

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

For the quarter ended June 30, 1998

Transition report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

Commission File Number 1-7615

Kirby Corporation

(Exact name of registrant as specified in its charter)

Nevada

74-1884980

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

1775 St. James Place, Suite 200, Houston, TX 77056-3453

(Address of principal executive offices) (Zip Code)

(713) 435-1000

(Registrant's telephone number, including area code)

No Change

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The number of shares outstanding of the registrant's Common Stock, \$.10 par value per share, on August 6, 1998 was 21,132,744.

PART I - FINANCIAL INFORMATION

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED BALANCE SHEETS
(Unaudited)

ASSETS

	June 30, 1998	December 31, 1997
	-----	-----
	(\$ in thousands)	
Current assets:		
Cash and cash equivalents	\$ 1,079	\$ 2,043
Available-for-sale securities	22,765	21,773
Receivables:		
Trade, net of allowance for doubtful accounts	51,434	70,137
Insurance claims and other	15,318	14,458

Inventories	17,539	14,875
Prepaid expenses and other current assets	4,049	7,359
Deferred income taxes	1,219	1,468
Current assets of discontinued operations	--	3,684
	-----	-----
Total current assets	113,403	135,797
	-----	-----
Property and equipment, at cost	485,242	471,019
Less accumulated depreciation	210,249	198,635
	-----	-----
	274,993	272,384
	-----	-----
Investments in affiliates:		
Insurance affiliate	46,473	45,320
Marine affiliates	15,401	16,256
	-----	-----
	61,874	61,576
	-----	-----
Excess cost of consolidated subsidiaries, net of accumulated amortization	6,338	6,652
Sundry	4,118	4,562
Long-term assets of discontinued operations	--	36,988
	-----	-----
	\$460,726	\$517,959
	=====	=====

See accompanying notes to condensed financial statements.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED BALANCE SHEETS
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 1998	December 31, 1997
	-----	-----
	(\$ in thousands)	
Current liabilities:		
Current portion of long-term debt	\$ 5,333	\$ 5,333
Income taxes payable	4,985	4,319
Accounts payable	17,996	26,712
Accrued liabilities	46,429	54,193
Deferred revenues	2,559	5,046
	-----	-----
Total current liabilities	77,302	95,603
	-----	-----
Long-term debt, less current portion	169,718	149,485
Deferred income taxes	51,222	48,409
Other long-term liabilities	6,422	6,193
	-----	-----
	227,362	204,087
	-----	-----
Contingencies and commitments	--	--
Stockholders' equity:		
Preferred stock, \$1.00 par value per share. Authorized 20,000,000 shares.	--	--
Common stock, \$.10 par value per share. Authorized 60,000,000 shares, issued 30,907,000 shares.	3,091	3,091
Additional paid-in capital	158,394	159,016

Adjustments to reconcile net earnings to net cash provided by continuing operations:		
Earnings from discontinued operations	--	(2,531)
Depreciation and amortization	13,659	14,268
Provision for deferred income taxes	3,988	1,675
Gain on disposition of assets	(244)	(157)
Deferred scheduled maintenance costs	(72)	2,471
Equity in earnings of insurance affiliate, net of redemption	(907)	1,188
Equity in earnings of marine affiliates, net of distributions and contributions	855	(919)
Other	47	2
Increase (decrease) in cash flows resulting from changes in operating working capital	1,632	(13,446)
	-----	-----
Net cash provided by operating activities of continuing operations	30,673	15,395
Net cash provided by operating activities of discontinued operations	108	7,871
	-----	-----
Net cash provided by operating activities	30,781	23,266
	-----	-----
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	1,034	1,935
Purchase of investments	(1,876)	(3,987)
Capital expenditures	(16,542)	(11,157)
Proceeds from disposition of assets	1,259	1,940
Proceeds from disposition of business	38,600	--
Investing activities of discontinued operations	(275)	(194)
	-----	-----
Net cash provided by (used in) investing activities	22,200	(11,463)
	-----	-----
Cash flows from financing activities:		
Borrowings (payments) on bank revolving credit agreements, net	25,400	(10,200)
Increase in long-term debt	--	50,000
Payments on long-term debt	(5,167)	(39,166)
Purchase of treasury stock	(75,706)	(10,887)
Proceeds from exercise of stock options	1,528	1,119
	-----	-----
Net cash used in financing activities	(53,945)	(9,134)
	-----	-----
Increase (decrease) in cash and cash equivalents	(964)	2,669
Cash and cash equivalents, beginning of year	2,043	1,544
	-----	-----
Cash and cash equivalents, end of period	\$ 1,079	\$ 4,213
	=====	=====

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED STATEMENTS OF CASH FLOWS, Continued
(Unaudited)

Six months ended June 30,	
-----	-----
1998	1997
-----	-----

Supplemental disclosures of cash flow information:

Cash paid during the period:		
Interest	\$ 5,919	\$ 6,155
Income taxes	\$ 3,374	\$ 6,314

See accompanying notes to condensed financial statements.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS

In the opinion of management, the accompanying unaudited condensed financial statements of Kirby Corporation and consolidated subsidiaries (the "Company") contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 1998 and December 31, 1997, and the results of operations for the three months and six months ended June 30, 1998 and 1997.

(1) BASIS FOR PREPARATION OF THE CONDENSED FINANCIAL STATEMENTS

The condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including significant accounting policies normally included in annual financial statements, have been condensed or omitted pursuant to such rules and regulations. It is suggested that these condensed financial statements be read in conjunction with the Company's latest Annual Report on Form 10-K.

(2) ADOPTION OF ACCOUNTING STANDARDS

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components in a full set of financial statements. Comprehensive income includes all changes in a company's equity, including, among other things, foreign currency translation adjustments, notes receivable from employee stock ownership plans, deferred gains (losses) on hedging activities, and unrealized gains (losses) on marketable securities classified as available-for-sale. The Company's total comprehensive earnings for the three months and six months ended June 30, 1998 and 1997 were as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	1998	1997	1998	1997
Net earnings from continuing operations	\$6,675	\$7,691	\$11,715	\$10,313
Net earnings from discontinued operations	--	414	--	2,531
Net earnings	6,675	8,105	11,715	12,844
Unrealized gain (loss) on marketable securities	356	592	256	(227)
Total comprehensive earnings	\$7,031	\$8,697	\$11,971	\$12,617

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS - (Continued)

(2) ADOPTION OF ACCOUNTING STANDARDS, Continued

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), issued in June 1997, establishes standards for reporting information about operating segments in annual financial statements and requires that enterprises report selected information about operating segments in interim reports issued to shareholders. SFAS No. 131 will be adopted by the Company in 1998. The adoption of SFAS No. 131 is not expected to have a material impact on the Company's financial condition or results of operations.

SFAS No. 132, "Employers' Disclosures about Pensions and other Postretirement Benefits" ("SFAS No. 132"), issued in February 1998, revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. The statement standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures. Restatement of disclosures for earlier periods is required. SFAS No. 132 will be adopted by the Company in 1998.

(3) DISCONTINUED OPERATIONS

On March 16, 1998, the Company announced the completion of the sale of its U.S. flag product tanker and harbor service operations for \$38,600,000 in cash. Under the terms of a purchase agreement dated January 28, 1998, Kirby sold two offshore tankers and its harbor service operations to Hvide Marine Incorporated and five offshore tankers were sold to August Trading Company, Inc.

The offshore tanker and harbor service operations' financial results were accounted for as discontinued operations as of December 31, 1997, and previously reported financial statements were restated to reflect the discontinuation of the operations. The Company recorded an estimated net loss of \$3,966,000 as of December 31, 1997 from the sale of the tanker and

harbor service operations, and such results included a provision for operations during the phase-out period, January 1, 1998 through the date of sale.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS - (Continued)

(4) TAXES ON INCOME

Earnings from continuing operations before taxes on income and details of the provision for taxes on income from continuing operations for United States and Puerto Rico operations for the three and six months ended June 30, 1998 and 1997 were as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	1998	1997	1998	1997
Earnings before taxes on income:				
United States	\$10,301	\$ 9,306	\$17,899	\$13,307
Puerto Rico	413	2,911	907	3,312
	-----	-----	-----	-----
	\$10,714	\$12,217	\$18,806	\$16,619
	=====	=====	=====	=====
Provision for taxes on income:				
United States:				
Current	\$ 2,120	\$ 2,721	\$ 2,625	\$ 3,257
Deferred	1,700	780	3,988	1,645
State and local	219	300	478	479
	-----	-----	-----	-----
	4,039	3,801	7,091	5,381
Puerto Rico - Current	--	725	--	925
	-----	-----	-----	-----
	\$ 4,039	\$ 4,526	\$ 7,091	\$ 6,306
	=====	=====	=====	=====

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS - (Continued)

(4) TAXES ON INCOME, Continued

Earnings from discontinued operations before taxes on income and details of the provision for taxes on income from United States discontinued operations for the three and six months ended June 30, 1997 were as follows (in thousands):

	Three months ended June 30, 1997	Six months ended June 30, 1997
	-----	-----
Earnings before taxes on income	\$656	\$3,917
	===	=====
Provision (credit) for taxes on income:		
United States:		

Current	\$331	\$1,522
Deferred	(89)	(127)
State and local	--	(9)
	---	----
	\$242	\$1,386
	===	=====

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations

Statements contained in this Form 10-Q that are not historical facts, including, but not limited to, any projections contained herein, are forward-looking statements and involve a number of risks and uncertainties. Such statements can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," or "continue" or the negative thereof or other variations thereon or comparable terminology. The actual results of the future events described in such forward-looking statements in this Form 10-Q could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are: adverse economic conditions, industry competition and other competitive factors, adverse weather conditions such as high water, low water, fog and ice, marine accidents, construction of new equipment by competitors, including construction with government assisted financing, government and environmental laws and regulations, and the timing, magnitude and number of acquisitions made by the Company.

In March 1998, the Company completed the sale of its offshore tanker and harbor service operations. In accordance with a definitive purchase agreement dated January 28, 1998, the Company sold two tankers and its harbor service operation to Hvide Marine Incorporated and five tankers to August Trading Company, Inc., for a combined purchase price of \$38,600,000 in cash. The offshore tanker and harbor service operations' financial results have been accounted for as discontinued operations as of December 31, 1997, and previously reported financial statements have been restated to reflect the discontinuation of the operations. Such financial results as of December 31, 1997 included a provision for operations during the phase-out period, January 1, 1998 through the date of sale.

The Company is a provider of marine transportation services, operating a fleet of 532 inland tank barges and 127 inland towing vessels, transporting industrial chemicals and petrochemicals, refined petroleum products and agricultural chemicals along the United States inland waterways. The Company's marine transportation operation also includes a United States coastwise barge operation, with two liquid and one dry bulk barge and tug units. The Company also serves as managing partner of a 35% owned offshore marine partnership, consisting of four dry bulk barge and tug units, and as managing partner of a 50% owned offshore marine partnership, consisting of one dry bulk barge and tug unit. The partnerships are accounted for under the equity method of accounting.

The Company is engaged through its diesel repair segment in the overhaul and servicing of large medium-speed diesel engines employed in marine, power generation and rail applications. The Company also has a 45% voting common stock investment in Universal Insurance Company ("Universal"), accounted for under the equity method of accounting.

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Management's Discussion and Analysis of
Financial Condition and Results of Operations - (Continued)

RESULTS OF CONTINUING OPERATIONS

The Company reported net earnings of \$6,675,000, or \$.31 per share, on revenues of \$84,884,000 for the 1998 second quarter, compared with net earnings from continuing operations of \$7,691,000, or \$.31 per share, on revenues of \$88,968,000 for the 1997 second quarter. Net earnings for the six months ended June 30, 1998 were \$11,715,000, or \$.51 per share, on revenues of \$167,632,000, compared with net earnings from continuing operations of \$10,313,000, or \$.42 per share, on revenues of \$169,232,000 for the 1997 first six months. For comparative purposes, net earnings for the 1997 second quarter were \$8,105,000, or \$.33 per share, including net earnings from discontinued operations of \$414,000, or \$.02 per share, on revenues of \$15,750,000. Net earnings for the 1997 first six months were \$12,844,000, or \$.52 per share, including net earnings from discontinued operations of \$2,531,000, or \$.10 per share, on revenues of \$34,401,000. For purposes of this Management's Discussion, all earnings per share amounts presented are "Diluted Earnings Per Share." The weighted average number of common shares applicable to diluted earnings for the second quarter of 1998 and 1997 were 21,738,000 and 24,502,000, respectively, and for the 1998 and 1997 first half were 23,021,000 and 24,657,000, respectively. The reduction in common shares for the 1998 periods compared with the applicable 1997 periods primarily reflects the acquisition of treasury stock under the Company's Dutch Auction self-tender offer, more fully discussed below.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations - (Continued)

RESULTS OF CONTINUING OPERATIONS, Continued

The following table sets forth the Company's revenues and percentage of such revenues for the three months and six months ended June 30, 1998 compared with the three months and six months ended June 30, 1997 (dollars in thousands):

	Three months ended June 30,					
	1998		1997		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Revenues:						
Marine transportation	\$62,858	74%	\$68,272	77%	\$(5,414)	(8)%
Diesel repair	21,466	25	20,406	23	1,060	5
Other income	560	1	290	--	270	93
	-----	---	-----	---	-----	--
	\$84,884	100%	\$88,968	100%	\$(4,084)	(5)%
	=====	===	=====	===	=====	==

	Six months ended June 30,					
	1998		1997		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%

	-----	----	-----	----	-----	----
Revenues:						
Marine transportation	\$122,255	73%	\$127,615	76%	\$(5,360)	(4)%
Diesel repair	44,324	26	40,951	24	3,373	8
Other income	1,053	1	666	--	387	58
	-----	---	-----	---	-----	---
	\$167,632	100%	\$169,232	100%	\$(1,600)	(1)%
	=====	===	=====	===	=====	===

Revenues from the marine transportation segment declined 8% for the 1998 second quarter and 4% for the 1998 first half compared with the 1997 corresponding periods. The 1997 second quarter and first half included \$2,279,000 and \$4,757,000, respectively, of revenues from AFRAM Carriers, Inc. ("AFRAM"), the Company's U.S. flag offshore break-bulk freighter subsidiary, which ceased operations in September and October 1997 with the scrapping of AFRAM's last two freighters.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations - (Continued)

RESULTS OF CONTINUING OPERATIONS, Continued

The Company's 1997 second quarter and first half were also negatively impacted by high water and flooding conditions on the upper and lower Mississippi River and the Ohio River. The flooding resulted in river closures in selected areas for numerous days and mandated regulatory operating restrictions. The Company estimated its 1997 second quarter and first half revenue loss at \$750,000 and \$3,450,000, respectively, from the impact of the flooding. For the 1998 second quarter and first half, flooding conditions were relatively modest when compared with the 1997 corresponding periods.

During the 1998 second quarter and first half, chemical and petrochemical volumes held firm. Refined product volumes, more seasonal in nature, were strong in May and June in anticipation of the summer driving season. However, the Company experienced a short fertilizer season during the 1998 second quarter, the result of high inventory levels in distribution terminals at the beginning of the fertilizer season and depleted inventory levels at the end of the season in June. Spot market rates continued to reflect modest increases quarter to quarter, with contracts generally renewed at higher levels. Marine transportation volumes for the months of May and June 1997 were enhanced, reflecting the movement of volumes backlogged during the February through April 1997 flooding on the Mississippi River System.

The diesel repair segment's revenues for the 1998 second quarter reflected a 5% improvement compared with the 1997 second quarter. Business remained positive across the diesel repair segment's nationwide service area. The Gulf Coast market continued to reflect enhanced drilling activities and related oil service activities in the Gulf of Mexico. The Midwest market was enhanced with activities from Great Lakes customers and engine repairs for inland river customers. The East Coast market benefited from large engine rebuilds currently in progress, while the West Coast market improved due to enhanced relationships with non-fishing industry customers. The diesel repair segment's 1997 first six months' revenues were negatively impacted by the flooding on the Mississippi River System, as many Midwest inland towing companies deferred engine maintenance and overhauls.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations - (Continued)

RESULTS OF CONTINUING OPERATIONS, Continued

The following table sets forth the costs and expenses and percentage of each for the three months and six months ended June 30, 1998 compared with the three months and six months ended June 30, 1997 (dollars in thousands):

	Three months ended June 30,					
	1998		1997		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Costs and expenses:						
Costs of sales and operating expenses	\$53,963	74%	\$57,634	75%	\$(3,671)	(6)%
Selling, general and administrative	9,730	13	10,033	13	(303)	(3)
Taxes, other than on income	1,978	3	1,972	3	6	--
Depreciation and amortization	6,829	10	7,104	9	(275)	(4)
	\$72,500	100%	\$76,743	100%	\$(4,243)	(6)%
	=====	===	=====	===	=====	==

	Six months ended June 30,							
	1998		1997		Increase (decrease)			
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Costs and expenses:								
Costs of sales and operating expenses	\$108,675	75%	\$112,421	75%	\$(3,746)	(3)%		
Selling, general and administrative	19,306	13	20,086	13	(780)	(4)		
Taxes, other than on income	3,959	3	3,720	3	239	6		
Depreciation and amortization	13,659	9	14,268	9	(609)	(4)		
	\$145,599	100%	\$150,495	100%	\$(4,896)	(3)%		
	=====	===	=====	===	=====	==		

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations - (Continued)

RESULTS OF CONTINUING OPERATIONS, Continued

Costs of sales and operating expenses for the 1998 second quarter and the 1998 first six months reflected 6% and 3% decreases, respectively, when compared with the corresponding periods of 1997. The 1997 second quarter and first half included \$2,050,000 and \$4,467,000, respectively, of costs and expenses associated with the revenues generated by AFRAM, whose vessels were scrapped in September and October 1997. In addition, the 1997 second quarter and first half included higher costs and expenses associated with the flooding on the Mississippi River System.

The 1998 second quarter and first half marine transportation costs and expenses reflected higher vessel labor and maintenance costs when compared with the 1997 comparable periods. In order to retain, as well as attract, vessel employees in a strong United States economy, the Company increased vessel manpower compensation. Both 1998 periods also reflected higher maintenance costs, as the Company competes for shipyard space with companies participating in the oil and gas drilling activities in the Gulf of Mexico. The 1998 second quarter and first half diesel repair costs and expenses also increased, reflecting higher expenses associated with the 5% improvement in revenues for the 1998 second quarter and 8% improvement for the 1998 first half compared with the corresponding 1997 periods.

Selling, general and administrative expenses decreased 3% in the 1998 second quarter and 4% for the 1998 first six months compared with the corresponding periods of 1997. The decreases reflect savings in administrative expenses in the Company's diesel repair segment due to reorganization efforts and the elimination of unprofitable business lines. The decrease also reflects the savings from the Company's costs reduction program implemented in late 1996 and is ongoing. The program was designed to reduce administrative costs and improve operating efficiencies.

The 6% increase in taxes, other than on income for the comparable 1998 and 1997 first six months was primarily attributable to higher waterway use tax on inland operations based on ton miles moved and higher property taxes on marine vessels.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations - (Continued)

RESULTS OF CONTINUING OPERATIONS, Continued

The following table sets forth the operating income and operating margins by segment for the three months and six months ended June 30, 1998 compared with the three months and six months ended June 30, 1997 (dollars in thousands):

	Three months ended June 30,				Increase (decrease)	
	1998		1997		Amounts	%
	Operating income (loss)	Operating margin	Operating income (loss)	Operating margin		
Marine transportation	\$10,675	17.0%	\$11,735	17.2%	\$ (1,060)	(9)%
Diesel repair	2,355	11.0%	1,667	8.2%	688	41
Corporate	(1,206)		(1,467)		261	18
	-----		-----		-----	---
	\$11,824		\$11,935		\$ (111)	(1)%
	=====		=====		=====	==

	Six months ended June 30,				Increase (decrease)	
	1998		1997		Amounts	%
	Operating income (loss)	Operating margin	Operating income (loss)	Operating margin		
Marine transportation	\$18,819	15.4%	\$17,452	13.7%	\$1,367	8%
Diesel repair	4,528	10.2%	3,214	7.8%	1,314	41
Corporate	(2,367)		(2,595)		228	9
	-----		-----		-----	---
	\$20,980		\$18,071		\$2,909	16%
	=====		=====		=====	==

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations - (Continued)

RESULTS OF CONTINUING OPERATIONS, Continued

The following table sets forth the equity in earnings of affiliates and interest expense for the three months and six months ended June 30, 1998 compared with the three months and six months ended June 30, 1997 (dollars in thousands):

	Three months ended June 30,		Increase (decrease)	
	1998	1997	Amount	%
Equity in earnings of insurance affiliate	\$ 413	\$ 2,911	\$ (2,498)	(86)%
Equity in earnings of marine affiliates	\$ 1,149	\$ 531	\$ 618	116%
Interest expense	\$ (3,232)	\$ (3,450)	\$ (218)	(6)%

	Six months ended June 30,		Increase (decrease)	
	1998	1997	Amount	%
Equity in earnings of insurance affiliate	\$ 907	\$ 3,312	\$ (2,405)	(73)%
Equity in earnings of marine affiliates	\$ 1,865	\$ 1,394	\$ 471	34%
Interest expense	\$ (5,999)	\$ (6,824)	\$ (825)	(12)%

The Company currently has a 45% voting common stock investment in Universal. Accounted for under the equity method of accounting, the amount recorded by the Company as equity in earnings for the Company's investment in Universal is influenced to the extent that anticipated future redemptions by Universal of its common stock exceeds the Company's investment in Universal's stock. The Company also has a 100% investment in Universal's nonvoting preferred stock. Because the preferred stock controls a separate portfolio of U.S. Treasury Securities, the Company accounts for this preferred stock under SFAS 115. Therefore, the interest earned is included as part of equity in earnings of the insurance affiliate. For the 1998 and 1997 second quarters and first six months, the Company recorded \$263,000 and \$261,000, and \$522,000 and \$512,000, respectively, of interest earned from its investment in U.S. Treasury Securities. In addition, during the 1997 second quarter, the Company recognized as equity in earnings of insurance affiliates, \$2,500,000 of cash received from Universal as a result of a resolution of a previously reserved Universal contingency for outstanding

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations - (Continued)

RESULTS OF CONTINUING OPERATIONS, Continued

litigation. The litigation was fully reserved on Universal's records and was set aside as part of the merger in 1992 of Universal with Eastern America Financial Group, Inc.

Equity in earnings of marine affiliates reflected a 116% increase for the 1998 second quarter compared with the second quarter of 1997, and a 34% increase for the 1998 first six months compared with the first six months of 1997. During the 1998 second quarter, the partnership's offshore five barge and tug units were fully employed compared with the 1997 second quarter when two of the five partnership's barge and tug units were in the shipyard for maintenance for the majority of the quarter. During the 1998 first quarter, one of the partnership's barge and tug units was in the shipyard for 15 days and idle for 30 days of the quarter.

Interest expense reflected a 6% decrease for the 1998 second quarter compared with the second quarter of 1997, and a 12% decrease for the 1998 first six months compared with the first six months of 1997. The decrease for both 1998 periods reflects the excess cash flow from operations and \$38,600,000 in cash proceeds from the sale of the offshore tanker and harbor service operations, both of which were used to pay down the Company's \$100,000,000 revolving credit agreement (the "Credit Agreement") with Chase Bank of Texas N.A., as agent bank. In addition, the Company benefited from lower interest rates on its Credit Agreement. Partially offsetting the cash

payments and lower interest rates on the Company's Credit Agreement was interest on the Company's borrowings through the Credit Agreement to finance the Dutch Auction self-tender offer discussed below.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations - (Continued)

FINANCIAL CONDITIONS, CAPITAL RESOURCES AND LIQUIDITY

BALANCE SHEET

Total assets as of June 30, 1998 were \$460,726,000, a decrease of 11% compared with \$517,959,000 as of December 31, 1997. The following table sets forth the significant components of the balance sheet as of June 30, 1998 compared with December 31, 1997 (dollars in thousands):

	June 30,	December 31,	Increase (decrease)	
	1998	1997	Amount	%
Assets:				
Current assets	\$113,403	\$135,797	\$ (22,394)	(16)%
Property and equipment, net	274,993	272,384	2,609	1
Investments in affiliates	61,874	61,576	298	--
Long-term assets of discontinued operations	--	36,988	(36,988)	(100)
Other assets	10,456	11,214	(758)	(7)
	-----	-----	-----	-----
	\$460,726	\$517,959	\$ (57,233)	(11)%
	=====	=====	=====	=====
Liabilities and stockholders' equity:				
Current liabilities	\$ 77,302	\$ 95,603	\$ (18,301)	(19)%
Long-term debt	169,718	149,485	20,233	14
Deferred taxes	51,222	48,409	2,813	6
Other long-term liabilities	6,422	6,193	229	4
Stockholders' equity	156,062	218,269	(62,207)	(29)
	-----	-----	-----	-----
	\$460,726	\$517,959	\$ (57,233)	(11)%
	=====	=====	=====	=====

As of June 30, 1998, working capital decreased to \$36,101,000, a 10% decrease compared with \$40,194,000 at December 31, 1997. The decrease was primarily attributable to the sale of the discontinued offshore tanker and harbor service property and equipment in March 1998. Trade accounts receivable decreased 27%, reflecting the sale of the offshore operations and the Company's emphasis on collection of receivables. Inventories increased 18%, the result of higher inventory levels at the Company's diesel repair facilities to service the overall improving market. Accounts payable decreased 33%, primarily reflecting the sale of the offshore operations. Accrued liabilities decreased 14%, reflecting the semiannual payment of interest on certain long-term debt, the payment of annual profit-sharing contributions and the sale of the offshore operations.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations - (Continued)

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY, Continued

The available-for-sale securities of \$22,765,000 at June 30, 1998 and \$21,773,000 at December 31, 1997 were investments of Oceanic Insurance Limited, the Company's wholly owned captive insurance subsidiary.

Long-term debt, less current portion, increased 14% to \$169,718,000 as of June 30, 1998 compared with \$149,485,000 at December 31, 1997. The increase mainly reflects the borrowing to finance the Company's Dutch Auction self-tender offer to purchase 3,066,922 shares of its common stock at a total purchase price of \$75,705,000, more fully described below, net of the \$38,600,000 of cash received from the sale of the offshore tanker and harbor service operations and repayments on long-term debt from excess cash flow.

Stockholders' equity as of June 30, 1998 decreased 29% during the 1998 first six months, reflecting the Company's purchase of its common stock under the Dutch Auction self-tender offer, more fully described below. As of June 30, 1998, the Company had 9,513,000 shares of common stock in its treasury.

LONG-TERM FINANCING

The Company has a \$100,000,000 Credit Agreement with Chase Bank of Texas, N.A., as agent bank. Effective January 30, 1998, the Credit Agreement was amended to provide a one-time allowance for the disposition of assets at the subsidiary level. The amendment also modified the minimum net worth covenant and fixed charge calculation. Proceeds under the Credit Agreement may be used for general corporate purposes, the purchase of existing or new equipment, the purchase of the Company's common stock, or for possible business acquisitions. As of June 30, 1998, \$58,000,000 was outstanding under the Credit Agreement.

TREASURY STOCK PURCHASES

On March 23, 1998, the Company purchased 3,066,922 shares of its common stock under a Dutch Auction self-tender offer at a price of \$24.50 per share. The Company announced the self-tender offer on February 17, 1998, expressing its intentions to purchase up to 3,000,000 shares of its common stock at a purchase price ranging from \$21.00 to \$24.50 per share. The tender offer expired on March 16, 1998.

The Company elected to increase the size of the 3,000,000 share tender offer and to accept all shares tendered at a price of \$24.50 per share. The 3,066,922 shares purchased represented approximately 12.6% of the Company's common stock outstanding immediately prior to the offer. Funding of the tender offer was from the Company's Credit Agreement.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations - (Continued)

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY, Continued

Since July 31, 1998, the Company has purchased 297,000 shares of its common stock at a total purchase price of \$6,423,161, for an average price of \$21.63 per share. The Company, as of August 6, 1998, has 1,517,000 shares available under its Board of Directors' 6,250,000 total open market stock repurchase authorization. The treasury stock purchases were financed by borrowing under the Company's Credit Agreement. The Company is authorized to purchase its common stock on the New York Stock Exchange and in privately negotiated transactions. When purchasing its common stock in the open market, the Company is subject to price, trading volume and other market considerations. Shares purchased may be used for reissuance upon the exercise of stock options, in future acquisitions for stock or for other appropriate corporate purposes.

LIQUIDITY

The Company generated net cash provided by operating activities of continuing operations of \$30,673,000 and \$15,395,000 for the six months ended June 30, 1998 and 1997, respectively. The 1998 first half was positively impacted by a \$1,632,000 increase in cash flow as a result of a decrease in operating working capital, compared with a \$13,446,000 decrease in cash flow for the first six months of 1997. The Company accounts for its ownership in Universal and its ownership in its marine partnerships under the equity method of accounting. It recognizes cash flow from Universal only upon

receipt of an actual distribution or redemption and cash flow from the marine partnerships upon the receipt or disbursement of cash from the partnerships. During the 1997 first six months, the Company received a \$2,000,000 redemption of Universal's common stock and \$2,500,000 as a result of the Universal lawsuit ruling. For the 1998 and 1997 first six months, the Company received net cash from the marine partnerships of \$2,720,000 and \$475,000, respectively.

Funds generated are available for capital construction projects, treasury stock repurchases, asset acquisitions, repayment of borrowings associated with treasury stock acquisitions or asset acquisitions and for other operating requirements. In addition to its net cash flow provided by operating activities, the Company also has available as of August 6, 1998, \$36,600,000 under its Credit Agreement and \$121,000,000 available under its medium term note program. The Company's scheduled principal payments during the next 12 months are \$5,333,000.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations - (Continued)

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY, Continued

During the last three years, inflation has had a relatively minor effect on the financial results of the Company. The marine transportation segment has long-term contracts which generally contain cost escalation clauses whereby certain costs, including fuel, can be passed through to its customers, while the transportation assets acquired and accounted for using the purchase method of accounting were adjusted to a fair market value and, therefore, the cumulative long-term effect of inflation was reduced. The repair portion of the diesel repair segment is based on prevailing current market rates. The Company does not presently use financial derivatives, but uses a mix of floating and fixed rate debt. The Company has no foreign exchange risks.

The Company has no present plan to pay dividends on its common stock.

YEAR 2000

Historically, most computer systems utilized software that processed transactions using two digits to represent the year of the transaction (i.e. 97 represents the year 1997). This software needs to be modified to properly process dates beyond December 31, 1999 (the "Year 2000 Issue"). In the first quarter of 1998, the Company completed its assessment of the Year 2000 Issue and determined that no additional significant modifications or replacements of its software were required. The Company utilizes both internally and externally supported software and relies upon certain vendor enhancements yet to be implemented to effect the Year 2000 Issue compliance. The Company presently believes that these modifications to existing software and conversions to new software will mitigate the Year 2000 Issue for its software.

There can be no guarantee however, that the systems of other companies, on which the Company's systems rely, will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company.

CONTINGENCIES

On April 3, 1998, an organization identified as Pilots Agree called for a work stoppage by vessel captains and pilots against the inland towing companies' operating vessels on the inland waterway system of the United States. Pilots Agree, an organization claiming to represent vessel wheelhouse personnel, is asking for a substantial increase in pay. The work stoppage has had a minimal impact on the Company's inland transportation operations.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations - (Continued)

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY, Continued

ACCOUNTING STANDARDS

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," issued in June 1997, establishes standards for reporting information about operating segments in annual financial statements and requires that enterprises report selected information about operating segments in interim reports issued to shareholders. SFAS No. 131 will be adopted in 1998. The adoption of SFAS No. 131 is not expected to have a material impact on the Company's financial condition or results of operations.

SFAS No. 132, "Employers' Disclosures about Pensions and other Postretirement Benefits," issued in February 1998, revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. The statement standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures. Restatement of disclosures for earlier periods is required. SFAS No. 132 will be adopted by the Company in 1998.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
PART II - OTHER INFORMATION

Item 1. Legal Proceedings
- -----

For a detailed explanation of the material pending legal proceedings against the Company, please refer to the Form 10-K for the year ended December 31, 1997.

Item 6. Exhibits and Reports on Form 8-K
- -----

(a) Exhibits:

11.0 Computation of Earnings per Common Share.

27.0 Financial Data Schedule.

(b) Reports on Form 8-K:

There were no reports on Form 8-K filed for the three months ended June 30, 1998.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KIRBY CORPORATION
(Registrant)

By: /s/ G. STEPHEN HOLCOMB

G. Stephen Holcomb
Vice President and Controller

Dated: August 6, 1998

EXHIBIT 11.0

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE

	Three months ended June 30,		Six months ended June 30,	
	1998	1997	1998	1997

	(in thousands, except per share amounts)			
Net earnings from continuing operations	\$ 6,675	\$ 7,691	\$11,715	\$10,313
Net earnings from discontinued operations	--	414	--	2,531
	-----	-----	-----	-----
Net earnings	\$ 6,675	\$ 8,105	\$11,715	\$12,844
	=====	=====	=====	=====
Basic earnings per share:				
Weighted average number of common shares outstanding	21,394	24,298	22,701	24,451
	=====	=====	=====	=====
Basic earnings per share from continuing operations	\$.31	\$.31	\$.52	\$.42
Basic earnings per share from discontinued operations	--	.02	--	.11
	-----	-----	-----	-----
Basic earnings per share	\$.31	\$.33	\$.52	\$.53
	=====	=====	=====	=====
Diluted earnings per share:				
Weighted average number of common shares outstanding	21,394	24,298	22,701	24,451
Dilutive shares applicable to stock options	344	204	320	206
	-----	-----	-----	-----
Shares applicable to diluted earnings	21,738	24,502	23,021	24,657
	=====	=====	=====	=====
Diluted earnings per share from continuing operations	\$.31	\$.31	\$.51	\$.42
Diluted earnings per share from discontinued operations	--	.02	--	.10
	-----	-----	-----	-----
Diluted earnings per share	\$.31	\$.33	\$.51	\$.52
	=====	=====	=====	=====

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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