN FLAMES

# Kirby Inland Marine

## Services Offered

Kirby Inland Marine is the leading United States transporter of bulk liquid cargoes by tank barge, offering safe, dependable, cost-effective and environmentally sound distribution services throughout the Mississippi River System and Gulf Intracoastal Waterway. We transport petrochemicals, black oil products, refined petroleum products and agricultural chemicals for a customer base consisting of the United States' largest petrochemical and refining companies.

## Strengths

Kirby Inland Marine's fleet consists of 914 inland tank barges, comprising 17.5 million barrels of cargo capacity, and 234 inland towboats. Our tank barge fleet represents approximately 30% of the total number of United States inland tank barges. With a large presence in both the Mississippi River System and the Gulf Intracoastal Waterway, we are one of the few bulk liquid barge carriers capable of servicing our customers' needs throughout the inland waterways system. We provide a critical link in our customers' supply chain, transporting and transferring bulk liquid products that keep plants and refineries operating efficiently.

Our fleet size, distribution system and communication system allow for economies of scale through our ability to match tank

barges, towboats, products and destinations more efficiently, resulting in backhaul opportunities, faster turnarounds and barges positioned closer to cargoes. Of the 234 inland towboats operated, we own 172 and 62 are chartered. In today's changing markets, the size of our tank barge and towboat fleet allows us the flexibility to balance chartered horsepower with current demand.

Approximately 80% of our marine transportation revenue is from term contracts and 20% is from spot market movements. Term contracts are for one year or more, may include renewal options and are negotiated with customers with whom we have typically had long-standing relationships.

Kirby's towboats are operated by highly trained crews, whose knowledge, skills and dedication form the backbone of our services to our customers. Supporting our crews are an experienced shore-side staff and state-of-the-art communication and training systems.

## Markets

**Petrochemicals:** Contributed 67% of 2008 marine transportation revenue. Bulk liquid products transported include benzene, styrene, methanol, acrylonitrile, xylene, caustic soda, butadiene and propylene, products used in the manufacture of both durable and nondurable consumer goods.

The *M/V Jeff Montgomery*, Kirby's new 1800 horsepower towboat, pushes two loaded tank barges on the Houston Ship Channel.



**Black Oil Products:** Contributed 18% of 2008 marine transportation revenue. Products transported include residual fuel oil, coker feedstock, vacuum gas oil, asphalt, carbon black feedstock, crude oil and ship bunkers. Drivers of the products are fuel for power plants and ships, feedstock for refineries, certain durable goods and road construction.

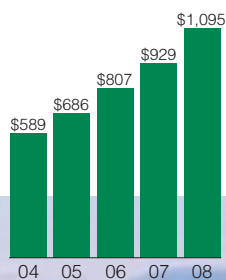
**Refined Petroleum Products:** Contributed 10% of 2008 marine transportation revenue. Products transported include gasoline, No. 2 oil, jet fuel, heating oil, diesel fuel and naphtha. Drivers of the products are vehicle usage, air travel, weather conditions and refinery utilization.

**Agricultural Chemicals:** Contributed 5% of 2008 marine transportation revenue. Products transported include anhydrous ammonia, nitrogen-based liquid fertilizer and industrial ammonia. Drivers of the products are the agricultural economy, including the production of corn, cotton and wheat, and chemical feedstock usage.

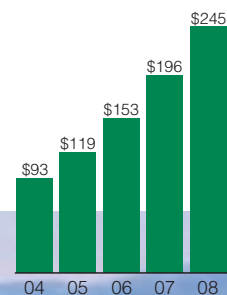
## Results of Operations for 2008

Kirby Inland Marine reported record revenue and operating income, 18% and 25%, respectively, over 2007. Our record marine transportation results reflected continued strong demand in the majority of our markets through the first nine months of 2008. During the 2008 fourth quarter, overall demand softened, particularly upriver movements of petrochemicals, corresponding with the deteriorating economic environment. Our 2008 results were also negatively impacted by Hurricanes Gustav and Ike, both September Gulf Coast hurricanes, and from an increase in our allowance for doubtful accounts. Our operating margin improved to 22.4% compared with 21.1% for 2007, reflecting strong demand in the majority of our markets through the first nine months of 2008, plus higher term contract and spot market pricing.

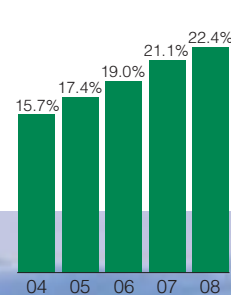
**Revenues**  
(In millions)



**Operating Income**  
(In millions)



**Operating Margin**



### Tank Barge Fleet (Active)

Petrochemical/Refined products	716
Pressure	65
Black oil products	118
Anhydrous ammonia	10
Specialty	5

**Total** **914**

**Total Barrel Capacity** **17.5 MM**

### Towboat Fleet (Active)

Less than 800 hp	1
800–1300 hp	111
1400–1900 hp	75
2000–2400 hp	18
2500–3200 hp	18
3300–4900 hp	8
5000 hp and greater	2
Spot charters	1

**Total** **234**



# Kirby Engine Systems

Nationwide diesel engine services and parts provider for medium-speed and high-speed diesel engines and reduction gears

Serves the marine, power generation and railroad markets

Manufacturer relationships with EMD, Caterpillar, Cummins, Detroit Diesel and John Deere

Employs over 300 factory-trained and authorized project engineers, mechanics and machinists

Provides in-house and worldwide in-field service

Offers customers a single source for engines, gears and transmission services and parts requirements

Ronnie Giroir removes the blower drive gear on a 1500 horsepower EMD marine propulsion engine on a Mississippi River towboat. In-field service is provided throughout the world by project engineers and mechanics, responding to customers' needs throughout the United States as well as destinations worldwide.



# Kirby Engine Systems

## Services Offered

Kirby Engine Systems provides nationwide diesel engine services and remanufactured and replacement parts, as well as ancillary products consisting of gears, transmissions, starters, governors and marine clutches, to marine companies, power generation facilities and railroads. We offer our customers a single source for all their engine, parts and ancillary products requirements, providing both in-house and in-field service through three operating subsidiaries: Marine Systems, Inc., Engine Systems, Inc. and Rail Systems, Inc.

## Strengths

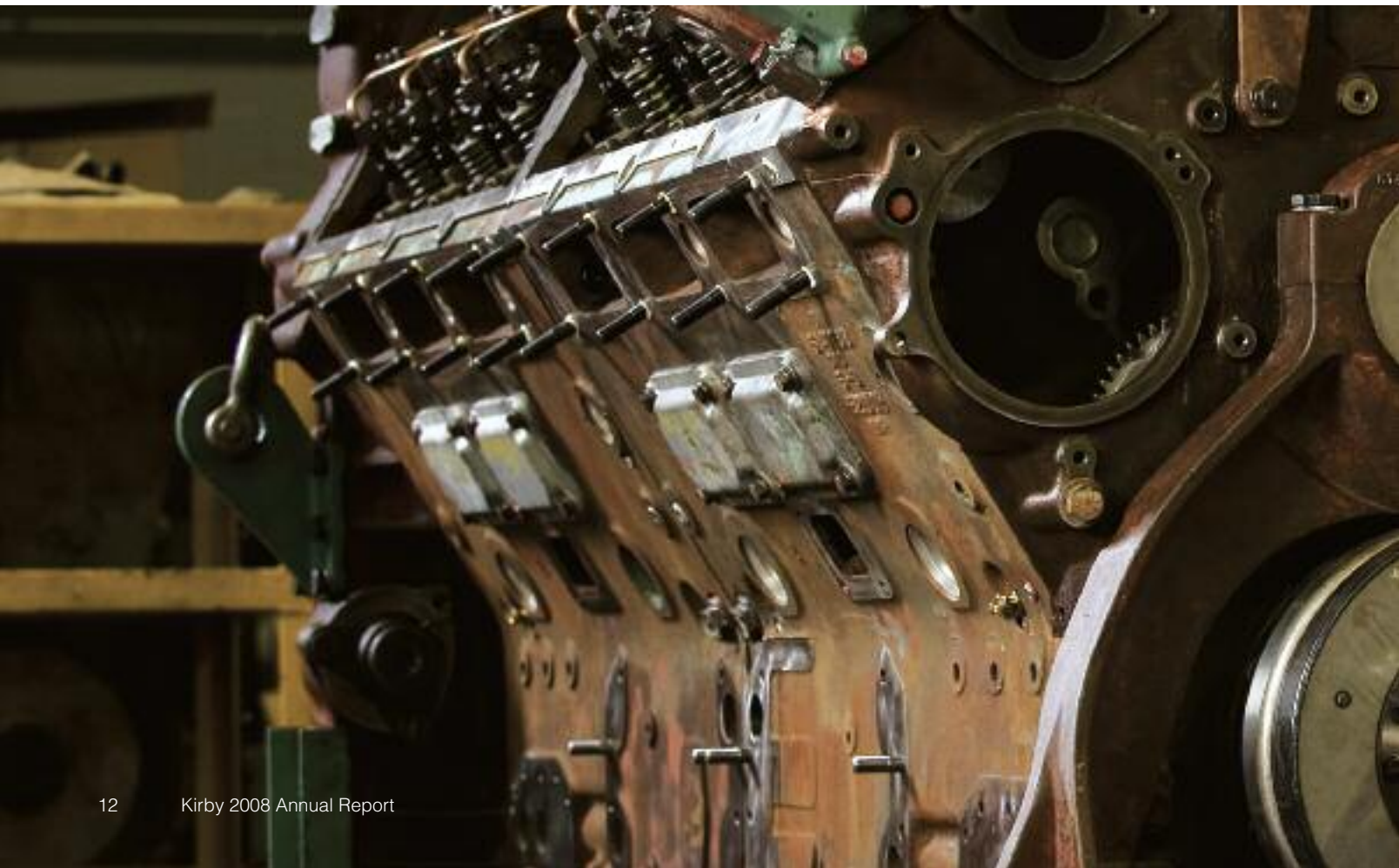
Kirby Engine Systems covers the largest service area of any United States diesel engine services provider, with seven medium-speed service locations and ten high-speed service locations. We provide a service that is essential to the day-to-day operations of our customers.

Kirby has long-term distributorship, dealership and authorized service center relationships with the manufacturers of medium-speed and high-speed diesel engines and ancillary products. The principal medium-speed diesel engines serviced by Kirby are those manufactured by Electro-Motive Diesel, Inc. (EMD). We

have a 43-year relationship with EMD, serving as the authorized distributor in 17 Eastern states and the Caribbean, the exclusive distributor worldwide for parts to the nuclear industry, and the exclusive distributor to the shortline, industrial and certain transit and Class II railroads. We also operate authorized EMD service centers in the Gulf Coast, Midwest and West Coast regions.

In the high-speed market, we operate factory-authorized full-service marine dealerships for Cummins, Detroit Diesel and John Deere diesel engines, and Allison transmissions, as well as operating as factory-authorized marine dealers for Caterpillar in Alabama, Kentucky and Louisiana.

We employ over 300 factory-trained and authorized project engineers, mechanics and machinists. In-house service is provided through our 17 parts and service facilities, consisting of direct sales of OEM (Original Equipment Manufacturer) replacement parts and the refurbishment or rebuilding of parts, engines, gears and transmissions in strict compliance with the latest factory specifications. In-field service is provided throughout the world by project engineers and mechanics, responding to customers' needs throughout the United States as well as destinations worldwide.



## Markets

**Marine:** Our marine market contributed 79% of 2008 diesel engine services revenue. The market includes engines, gears and transmissions on inland and offshore towing vessels, harbor docking tugs, offshore oilfield service vessels, onshore and offshore oil and gas drilling rigs, commercial fishing fleets, dredging vessels, commercial ferries, Great Lakes ore carriers and United States Government vessels.

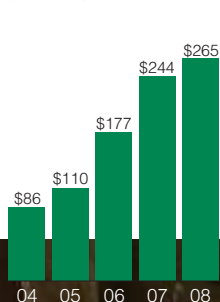
**Power Generation:** Our power generation market contributed 13% of 2008 diesel engine services revenue. The market includes engines used for standby, peak and base load power generation and pumping stations.

**Railroad:** Our railroad market contributed 8% of 2008 diesel engine services revenue. The market includes shortline, industrial and certain transit and Class II railroads within the United States.

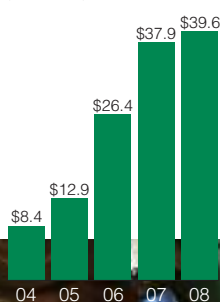
## Results of Operations for 2008

Kirby Engine Systems reported record revenue and operating results for 2008, increasing 9% and 4%, respectively, compared

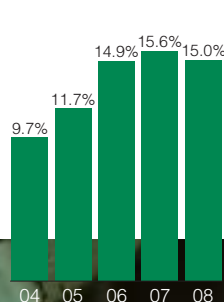
**Revenues**  
(In millions)



**Operating Income**  
(In millions)



**Operating Margin**



with 2007. Our results were positively impacted by strong engine service levels and parts sales in our medium-speed market through the first nine months of 2008, slowing in the fourth quarter. Our high-speed market experienced continued softness in the Gulf Coast oil services market throughout 2008, but reflected some modest improvement in the fourth quarter with repairs to customers' equipment damaged by Hurricanes Gustav and Ike. Gustav, an early September hurricane, resulted in the closure of our Gulf Coast facilities for several days, as well as the closure of customers' facilities and operations in the path of the hurricane. Our operating margin was 15.0%, down slightly from 15.6% in 2007, reflecting the softness in the oil services market and the resulting lower labor utilization, and a higher revenue percentage of lower operating margin engine and equipment sales.

### Service Locations

#### Medium-Speed

Houma, LA (2 locations)  
Chesapeake, VA  
Paducah, KY  
Rocky Mount, NC  
Seattle, WA  
Tampa, FL

#### High-Speed

Houma, LA (2 locations)  
Baton Rouge, LA  
Belle Chasse, LA  
Houston, TX  
Lake Charles, LA  
Mobile, AL  
Morgan City, LA  
New Iberia, LA  
Vidalia, LA

### Manufacturer Relationships

#### Medium-Speed

Electro-Motive Diesel, Inc.  
Alco  
Cooper-Bessemer  
Nordberg

#### High-Speed

Caterpillar  
Cummins  
Detroit Diesel  
John Deere

#### Ancillary Products

Allison Transmission (transmissions)  
Twin Disc (transmissions)  
Falk Corporation (reduction gears)  
Ingersoll-Rand (starters)  
Woodward Governor (governors)  
Oil States Industries (marine clutches)



Steve Adams rebuilds a 1000 horsepower Detroit Diesel marine propulsion engine. Shop service is provided through 17 parts and service facilities, consisting of direct sales of OEM replacement parts and the refurbishment or rebuilding of parts, engines, gears and transmissions.

## Board of Directors

**James R. Clark**<sup>4</sup>  
Retired President and COO of  
Baker Hughes Incorporated  
Director since 2008

**C. Sean Day**<sup>3,4</sup>  
Chairman of  
Teekay Corporation  
Director since 1996

**Bob G. Gower**<sup>1,2,3</sup>  
Private Investor  
Director since 1998

**William M. Lamont, Jr.**<sup>1,3,4</sup>  
Private Investor  
Director since 1979

**C. Berdon Lawrence**<sup>1</sup>  
Chairman of the Board of Kirby  
Director since 1999

**David L. Lemmon**<sup>2</sup>  
Private Investor  
Director since 2006

**Monte J. Miller**<sup>3</sup>  
Private Investor  
Director since 2006

**George A. Peterkin, Jr.**<sup>1,2</sup>  
Chairman Emeritus of Kirby  
Director since 1973

**Joseph H. Pyne**<sup>1</sup>  
President and  
Chief Executive Officer of Kirby  
Director since 1988

**Richard R. Stewart**<sup>2</sup>  
Retired President and CEO of  
GE Aero Energy  
Director since 2008

<sup>1</sup> Executive Committee  
<sup>2</sup> Audit Committee  
<sup>3</sup> Compensation Committee  
<sup>4</sup> 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, Chief  
Financial Officer and Treasurer

**Steven P. Valerius**  
Executive Vice President and  
Chief Administrative Officer

**Ronald A. Dragg**  
Vice President and Controller

**G. Stephen Holcomb**  
Vice President—Investor Relations

**Amy D. Husted**  
Vice President—Legal

**David R. Mosley**  
Vice President and  
Chief Information Officer

**Jack M. Sims**  
Vice President—Human Resources

**Thomas G. Adler**  
Secretary

### Kirby Inland Marine, LP

**Gregory R. Binion**  
President

**James F. Farley**  
Executive Vice President—  
Operations

**William G. Ivey**  
Executive Vice President—Marketing

**Mel R. Jodeit**  
Senior Vice President—Sales

**John E. Russell**  
Senior Vice President—Sales

**David L. Shaw**  
Senior Vice President—Vessel  
Operations

**William M. Withers**  
Senior Vice President—Sales

**Stephen C. Butts**  
Vice President—Sales

**Skye M. Durant**  
Vice President—Kirby Logistics  
Management

**Robert D. Goolsby**  
Vice President—Facility Operations

**James C. Guidry**  
Vice President—Canal Vessel  
Operations

**Patrick C. Kelly**  
Vice President—Operations  
Personnel and Training

### Dixie Offshore Transportation Company

**Joseph H. Pyne**  
President

**Kenneth C. Bush**  
Executive Vice President

**Thomas J. Johnson**  
Vice President—Marketing

### Osprey Line, L.L.C.

**Christian G. O'Neil**  
President

**Charles J. Duet**  
Vice President—Project Cargo

### Kirby Engine Systems, Inc.

**Dorman Lynn Strahan**  
President

**T. Walter Berry**  
Executive Vice President

**David H. Farrar**  
Vice President and Controller

### Engine Systems, Inc.

**John A. Manno**  
Vice President

**P. Scott Mangan**  
Vice President—East Coast and  
West Coast

### Marine Systems, Inc.

**Timothy P. Brady**  
Senior Vice President

**Lynn A. Ahlemeyer**  
Vice President—Gulf Coast

**Thomas W. Bottoms**  
Vice President—Midwest

**Troy A. Bourgeois**  
Vice President—Sales

**Gary E. Mires**  
Vice President—Mobile

### Rail Systems, Inc.

**John A. Manno**  
Vice President



First page of 10K

Last page of 10K

## Shareholder Information

### Annual Meeting

The 2009 Annual Meeting of Stockholders will be held at 55 Waugh Drive, 8th Floor, Houston, Texas 77007, at 10:00 a.m. (CDT), Tuesday, April 28, 2009.

### Corporate Headquarters

#### Executive Office:

55 Waugh Drive, Suite 1000  
Houston, Texas 77007  
Telephone: (713) 435-1000  
Fax: (713) 435-1011  
Web site: [www.kirbycorp.com](http://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:

Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, Rhode Island 02940-3078  
Telephone: (781) 575-2879  
Fax: (781) 575-2549  
Web site: <http://computershare.com>

### Comparison of 5 Year Cumulative Total Return

Return on \$100 invested on 12/31/03 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.



■ Kirby Corporation ■ Dow Jones US Marine Transportation  
■ Russell 2000

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.

### Web Site

For more investor information, as well as information about Kirby, visit Kirby's web site at [www.kirbycorp.com](http://www.kirbycorp.com).

### Independent Registered Accountants

KPMG LLP  
700 Louisiana, Suite 3100  
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 2, 2009, there were 53,774,000 common shares outstanding held by approximately 870 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
2009		
First Quarter (through February 27, 2009)	\$31.16	\$21.00
2008		
First Quarter	\$58.10	\$37.72
Second Quarter	\$61.65	\$47.45
Third Quarter	\$51.09	\$34.13
Fourth Quarter	\$39.87	\$19.54
2007		
First Quarter	\$38.20	\$33.06
Second Quarter	\$40.02	\$34.85
Third Quarter	\$44.90	\$35.68
Fourth Quarter	\$50.72	\$42.00

### 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](mailto:Steve.Holcomb@kirbycorp.com), or visit Kirby's web site at [www.kirbycorp.com](http://www.kirbycorp.com).

### Certifications

Kirby has included as Exhibits 31.1 and 31.2 to its Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission, certificates of the Chief Executive Officer and Chief Financial Officer regarding the quality of Kirby's public disclosure. In addition, in 2008, Kirby submitted to the New York Stock Exchange (NYSE) a certificate of the Chief Executive Officer certifying that he was not aware of any violation by Kirby of NYSE corporate governance listing standards as of the date of the certification.



## 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

Web site: [www.kirbycorp.com](http://www.kirbycorp.com)

