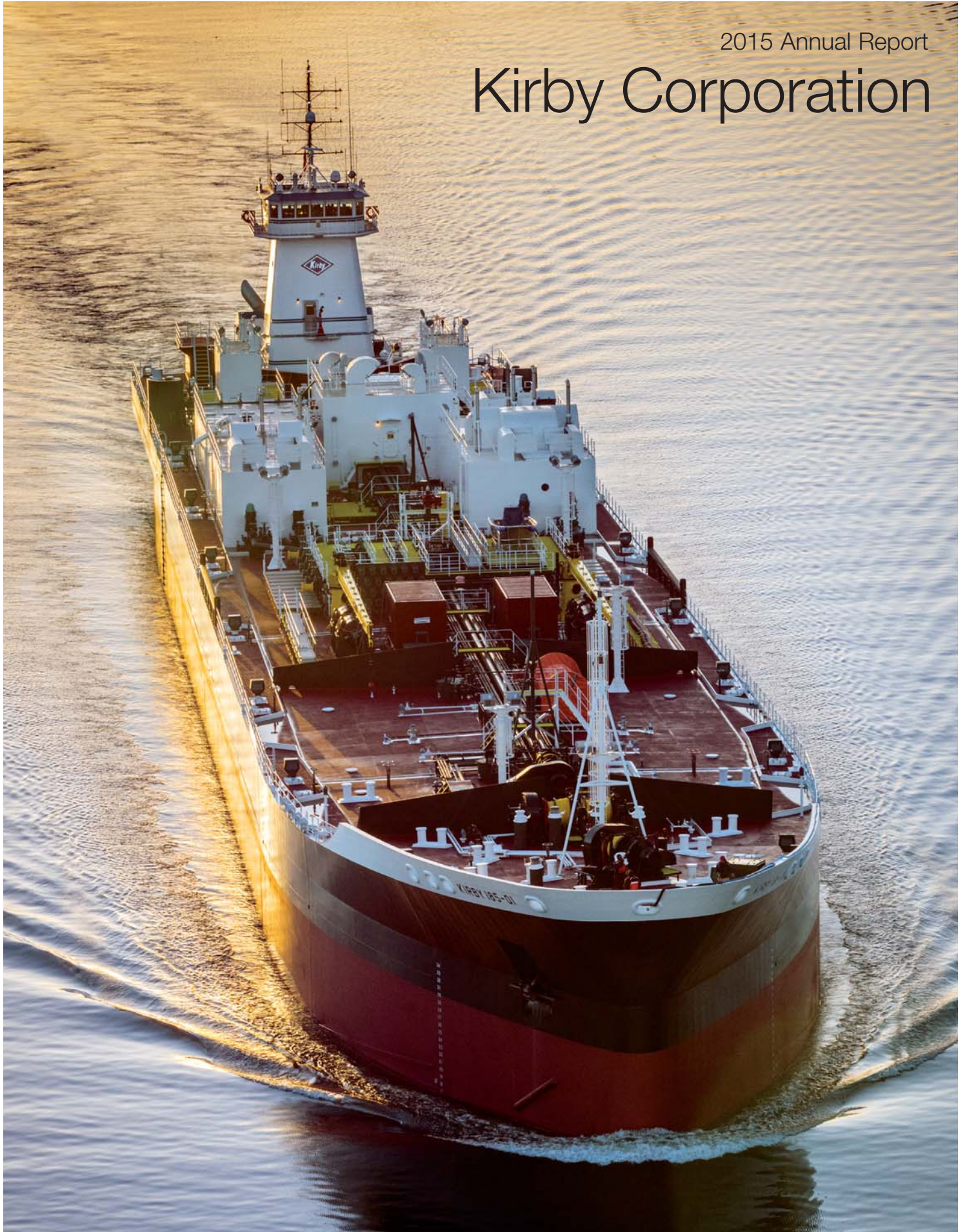


2015 Annual Report

# Kirby Corporation



# 2015 Quarterly Review

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

<b>First Quarter</b>	<b>2015</b>	2014	Change
Revenues	<b>\$ 587,673</b>	\$ 589,246	—%
Net earnings*	<b>\$ 61,078</b>	\$ 62,246	(2)%
Earnings per share*	<b>\$ 1.09</b>	\$ 1.09	—%
EBITDA	<b>\$ 148,585</b>	\$ 146,889	1%

## Highlights

Marine transportation inland and coastal demand stable with utilization in 90% to 95% range with flat inland and favorable coastal pricing

Decline in price of crude oil and resulting lower production levels generated some industry-wide inland tank barge overcapacity as barges shifted out of crude oil service

Diesel engine services land-based demand declined as customers requested cancellations or delays for existing orders of new pressure pumping units, resulting in 40% reduction in manufacturing workforce

Marine and power generation demand stable with softness in Gulf of Mexico oilfield service market

<b>Third Quarter</b>	<b>2015</b>	2014	Change
Revenues	<b>\$ 532,565</b>	\$ 680,721	(22)%
Net earnings*	<b>\$ 56,843</b>	\$ 76,717	(26)%
Earnings per share*	<b>\$ 1.04</b>	\$ 1.34	(22)%
EBITDA	<b>\$ 144,563</b>	\$ 170,090	(15)%

## Highlights

Marine transportation inland and coastal demand stable with utilization in 90% to 95% range with inland pricing down modestly and coastal pricing favorable

Industry-wide inland barges shifted out of crude oil service leading to modest pressure on inland utilization and rates

Heavy coastal shipyard schedule negatively impacted results

Diesel engine services land-based market challenging

Marine and power generation demand stable with weakness in Gulf of Mexico oilfield service market

<b>Second Quarter</b>	<b>2015</b>	2014	Change
Revenues	<b>\$ 543,156</b>	\$ 628,054	(14)%
Net earnings*	<b>\$ 58,075</b>	\$ 74,992	(23)%
Earnings per share*	<b>\$ 1.04</b>	\$ 1.31	(21)%
EBITDA	<b>\$ 144,355</b>	\$ 167,636	(14)%

## Highlights

Marine transportation inland and coastal demand stable with utilization in 90% to 95% range with inland pricing down modestly and coastal pricing favorable

Industry-wide inland barges shifted out of crude oil service leading to modest pressure on inland utilization and rates

Heavy coastal shipyard schedule negatively impacted results

Diesel engine services land-based market challenging

Marine and power generation demand stable with weakness in Gulf of Mexico oilfield service market

<b>Fourth Quarter</b>	<b>2015</b>	2014	Change
Revenues	<b>\$ 484,138</b>	\$ 668,297	(28)%
Net earnings*	<b>\$ 50,688</b>	\$ 68,051	(26)%
Earnings per share*	<b>\$ 0.94</b>	\$ 1.19	(21)%
EBITDA	<b>\$ 133,901</b>	\$ 157,946	(15)%

## Highlights

Marine transportation inland and coastal demand stable with utilization in high 80% to low 90% range with inland pricing down modestly and coastal pricing flat

Inland operating conditions challenging from flooding on river systems

Diesel engine services land-based market challenging

Marine and power generation demand stable with weakness in Gulf of Mexico oilfield service market

\* Net earnings represent net earnings attributable to Kirby and earnings per share represents diluted net earnings per share attributable to Kirby common stockholders.

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, 2015, included in this Annual Report and filed with the Securities and Exchange Commission.

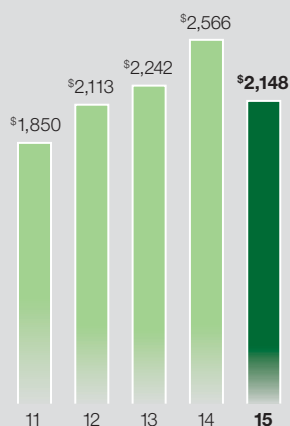
FRONT COVER: *The Kirby 185-01, a Kirby Offshore Marine 185,000 barrel coastal tank barge, with the M/V Nancy Peterkin, a 10000 horsepower tugboat, transits the Columbia River in Oregon in November 2015 on its maiden voyage. This is the first of two new 185,000 barrel coastal articulated tank barge and tugboat units, with the second unit anticipated to be placed in service in mid-2016. Both units are under multi-year contracts.*

# Financial Highlights

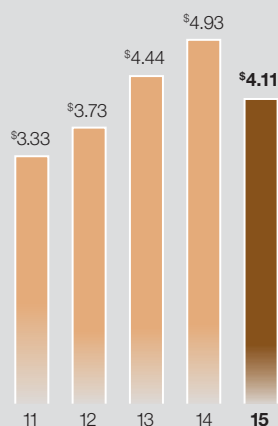
(In thousands, except per share amounts)	For the years ended December 31,				
	2015	2014	2013	2012	2011
<b>Revenues:</b>					
Marine transportation	\$ 1,663,090	\$ 1,770,684	\$ 1,713,167	\$ 1,408,893	\$ 1,194,607
Diesel engine services	484,442	795,634	529,028	703,765	655,810
	<b>\$ 2,147,532</b>	<b>\$ 2,566,318</b>	<b>\$ 2,242,195</b>	<b>\$ 2,112,658</b>	<b>\$ 1,850,417</b>
<b>Net earnings attributable to Kirby</b>	<b>\$ 226,684</b>	\$ 282,006	\$ 253,061	\$ 209,438	\$ 183,026
<b>Net earnings per share attributable to Kirby common stockholders (diluted)</b>	<b>\$ 4.11</b>	\$ 4.93	\$ 4.44	\$ 3.73	\$ 3.33
<b>EBITDA—Earnings before interest, taxes, depreciation and amortization*:</b>					
Net earnings attributable to Kirby	\$ 226,684	\$ 282,006	\$ 253,061	\$ 209,438	\$ 183,026
Interest expense	18,738	21,461	27,872	24,385	17,902
Provision for taxes on income	133,742	169,782	152,379	127,907	109,255
Depreciation and amortization	192,240	169,312	164,437	145,147	126,029
<b>EBITDA*</b>	<b>\$ 571,404</b>	<b>\$ 642,561</b>	<b>\$ 597,749</b>	<b>\$ 506,877</b>	<b>\$ 436,212</b>
Property and equipment, net	\$ 2,778,980	\$ 2,589,498	\$ 2,370,803	\$ 2,315,165	\$ 1,822,173
Total assets	\$ 4,156,266	\$ 4,141,909	\$ 3,682,517	\$ 3,653,128	\$ 2,960,411
Long-term debt, including current portion	\$ 778,834	\$ 716,700	\$ 749,150	\$ 1,135,110	\$ 802,005
Total equity	\$ 2,279,196	\$ 2,264,913	\$ 2,022,153	\$ 1,707,054	\$ 1,454,158

## Revenues

(In millions)

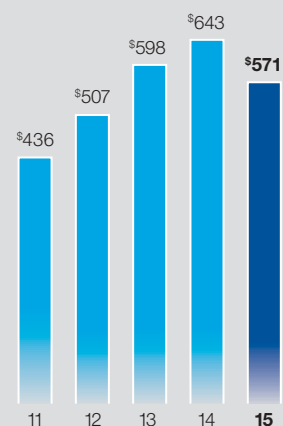


## Earnings Per Share



## EBITDA\*

(In millions)



\* EBITDA, defined as net earnings attributable to Kirby 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

The wind shifted in 2015, ending our four-year run of consecutive record revenues and earnings. In 2015, our financial results reflected \$2.1 billion in revenues, net earnings of \$227 million, earnings per share of \$4.11 and EBITDA of \$571 million. Our free cash flow for 2015 after investing \$345 million in fleet improvements and new equipment and facilities was \$203 million.

The principal driver that affected our marine transportation results was lower crude oil and natural gas condensate volumes transported by water. The shale oil expansion that began in late 2010, encouraged by new technology and higher crude oil prices, resulted in new oil reserves and created opportunities for marine transportation companies to move these increased volumes. To accommodate the new crude oil volumes, the inland tank barge industry built additional capacity. When crude oil began to be transported by water, Kirby believed that much of this capacity would ultimately be serviced by pipelines, but until pipelines were built, marine transportation was a viable option. Unfortunately, starting in late 2014, additional pipeline capacity began to come on-line at the same time that crude oil prices collapsed. Much of the industry-wide tank barge capacity built for crude oil service was returned from crude oil service during 2015, creating some industry overcapacity and affecting tank barge utilization and rates.

In our inland and coastal marine transportation markets other than crude oil, demand was stable for petrochemicals, refined petroleum products and black oil. The United States petrochemical industry continued to benefit from a low-cost natural gas feedstock advantage, producing strong volumes of intermediate products for transportation between Gulf Coast petrochemical plants and terminals for export destinations. The refined petroleum products market benefited from a significant increase in vehicle miles driven in the United States due to low gasoline prices, as well as continued heavy exports of diesel fuel and heavy fuel oils. Favorable black oil demand also continued, driven by heavy refinery output; however, the transportation of crude oil and natural gas

condensate, both in the inland and in the coastal markets, declined significantly as the year progressed.

Despite the decline in crude oil volumes, we were able to maintain utilization in both our inland and coastal fleets in the 90% to 95% range throughout most of 2015. Because of some excess industry capacity in the inland sector, as 2015 progressed, there was pressure on both term and spot contract pricing. Term contract pricing for the inland fleet was down in the 1% to 5% range year over year. In our coastal fleet, where industry supply and demand remained fairly balanced, term contract pricing was up 6% to 8% in the first quarter, but the pace of pricing gains slowed as the year progressed, with the fourth quarter contract renewals becoming relatively flat. While the negative trends on pricing have been driven in large part by the decline in the number of tank barges moving crude oil and natural gas condensate, it has also been driven by the uncertainty in the market that global commodity price volatility has had on our customers.

Throughout 2015, our land-based diesel engine services market also remained very challenging due to the lower price of crude oil that led to a dramatic decline in drilling in North American shale formations. As a result, our oil service customers significantly cut their 2015 capital spending levels. Manufacturing and remanufacturing of oilfield service equipment, including pressure pumping units, declined significantly as customers deferred new equipment orders, requested price reductions or cancelled their orders. In addition, service of land-based diesel engines, transmissions and pumps, and the sale of parts also declined.

Our marine diesel engine services market also experienced some weakness throughout 2015 from its Gulf of Mexico oilfield service customers, but saw continued stable demand from inland and offshore marine customers for overhaul projects, service, direct parts sales and the sale of engines. The power generation market remained stable, with engine-generator set upgrade projects and parts sales for both domestic and international customers.

To meet the challenge, in all our businesses, of declining revenues, we have refocused our efforts on reducing our cost structure, operating safely and redoubling our efforts with respect to customer service. Throughout 2015 and into 2016, we renewed efforts to improve equipment reliability, improve our safety procedures and increase both internal and customer communication. We were able to reduce our maintenance costs and improve service reliability. We also streamlined back office functions in traffic, sales and accounting, and captured additional cost savings through competitive bidding, supplier consolidation and transaction cost reductions.

In our land-based diesel engine services business, we cut costs and streamlined processes, including reducing headcount by 57%, and consolidated our three manufacturing facilities into a single location. Also, in late 2015, we sold substantially all of the assets of UE Compression LLC, a manufacturer and packager of custom compression systems. In our marine and power generation markets, we have proactively responded to the downturn in the Gulf of Mexico offshore oil services market by cutting costs and deploying technicians on a rotational basis to regions of the country with heightened service activity levels, particularly during seasonal peaks in demand for marine diesel engine overhauls. We also initiated construction of a new, state-of-the-art service and distribution facility in Houma, Louisiana, that will allow us to consolidate our largest marine diesel engine operations along the Gulf Coast.

During 2015, we continued to reinvest in our marine inland and coastal fleets, spending \$345 million on capital expenditures. We spent \$71 million on the construction of inland tank barges and towboats, \$117 million for progress payments on the construction of coastal tank barges and tugboats, and \$157 million primarily for upgrades to our existing inland and coastal fleets. Our coastal tank barge and tugboat construction, including anticipated delivery dates, is discussed in more detail on page 9 of this annual report.

Over the course of 2015, we took delivery of 36 new inland tank barges. We also acquired six pressure barges from a competitor for \$42 million. Net of inland tank barge retirements, we added approximately 165,000 barrels of inland tank barge capacity during 2015. In the coastal trade, we took delivery in late 2015 of one of the new 185,000 barrel tank barge and tugboat units.

The significant reduction in the price of Kirby common stock throughout 2015 offered us an opportunity to repurchase shares. Throughout 2015, as the price of Kirby common stock declined, we repurchased approximately 3.3 million shares for \$241 million. During the 2016 first quarter to date, we repurchased approximately 35,000 shares for \$1.8 million. Our remaining repurchase authorization is currently 1.4 million shares.

Our continued strong cash flow allowed us to maintain our balance sheet strength and our investment grade ratings by Standard & Poor's and Moody's. In April 2015, we entered into a \$550 million unsecured revolving credit facility with a maturity date of 2020. The credit facility allows for a \$300 million increase in the form of a revolver or term loan, subject to the consent of each bank that elects to participate. Our debt at year-end was \$779 million, consisting of \$500 million of unsecured senior notes, \$150 million due in 2020 and \$350 million due in 2023, and \$279 million outstanding from the \$550 million unsecured revolving credit facility. This compared with debt of \$717 million at December 31, 2014. Debt-to-capitalization at year-end was 25.5% compared with 24.0% at December 31, 2014.

We expect 2016 will be a challenging year for Kirby given the continuance of low crude oil prices, its impact on all related businesses, and the developing underlying weakness in the United States and global economies. The marine transportation industry will need to absorb the excess capacity it has created in the inland market and, to a lesser extent, the coastal market. Although the exuberance our industry had for crude oil volumes is disappointing, it is by no means fatal. Some crude oil will



**Joe Pyne**  
*Chairman of the Board*

continue to be moved by water where there is not enough volume to build a pipeline or where shippers want the flexibility that barging provides with respect to volumes moved and distribution. The good news from a supply and demand standpoint is that both the industry-wide inland and coastal fleets have old equipment, approximately 650 inland tank barges and approximately 45 coastal tank barges that are over 30 years old, that will eventually be retired. Also, marine transportation markets, other than crude oil, are healthy and expanding. All of this, plus a significantly lower inland tank barge order book for 2016, will help balance future supply and demand.

Kirby views economic headwinds and industry challenges as opportunities. With our investment-grade rated balance sheet, we are very well positioned to take advantage of acquisitions as they come along. In this regard, in March 2016, we announced the signing of an agreement to purchase the inland tank barge fleet of Seacor Holdings, Inc. and affiliates ("Seacor") for approximately \$88 million in cash. The asset purchase will consist of 27 inland 30,000 barrel tank barges and 13 inland towboats, plus one 30,000 barrel tank barge and one towboat currently under construction. This acquisition is expected to close in the 2016 second quarter.

We want to thank each and every Kirby employee for their hard work and dedication in these challenging times, as well as our Board of Directors and shareholders for their continued direction and support. Also, we want to thank our customers for



**David Grzebinski**  
*President and Chief Executive Officer*

their confidence in Kirby and for working so closely with us during 2015 dealing with the numerous high water and lock closure challenges.

We especially want to thank Bill Lamont, a Kirby Board member since 1979, who will retire from the Board at our Annual Meeting in April. Bill served Kirby for 37 years, and his expertise, guidance and support contributed significantly to the growth of Kirby from primarily an oil and gas company with assets of \$101 million in 1979 to the Kirby Corporation of today with assets of \$4.2 billion.

On a final note, we are pleased to welcome a new director to our Board. Anne-Marie Ainsworth, retired President and CEO of the general partner of Oiltanking Partners, L.P. and of Oiltanking Holding Americas, Inc., joined the Board in October 2015. Anne-Marie brings a wealth of industry expertise and knowledge to Kirby.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph H. Pyne". The signature is fluid and cursive.

**Joseph H. Pyne**  
*Chairman of the Board*

A handwritten signature in black ink, appearing to read "David W. Grzebinski". The signature is fluid and cursive.

**David W. Grzebinski**  
*President and Chief Executive Officer*

Houston, Texas, March 8, 2016



# Marine Transportation

**Kirby Corporation, through its wholly owned subsidiaries Kirby Inland Marine and Kirby Offshore Marine, is the United States' largest tank barge operator. All of Kirby's tank barges and towing vessels operate under the United States flag and are qualified for trade under the Jones Act. Kirby Inland Marine and Kirby Offshore Marine have approximately 3,250 employees, of which approximately 2,475 are vessel crew members.**

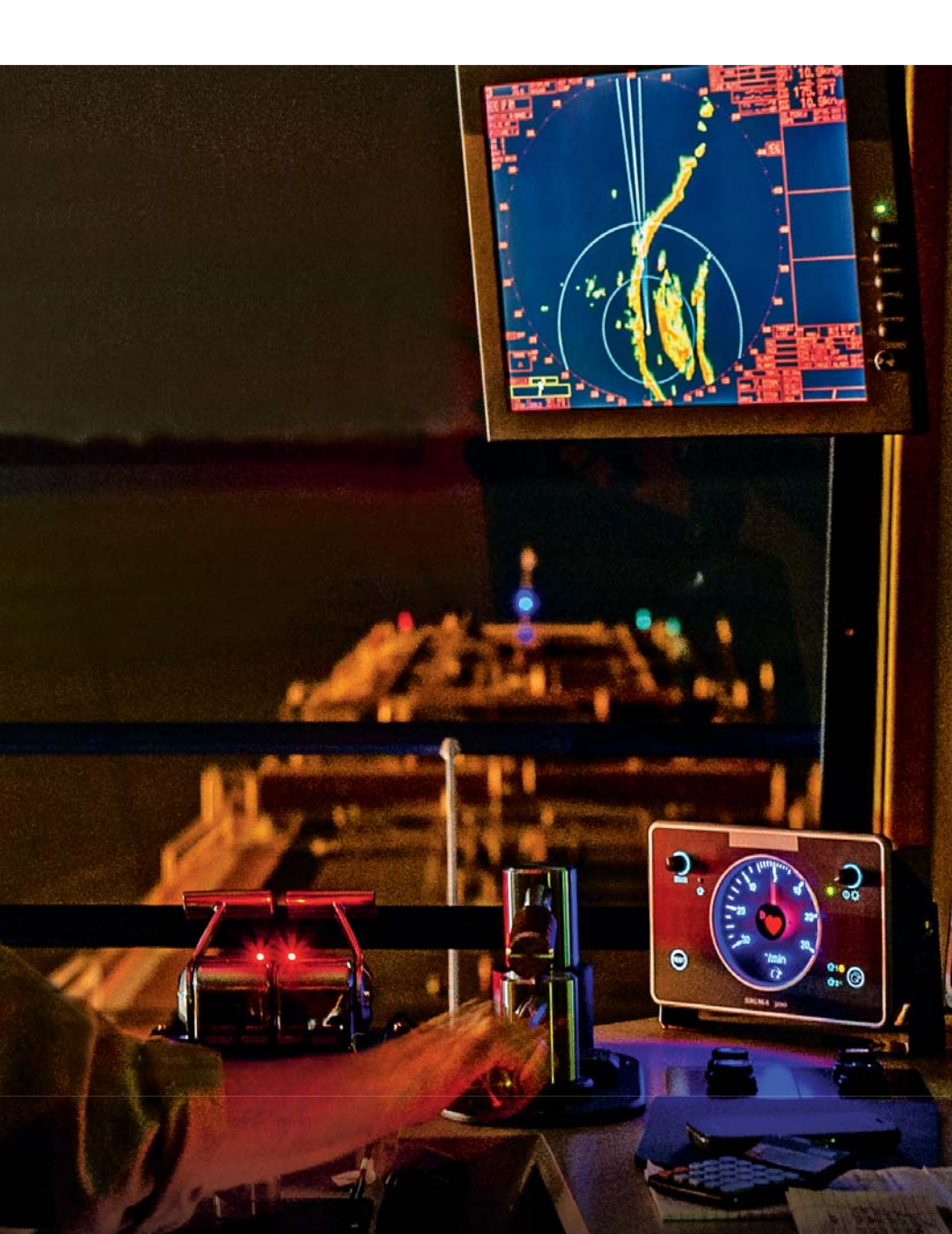
**Kirby Inland Marine transports petrochemicals, black oil, refined petroleum products and agricultural chemicals by inland tank barges throughout the Mississippi River System, Gulf Intracoastal Waterway and Houston Ship Channel.**

**Kirby Offshore Marine transports refined petroleum products, black oil and petrochemicals by coastal tank barges in the 195,000 barrel or less category along all three United States coasts and in Alaska and Hawaii, as well as dry-bulk cargoes along the Gulf Coast and East Coast.**

**Kirby Inland Marine and Kirby Offshore Marine customers are primarily large United States petrochemical and refining companies. Kirby provides a vital link in the production of petrochemicals, transporting raw materials into plants, products from one plant to another for further processing, and finished products to manufacturing plants or distribution terminals for both domestic and foreign destinations. Black oil, including crude oil and natural gas condensate, is transported to refineries and distribution terminals, residual fuel to utilities and asphalt to distribution terminals. Kirby transports gasoline blends, additives, diesel fuel, heating oil and aviation fuel from refineries to distribution terminals for both domestic and foreign destinations. Agricultural chemicals are transported primarily to distribution terminals in the Midwest.**

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*A pilot's view at midnight from inside the wheelhouse of the M/V Blanco, a 2000 horsepower Kirby Inland Marine towboat, with a loaded two-barge black oil tow southbound on the lower Mississippi River south of Greenville, Mississippi. The picture reflects the instruments used for navigation, including a VHF Radio, Bridge Pilot Monitoring System, Furuno Digital Compass, AID and GPS, dual Furuno Radars, Kirby ECS Chartplotter, Dehart Swing Meter and a Furuno Depth Sounder. The picture was taken by James Bates, a Pilot for Kirby Inland Marine.*



## Results of Operations for 2015

Operating income of \$375 million on revenues of \$1.7 billion compared with operating income of \$430 million on revenues of \$1.8 billion for 2014.

Operating margin of 22.5% compared with 24.3% for 2014.

Inland operations were 68% and offshore operations 32% of revenues.

Petrochemicals represented 47% of transportation revenues, black oil 30%, refined petroleum products 20% and agricultural chemicals 3%.

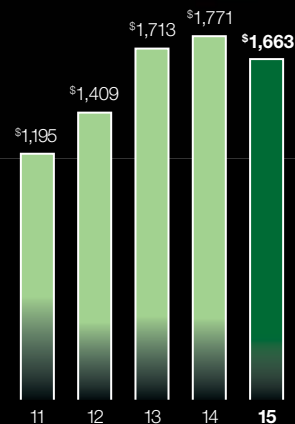
Inland and coastal transportation markets reflected stable petrochemical, black oil and refined products volumes throughout 2015. Tank barge utilization for both the inland and the coastal fleets was in the 90% to 95% range for the 2015 first nine months, declining to the high 80% to low 90% range during the fourth quarter.

Inland transportation demand for the movement of crude oil and natural gas condensate declined as 2015 progressed. The low price of crude oil during 2015 resulted in lower United States crude oil and natural gas condensate production. Additional crude oil pipeline capacity coming on-stream in 2015, along with the industry-wide transfer of inland crude oil barges into other markets, resulted in some excess industry-wide inland tank barge capacity and corresponding lower term contract renewals and spot contract pricing as 2015 progressed.

Coastal transportation demand remained relatively consistent for the entire year with favorable term and spot market pricing. Results were impacted by a significant number of vessels in the shipyard for regulatory drydock maintenance during 2015, as well as higher depreciation and amortization of major maintenance costs from the reduction in the useful lives of certain vessels prior to their scheduled 2016 shipyards.

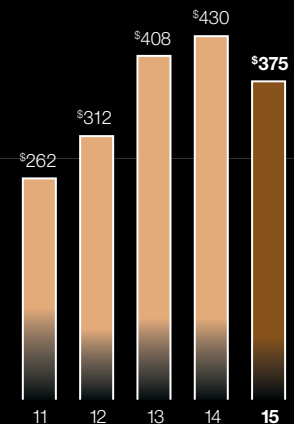
### Revenues

(In millions)

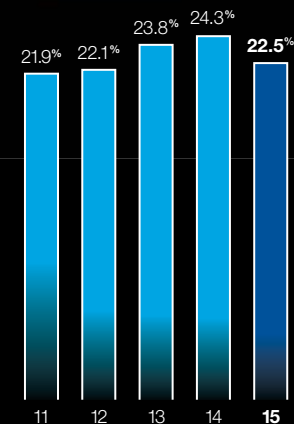


### Operating Income

(In millions)



### Operating Margin



# Kirby Inland Marine

Kirby Inland Marine is a key part of the United States inland tank barge industry. The industry is a combination of large integrated transportation companies, small operators and captive fleets owned by United States refining and petrochemical companies. The nation's inland tank barge fleet consists of approximately 3,850 liquid tank barges. Kirby Inland Marine is the nation's largest operator with 898 inland tank barges, or approximately 23% of the nation's inland fleet.

The United States inland waterway system is composed of 12,000 miles of commercially navigable waterways linking 38 states and 635 shallow draft harbors to coastal ports and the world. Kirby Inland Marine operates on the Mississippi River System, the Gulf Intracoastal Waterway and the Houston Ship Channel. The Mississippi River System includes the Mississippi, Arkansas, Illinois, Missouri, Ohio, Red, Tennessee, Yazoo, Ouachita and Black Warrior Rivers and the Tennessee-Tombigbee Waterway. The Gulf Intracoastal Waterway runs from Brownsville, Texas, to Port St. Joe, Florida. These "water highways" provide the most efficient, economic and environmentally safe modes of transportation for bulk liquid cargoes available today. Kirby Inland Marine serves customers along these waterways through its Canal, River and Linehaul fleets.

*The M/V Daytona, a Kirby Inland Marine 4600 horsepower inland towboat, pushes loaded tank barges on the Mississippi River near Baton Rouge, Louisiana. The M/V Daytona operates in Kirby's Linehaul system, transporting petrochemical feedstocks, processed chemicals, lube oils and agricultural chemicals to multiple waterfront terminals and plants along the Mississippi, Illinois and Ohio Rivers on a regular schedule.*



Inland Tank Barge Fleet	
Petrochemicals/Refined products	704
Black oil	120
Pressure	59
Anhydrous ammonia	10
Specialty	5
<b>Total</b>	<b>898</b>
<b>Total Barrel Capacity</b>	<b>17.9 MM</b>

Inland Towboat Fleet	
800–1300 HP	80
1400–1900 HP	79
2000–2400 HP	53
2500–3200 HP	17
3300–4900 HP	11
5000 HP and greater	2
Spot charters	1
<b>Total</b>	<b>243</b>

Inland Tank Barge Fleet Average Age by Year			
Year	Barges	Barrel Capacity	Average Age
2015	898	17.9	15.2
2014	884	17.8	15.3
2013	861	17.3	16.2
2012	841	16.7	17.7
2011	819	16.2	18.9
2010	825	15.9	20.3
2009	863	16.7	22.2
2008	914	17.5	23.9



### Inland Fleets

In the inland tank barge business, a “tow” describes the combination of an 800 to 5000 or greater horsepower towboat and one or more 10,000 to 30,000 barrel tank barges.

**Canal:** A Canal tow transports petrochemical feedstocks, processed chemicals, pressurized products, black oil and refined petroleum products along the Gulf Intracoastal Waterway, the Mississippi River below Baton Rouge and the Houston Ship Channel. A Canal tow consists of an 800 to 2200 horsepower towboat pushing one to six tank barges.

**River:** A River tow transports the same types of products as a Canal tow with the addition of agricultural chemicals. River tows primarily operate on the Mississippi River above Baton Rouge, on the Illinois, Ohio and Tennessee Rivers, and on the Tennessee-Tombigbee Waterway. The River fleet operates “unit tows” consisting of a 3000 to 6000 horsepower towboat pushing four to

eight tank barges. A unit tow is generally a dedicated tow in the service of a single customer with the same towboat and barges operating on consecutive voyages between loading and discharge points.

**Linehaul:** A Linehaul tow also transports the same type of products as the Canal and River tows. Linehaul tows primarily operate along the Gulf Intracoastal Waterway and the Mississippi, Illinois and Ohio Rivers. Linehaul River tows utilize 3000 to 6000 horsepower towboats pushing 10 to 25 tank barges. Linehaul Canal tows utilize 1400 to 2200 horsepower towboats pushing three to six barges. A typical Linehaul operation picks up loaded barges from petrochemical plants and refineries on the Gulf Intracoastal Waterway, tows the barges to staging points near Baton Rouge, then transports the barges upriver to customers along the Mississippi, Illinois and Ohio Rivers, dropping off barges along the way and picking up barges on the return trip to Baton Rouge.

### Products Transported by Markets

**Petrochemicals:** benzene, styrene, methanol, acrylonitrile, xylene, caustic soda, naphtha, butadiene, propylene, butane, propane

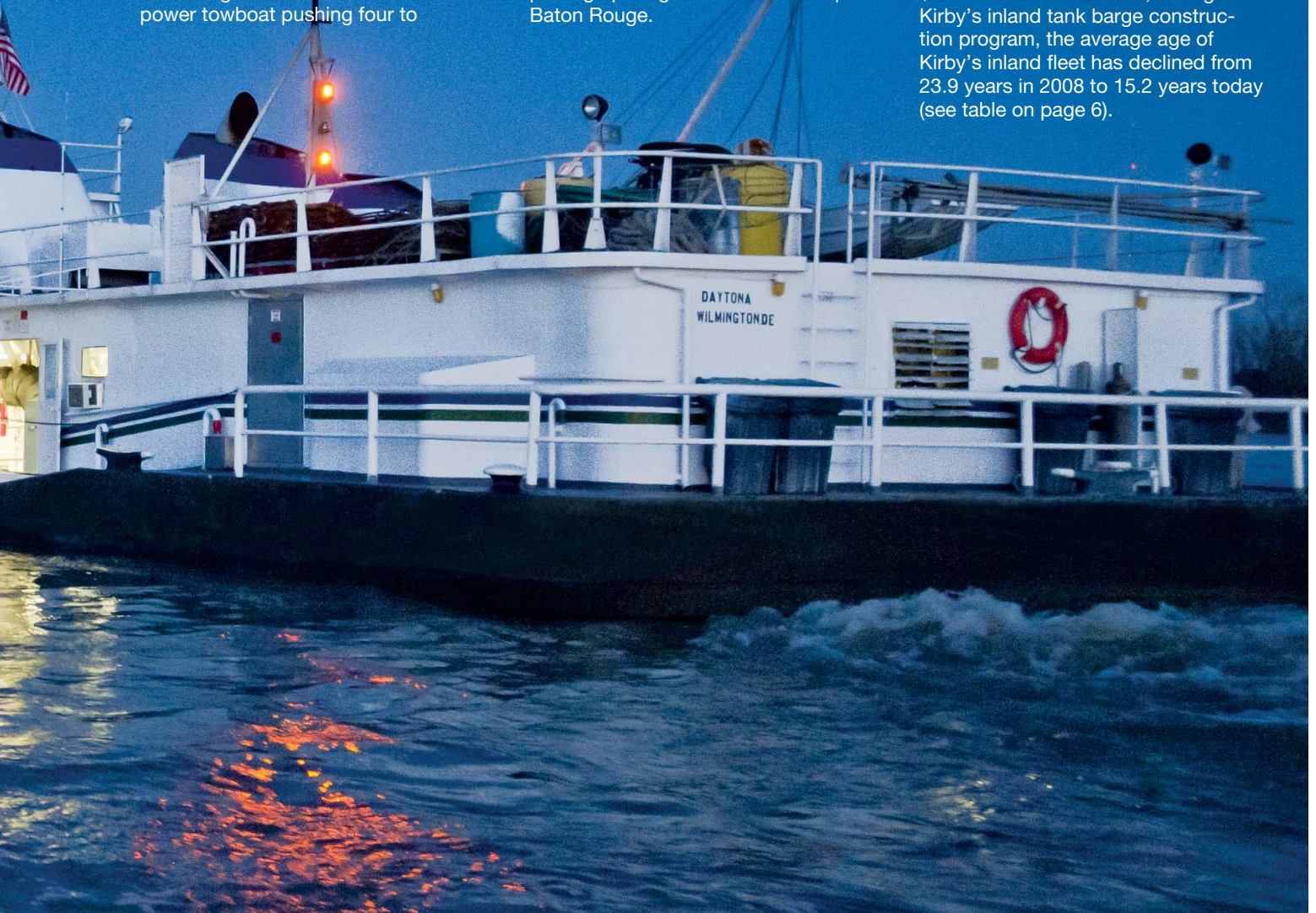
**Black Oil:** residual fuel, fuel oils, vacuum gas oil, asphalt, carbon black feedstock, crude oil, natural gas condensate, ship bunkers

**Refined Petroleum Products:** finished gasoline, gasoline blendstock, aviation fuel, heating oil, diesel fuel, ethanol

**Agricultural Chemicals:** anhydrous ammonia, nitrogen-based liquid fertilizer, industrial ammonia

### New Construction

During 2015, Kirby continued to reinvest in its inland tank barge fleet with the delivery of 36 new tank barges, adding 489,000 barrels of capacity at a cost of approximately \$71 million. In early 2015, Kirby acquired six inland pressure tank barges with a total capacity of 97,000 barrels for \$41.3 million. Since 2008, through Kirby’s inland tank barge construction program, the average age of Kirby’s inland fleet has declined from 23.9 years in 2008 to 15.2 years today (see table on page 6).



# Kirby Offshore Marine

**Kirby Offshore Marine is a major component of the United States offshore tank barge industry. The industry consists mainly of large integrated marine transportation companies and small operators. The nation's coastal tank barge fleet in the 195,000 barrels or less category consists of approximately 270 barges. Kirby Offshore Marine is the nation's largest tank barge operator, with 70 coastal tank barges, or approximately 26% of the nation's coastal fleet.**

**The United States coastal system is made up of ports along the Atlantic, Gulf and Pacific Coasts, as well as ports in Alaska, Hawaii and on the Great Lakes. Like the inland waterway systems, the coastal trade is vital to the regional distribution of refined petroleum products, crude oil, natural gas condensate and petrochemicals from refineries, petrochemical plants and storage facilities to distribution terminals, manufacturers, other refineries, power plants and ships. Kirby Offshore Marine has the broadest geographic presence in the coastal tank barge industry, offering single-source capabilities throughout the United States coastal system. Coastal tank barges in the 195,000 barrels or less category have the flexibility to access coastal ports inaccessible to larger vessels, while still delivering large volumes of products. Kirby Offshore Marine services customers through its Atlantic and Pacific divisions.**

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*The Kirby 185-01 is launched at Gunderson Marine's Portland, Oregon, shipyard on May 30, 2015. The 185,000 barrel coastal tank barge has the latest cargo systems, including a crude oil washing system and cargo heating system that allows the barge to transport crude oil, natural gas condensate, petrochemicals and refined petroleum products.*



## Coastal Operations

**Atlantic:** The Atlantic division operates along the eastern seaboard of the United States and along the Gulf Coast, from Maine to Texas, regionally transporting refined petroleum products, gasoline blending stocks, heating oil and aviation fuel from refineries and storage terminals to end user distribution terminals. Crude oil and natural gas condensate are transported from regional storage terminals to refineries. Petrochemicals are primarily transported from Gulf Coast petrochemical plants to end users along the Gulf and Atlantic Coasts.

**Pacific:** The Pacific division operates along the Pacific Coast, regionally transporting refined petroleum products from refineries and storage terminals to distribution terminals from Southern California to Washington State, throughout Alaska and from California to Hawaii, including ethanol from California to Hawaii. Crude oil and natural gas condensate are primarily transported from storage terminals in Oregon and Washington State to regional refineries and refineries in California.

The Pacific division also operates in Hawaii, transporting refined petroleum products from a Hawaii refinery to Hawaiian Islands distribution terminals, black oil to power generation customers and bunker fuel to ships. The division also provides ship docking service, standby tug assistance and line handling to vessels using the Single Point Mooring installation at Barbers Point, Oahu, a facility where large tankers safely load and discharge their cargos through an offshore buoy system.

**Dry Products:** Kirby Offshore Marine also transports raw sugar and other products from the Gulf Coast to East Coast ports. Kirby Ocean Transport Company transports coal from Louisiana across the Gulf of Mexico to a power generation facility in Florida and limestone rock from Florida to Alabama.

## Products Transported

### Refined Petroleum Products:

finished gasoline, gasoline blend-stock, aviation fuel, heating oil, diesel fuel, ethanol

**Black Oil:** residual fuel, fuel oils, vacuum gas oil, asphalt, carbon black feedstock, crude oil, natural gas condensate, ship bunkers

**Petrochemicals:** cumene, phenol, acetone, cyclohexane, caustic soda, naphtha

**Dry Products:** raw sugar, coal, limestone rock, fertilizer

## New Construction

During 2014, Kirby announced contracts for the construction of four coastal articulated tank barge and tugboat units (ATBs). The coastal tank barges have the capacity of transporting crude oil, natural gas condensate, refined petroleum products and petrochemicals.

The first of the four ATBs, a 185,000 barrel tank barge and a 10000 horsepower tugboat, was placed in service in late 2015. The second ATB, also a 185,000 barrel tank barge and 10000 horsepower tugboat, is scheduled to be placed in service in mid-2016. Both of these ATBs have contracted with major shippers for multiple-year charters with customer option provisions.

The third and fourth ATBs are 155,000 barrel tank barges with 6000 horsepower tugboats. One is scheduled to be placed in service in mid-2016 and the last in mid-2017.

Kirby also contracted for the construction of a new 35,000 barrel coastal tank barge for the petrochemical trade and two 4900 horsepower coastal tugboats. The coastal tank barge and coastal tugboats are anticipated to be placed in service in 2017.

### Coastal Tank Barge Fleet

Refined products/Petrochemicals	46
Black oil	24
<b>Total</b>	<b>70</b>
<b>Total Barrel Capacity</b>	<b>6.0 MM</b>

### Coastal Tugboat Fleet

1000–1900 HP	7
2000–2900 HP	5
3000–3900 HP	15
4000–4900 HP	24
5000–6900 HP	11
Greater than 7000 HP	11
<b>Total</b>	<b>73</b>

### Offshore Dry-Bulk Cargo Fleet

Dry-bulk barge and tugboat units	6
Deadweight tonnage	113,000



*The M/V Nancy Peterkin and the Kirby 185-01 were placed in service as an articulated coastal tank barge and tugboat unit in November 2015 under a long-term contract. Its initial cargo was refined petroleum products.*

A man wearing a green polo shirt, a light-colored baseball cap, and safety glasses is focused on working on a large, complex piece of machinery, likely a diesel engine. He is wearing white work gloves and using a long-handled tool. The background is filled with yellow-painted metal components of the engine, creating a warm, industrial atmosphere.

# Diesel Engine Services

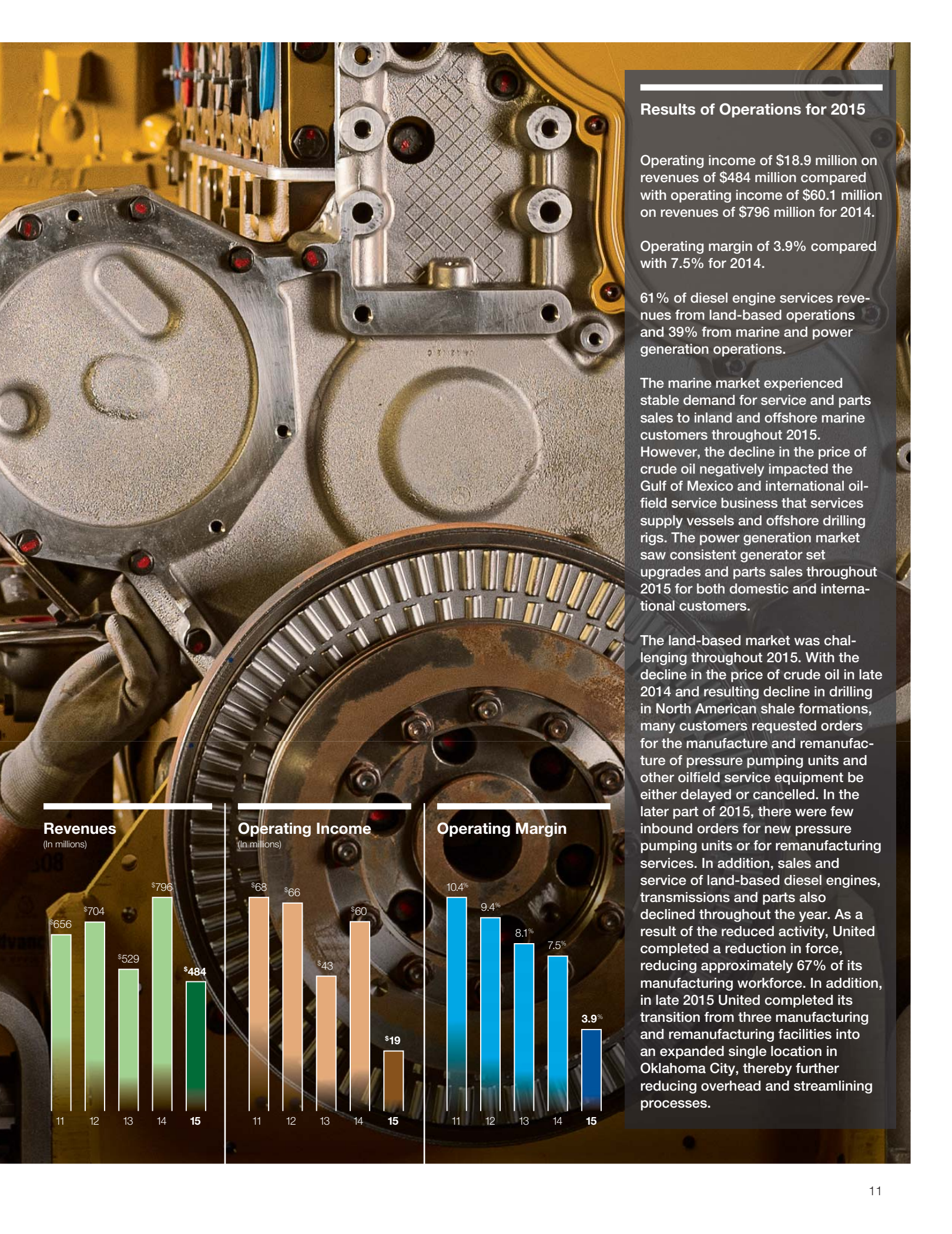
**Kirby Corporation, through its wholly owned subsidiaries Kirby Engine Systems and United Holdings, provides a service that is essential to the day-to-day operations of marine companies, power generation facilities, and the oil and gas industry. Kirby provides aftermarket in-house and worldwide in-field service, offering its long-standing customers a single source for the service and distribution of diesel engines and ancillary products, and the manufacture and remanufacture of oilfield service equipment.**

**Kirby Engine Systems provides aftermarket service and OEM replacement parts for medium-speed and high-speed diesel engines, and ancillary products, as well as the sale of new engines for the marine and power generation industries.**

**United Holdings provides aftermarket service, OEM replacement parts and distribution of high-speed diesel engines, transmissions and pumps, and the manufacture and remanufacture of customized oilfield service equipment, including pressure pumping units, for the land-based oil and gas industry.**

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*Steve Adams services a Caterpillar C18 diesel engine at Kirby Engine Systems' Houma, Louisiana, facility. Kirby Engine Systems' in-house service is provided through 13 service and parts facilities along the Gulf Coast, East Coast and West Coast and in the Midwest. Kirby has the largest service area of any United States marine and power generation diesel engine service provider.*



## Results of Operations for 2015

Operating income of \$18.9 million on revenues of \$484 million compared with operating income of \$60.1 million on revenues of \$796 million for 2014.

Operating margin of 3.9% compared with 7.5% for 2014.

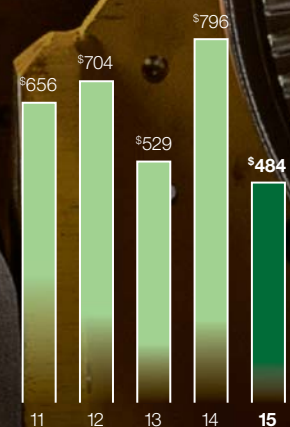
61% of diesel engine services revenues from land-based operations and 39% from marine and power generation operations.

The marine market experienced stable demand for service and parts sales to inland and offshore marine customers throughout 2015. However, the decline in the price of crude oil negatively impacted the Gulf of Mexico and international oilfield service business that services supply vessels and offshore drilling rigs. The power generation market saw consistent generator set upgrades and parts sales throughout 2015 for both domestic and international customers.

The land-based market was challenging throughout 2015. With the decline in the price of crude oil in late 2014 and resulting decline in drilling in North American shale formations, many customers requested orders for the manufacture and remanufacture of pressure pumping units and other oilfield service equipment be either delayed or cancelled. In the later part of 2015, there were few inbound orders for new pressure pumping units or for remanufacturing services. In addition, sales and service of land-based diesel engines, transmissions and parts also declined throughout the year. As a result of the reduced activity, United completed a reduction in force, reducing approximately 67% of its manufacturing workforce. In addition, in late 2015 United completed its transition from three manufacturing and remanufacturing facilities into an expanded single location in Oklahoma City, thereby further reducing overhead and streamlining processes.

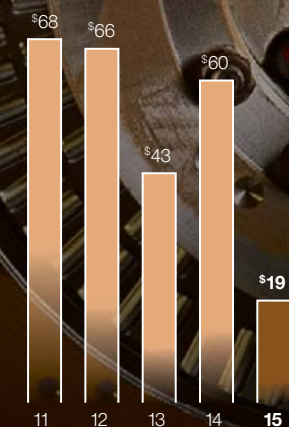
### Revenues

(In millions)

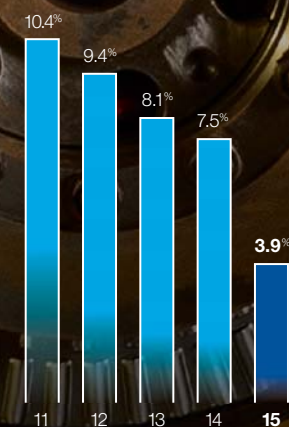


### Operating Income

(In millions)



### Operating Margin



# Kirby Engine Systems

**Kirby Engine Systems is the leading United States service remanufacturer and OEM replacement parts provider for medium-speed and high-speed diesel engines servicing two distinct markets, marine and power generation. Kirby services ancillary products, including reduction gears, transmissions, starters, governors, marine clutches, safety-related products and heat exchangers/separators, and sells new engines. Customers are offered a single source for all of their engines, parts and ancillary products, and are provided both in-house and in-field service through two operating subsidiaries, Marine Systems, Inc. and Engine Systems, Inc.**

Kirby has long-term distributorships, dealerships and contract service centers relationships with the manufacturers of medium-speed and high-speed diesel engines and ancillary products. In addition, Kirby offers service agreements to operators of diesel-powered marine equipment, providing them with one source of support and service for all of their requirements.

Principal medium-speed diesel engines serviced are manufactured by Electro-Motive Diesel, Inc. (EMD), with which Kirby has a 50-year relationship. Principal high-speed diesel engines serviced are manufactured by Caterpillar, Cummins, MTU Detroit Diesel and John Deere.

Kirby employs over 200 factory-trained and authorized project engineers, mechanics and machinists. In-house service is provided through 13 service and parts facilities along the Gulf Coast, East Coast and West Coast, and in the Midwest. In-field service is provided by project engineers and mechanics, responding to customers' needs throughout the United States as well as destinations worldwide.

## **Markets**

**Marine:** Medium-speed and high-speed diesel engines, OEM replacement parts and ancillary products on inland, coastal and offshore towboats and tugboats, harbor docking tugboats, offshore

oilfield service vessels, offshore oil and gas drilling rigs, offshore commercial fishing vessels, Great Lakes ore vessels, dredging vessels, coastal ferries and United States government vessels. Market drivers are the activity levels of the industries served and economic cycles of such industries.

**Power Generation:** Medium-speed diesel engines, ancillary products, safety-related products used in standby, peak and base-load power generation, and generator set and pump upgrades for domestic and international utilities, domestic municipalities and the worldwide nuclear power industry.

*Joe Cumeo assembles an EMD oil pump at Kirby Engine Systems' Houma, Louisiana, facility. Kirby Engine Systems has a 50-year relationship with EMD, the largest manufacturer of medium-speed diesel engines. Kirby Engine Systems serves as both an EMD distributor and contracted service center for select markets, with locations for both service and parts.*





### Service Locations

#### Medium-Speed Diesel Engines

Houma, LA  
Paducah, KY  
Rocky Mount, NC  
Chesapeake, VA  
Seattle, WA  
Tampa, FL

#### High-Speed Diesel Engines

Houma, LA  
Baton Rouge, LA  
Belle Chasse, LA  
New Iberia, LA  
Mobile, AL  
Thorofare, NJ  
Houston, TX

### Manufacturer Relationships

#### Medium-Speed Diesel Engines

Electro-Motive Diesel, Inc. (EMD)  
Cooper-Bessemer & Enterprise Engines  
Nordberg

#### High-Speed Diesel Engines

Caterpillar                      Cummins  
MTU Detroit Diesel          John Deere

#### Ancillary Products

Alfa Laval (heat exchangers/separators)  
Allison Transmission (transmissions)  
Falk Corporation (reduction gears)  
GE Oil & Gas (compression systems)  
Hannon (generators)  
Ingersoll-Rand (starters)  
Lufkin (gears)  
Norlake (transformers)  
Oil States Industries (marine clutches)  
Weschler Instruments (metering products)  
Woodward (governors)

# United Holdings

**United Holdings is a major United States service remanufacturer and distributor of high-speed diesel engines, transmissions, pumps and OEM replacement parts for the land-based oil and gas industry. United also remanufactures and manufactures customized oilfield service equipment, including pressure pumping units, for hydraulic fracturing of North American shale formations. United has long-standing customer relationships with large and mid-cap oilfield service providers, oil and gas operators and producers, and public utilities, providing both in-house and in-field service capabilities.**

*United Holdings technicians finalize a substantially complete pressure pumping unit at its Oklahoma City, Oklahoma, facility. In addition to pressure pumping units, United manufactures nitrogen pumping units, cementers, hydration equipment and blenders.*





Through in-house facilities and in-field capabilities, United provides factory-trained and authorized mechanics to overhaul, service and repair high-speed diesel engines, transmissions and pumps.

In October 2015, United opened its new manufacturing facility in Oklahoma City, consolidating production work from three other Oklahoma City facilities, thereby improving efficiency while adding significant capacity for future growth.

United has long-standing regional distributorships with high-speed diesel engine manufacturers, including MTU Detroit Diesel and Isuzu, and is the largest off-highway distributor for Allison Transmission.

During this period of very challenging low oil prices, the demand for United's service, distribution and manufacturing has declined significantly. In early 2015, an estimated 19.5 million horsepower of pressure pumping units, or approximately 9,000 units, were in operation in North America. Today, the North America drilling rig count is down by approximately 60%, resulting in an estimated 50% of the nation's pressure pumping units being idle. As a result, many operators have significantly reduced maintenance

or cannibalized for parts a portion of their idle units. It is estimated that four to six million horsepower of idle units will not return to service. During this same period, United aggressively reduced costs, streamlined processes and consolidated its manufacturing facilities in preparation for a future improved market.

#### Markets

##### Service and Distribution:

High-speed diesel engines, transmissions, pumps and OEM replacement parts for oilfield service companies, independent drillers, oil and gas exploration and production companies, public utilities, transportation companies, agricultural and construction companies, and municipalities. Drivers are the engines, transmissions, pumps and existing oilfield service equipment used in the exploration and production of the United States oil and gas industry.

**Manufacturing:** Manufacture of custom fabricated oilfield service equipment, including pressure pumping units, nitrogen pumping units, cementers, hydration equipment and blenders for oilfield service companies, independent drillers, and oil and gas exploration and production companies.

#### Manufacturer Relationships

MTU Detroit Diesel  
Allison Transmission  
Daimler Trucks NA  
Detroit Diesel  
Isuzu  
Heil  
Tymco  
Waukesha  
Thermo King

#### Locations

##### Manufacturing

Oklahoma City, OK

##### Distribution and Service

Oklahoma City, OK

Tulsa, OK

Little Rock, AR

Shreveport, LA

Austin, TX

Houston, TX

Laredo, TX

Pharr, TX

San Antonio, TX



# Board of Directors

## Anne-Marie N. Ainsworth<sup>1</sup>

Retired President and CEO of the general partner of Oiltanking Partners, L.P. and of Oiltanking Holding Americas, Inc.  
*Director since 2015*

## Richard J. Alario<sup>1,3</sup>

Retired CEO of Key Energy Services, Inc.  
*Director since 2011*

## Barry E. Davis<sup>1,2</sup>

President and CEO of EnLink Midstream GP, LLC and EnLink Midstream Manager, LLC  
*Director since 2015*

## C. Sean Day<sup>2,3</sup>

Chairman of Teekay Corporation  
*Director since 1996*

## David W. Grzebinski

President and Chief Executive Officer of Kirby  
*Director since 2014*

## William M. Lamont, Jr.<sup>2</sup>

Private Investor  
*Director since 1979*

## Monte J. Miller<sup>2,3</sup>

Retired Executive Vice President, Chemicals, of Flint Hills Resources, LP  
*Director since 2006*

## Joseph H. Pyne

Chairman of the Board of Kirby  
*Director since 1988*

## Richard R. Stewart<sup>1</sup>

Retired President and CEO of GE Aero Energy  
*Director since 2008*

## William M. Waterman<sup>3</sup>

Retired President and CEO of Penn Maritime Inc.  
*Director since 2012*

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Governance Committee

# Officers

## Kirby Corporation

### Joseph H. Pyne

*Chairman of the Board*

### David W. Grzebinski

*President and Chief Executive Officer*

### C. Andrew Smith

*Executive Vice President and Chief Financial Officer*

### William G. Ivey

*President—Marine Transportation Group*

### Joseph H. Reniers

*Senior Vice President—Diesel Engine Services and Marine Facility Operations*

### Ronald A. Dragg

*Vice President and Controller*

### James F. Farley

*Vice President—Industry Relations*

### Amy D. Husted

*Vice President—Legal*

### David R. Mosley

*Vice President and Chief Information Officer*

### Renato A. Castro

*Treasurer*

### Thomas G. Adler

*Secretary*

## Marine Transportation Group

### Kirby Inland Marine, LP

#### William G. Ivey

*President*

#### James C. Guidry

*Executive Vice President—Vessel Operations*

#### Christian G. O'Neil

*Executive Vice President—Commercial Operations*

#### Mel R. Jodeit

*Executive Vice President—Marketing*

#### John E. Russell

*Senior Vice President—Sales*

#### John W. Sansing, Jr.

*Senior Vice President—Maintenance*

#### William M. Withers

*Senior Vice President—Sales*

#### Stephen C. Butts

*Vice President—Sales*

#### Patrick C. Kelly

*Vice President—Sales*

#### Richard C. Northcutt

*Vice President—Sales and Horsepower Management*

#### Lester A. Parker

*Vice President—River Vessel Operations*

#### Cliff R. Stanich

*Vice President—Sales*

#### Thomas H. Whitehead

*Vice President—Sales*

#### Carl R. Whitlatch

*Vice President and Controller*

### Kirby Offshore Marine, LLC

#### William G. Ivey

*President*

#### James C. Guidry

*Executive Vice President—Vessel Operations*

#### Christian G. O'Neil

*Executive Vice President—Commercial Operations*

#### John W. Sansing, Jr.

*Senior Vice President—Maintenance*

#### William M. Withers

*Senior Vice President—Sales*

#### Charles R. Ferrer, Jr.

*Vice President—Sales*

#### John T. Hallmark

*Vice President—Sales*

#### William L. Oppenheimer

*Vice President—Maintenance*

#### Christopher T. Palo

*Vice President—Engineering*

#### Carl R. Whitlatch

*Vice President and Controller*

### Kirby Ocean Transport Company

#### Joseph H. Pyne

*President*

#### William M. Withers

*Vice President*

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

#### John T. Hallmark

*President*

#### Charles J. Duet

*Vice President*

## Diesel Engine Services Group

### Kirby Engine Systems, Inc.

#### Dorman Lynn Strahan

*President*

#### Mia C. Cradeur

*Vice President and Controller*

### Engine Systems, Inc.

#### P. Scott Mangan

*Vice President—East Coast*

### Marine Systems, Inc.

#### Lynn A. Ahlemeyer

*Vice President—Gulf Coast and West Coast*

#### Thomas W. Bottoms

*Vice President—Midwest*

#### Troy A. Bourgeois

*Vice President—Sales*

### United Holdings LLC

#### Derek C. Coffie

*Vice President—Finance and Controller*

#### Ronnie E. Stover

*Vice President—Sales*

### United Engines

#### David L. Tonne

*Vice President—Aftermarket*

### UE Manufacturing

#### Gregory L. Culp

*Vice President—Engineered Products*

### Thermo King of Houston

#### Jason K. Robison

*Vice President*

# Shareholder Information

## Annual Meeting

The 2016 Annual Meeting of Stockholders will be held at Kirby's Houston office, 55 Waugh Drive, 9th Floor, Houston, Texas 77007, at 10:00 a.m. (CDT), Tuesday, April 26, 2016.

## Corporate Headquarters

### Executive Office:

55 Waugh Drive, Suite 1000  
Houston, Texas 77007  
Telephone: (713) 435-1000  
Fax: (713) 435-1010  
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  
Web site: <http://computershare.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 Mary E. Tucker, Assistant Controller, 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  
BG Group Place  
811 Main Street, Suite 4500  
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 4, 2016, there were 53,805,000 common shares outstanding held by approximately 750 registered shareholders. The number of registered shareholders does not reflect the number of beneficial owners of common stock.

## Common Stock Market Price

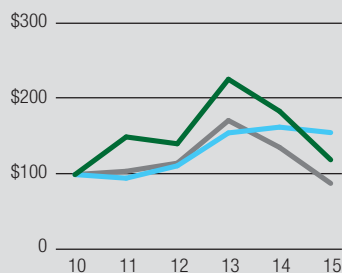
	Sales Price	
	High	Low
<b>2016</b>		
First Quarter (through March 4, 2016)	\$ 62.25	\$ 44.63
<b>2015</b>		
First Quarter	\$ 82.91	\$ 70.89
Second Quarter	\$ 84.24	\$ 73.31
Third Quarter	\$ 78.72	\$ 59.54
Fourth Quarter	\$ 69.05	\$ 50.42
<b>2014</b>		
First Quarter	\$106.93	\$ 92.86
Second Quarter	\$117.18	\$ 96.00
Third Quarter	\$124.12	\$114.11
Fourth Quarter	\$117.78	\$ 78.84

## Financial and Investor Relations

Copies of Kirby's Form 10-K (which is incorporated in this Annual Report) are available free of charge. Either contact **Mary E. Tucker, Assistant Controller**, at Kirby's corporate headquarters, e-mail [Mary.Tucker@kirbycorp.com](mailto:Mary.Tucker@kirbycorp.com), or visit Kirby's web site at [www.kirbycorp.com](http://www.kirbycorp.com).

## Comparison of 5 Year Cumulative Total Return

Return on \$100 invested on December 31, 2010, in stock or index, including reinvestment of dividends. Fiscal year ended December 31.



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

	12/10	12/11	12/12	12/13	12/14	12/15
Kirby Corporation	100.00	149.47	140.50	225.31	183.29	119.46
Russell 2000	100.00	95.82	111.49	154.78	162.35	155.18
Dow Jones US Marine Transportation	100.00	104.32	114.97	171.06	135.74	88.46



## 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) 435-1010

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

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*The M/V Nancy Peterkin, Kirby Offshore Marine's new 10000 horsepower tugboat. The M/V Nancy Peterkin is named after the wife of George A. Peterkin, Jr., who served as Kirby Corporation's President and Director from 1973 to 1995, Chairman of the Board of Directors from 1995 to 1999 and Chairman Emeritus of the Board of Directors from 1999 to 2014.*

