

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 September 30, 1994

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 300, Houston, TX

77056-3453

(Address of principal executive offices)

(Zip Code)

(713) 629-9370

(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 November 9, 1994 was 28,313,587.

PART 1 - FINANCIAL INFORMATION
KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED BALANCE SHEETS
(Unaudited)
ASSETS

September 30, December 31,
1994 1993

(\$ in thousands)

Marine Transportation, Diesel Repair and Other
Current assets:

Cash and invested cash	\$ 6,419	1,999
Accounts and notes receivable, net of allowance for doubtful accounts	51,857	50,722
Inventory - finished goods, at lower of average cost or market	8,686	7,531
Prepaid expenses	7,661	7,393
Federal income taxes receivable	7,207	--

Deferred taxes	1,542	2,768
Total current assets	83,372	70,413
Property and equipment, at cost	451,569	406,675
Less allowance for depreciation	145,188	125,459
	306,381	281,216
Excess cost of consolidated subsidiaries	9,546	7,429
Noncompete agreements, net of accumulated amortization of \$8,766,000 (\$7,298,000 at December 31, 1993)	4,284	5,752
Other assets	18,947	13,575
Total assets - Marine Transportation, Diesel Repair and Other	422,530	378,385
Insurance		
Investments:		
Available-for-sale securities	134,773	102,175
Short-term investments	29,790	25,128
	164,563	127,303
Cash and invested cash	880	12,937
Accrued investment income	2,884	1,998
Accounts and notes receivable, net of allowance for for doubtful accounts	20,110	12,195
Reinsurance receivable on paid losses	11,610	15,186
Prepaid reinsurance premiums	7,847	5,773
Deferred policy acquisition costs	11,776	7,279
Property and equipment, at cost, net of allowance for depreciation	2,538	2,197
Total assets - Insurance	222,208	184,868
	\$ 644,738	563,253

See accompanying notes to condensed financial statements.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED BALANCE SHEETS
(Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 1994	December 31, 1993
	----- (\$ in thousands) -----	
Marine Transportation, Diesel Repair and Other		
Current liabilities:		
Current portion of long-term debt	\$ 10,962	10,962
Accounts payable	12,032	11,767
Accrued liabilities	30,541	27,898
Deferred revenues	4,947	5,637
Total current liabilities	58,482	56,264
Long-term debt, less current portion	135,373	109,597
Deferred taxes	43,460	39,735
Other long-term liabilities	8,504	8,913
Total liabilities - Marine Transportation, Diesel Repair and Other	245,819	214,509
Insurance		
Losses, claims and settlement expenses	61,748	49,930
Unearned premiums	90,729	61,558
Reinsurance premiums payable	4,851	5,377
Deferred Puerto Rico taxes	921	3,549
Other liabilities	8,181	4,576
Minority interest in consolidated insurance sub.	17,146	12,005
Total liabilities - Insurance	183,576	136,995

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 30,782,000 shares		
(30,759,000 at December 31, 1993)	3,076	3,076
Additional paid-in capital	156,434	156,340
Unrealized net gains (losses) in value of		
long-term investments	(2,114)	4,440
Retained earnings	71,035	61,339
	-----	-----
	228,431	225,195
Less cost of 2,468,000 shares in treasury		
(2,555,000 at December 31, 1993)	13,088	13,446
	-----	-----
	215,343	211,749
	-----	-----
	\$ 644,738	563,253
	=====	=====

See accompanying notes to condensed financial statements.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED STATEMENTS OF EARNINGS
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	1994	1993	1994	1993
	-----	-----	-----	-----
	(\$ in thousands, except per share amounts)			
Revenues:				
Transportation	\$ 77,338	75,422	224,750	197,645
Diesel repair	11,755	6,921	33,572	24,656
Net premiums earned	14,561	11,250	43,977	33,855
Commissions earned on reinsurance	1,103	1,626	3,557	3,247
Investment income	2,541	2,069	6,929	5,867
Gain on disposition of assets	316	142	552	610
Realized gain on investments	483	509	1,331	789
	-----	-----	-----	-----
	108,097	97,939	314,668	266,669
	-----	-----	-----	-----
Costs and expenses:				
Costs of sales and operating expenses				
(except as shown below)	60,646	54,241	172,075	141,343
Losses, claims and settlement expenses	12,770	8,350	38,678	25,435
Policy acquisition costs	3,641	3,214	10,919	8,602
Selling, general and administrative	10,567	9,801	34,299	29,406
Taxes, other than on income	3,751	2,758	11,573	8,708
Depreciation and amortization	8,345	7,476	24,026	20,801
Minority interest expense	451	671	1,630	787
	-----	-----	-----	-----
	100,171	86,511	293,200	235,082
	-----	-----	-----	-----
Operating income	7,926	11,428	21,468	31,587
Interest expense	2,355	1,871	6,121	6,621
	-----	-----	-----	-----
Earnings before taxes on income	5,571	9,557	15,347	24,966
Provision for taxes on income	1,965	4,511	5,651	9,575
	-----	-----	-----	-----
Net earnings	\$ 3,606	5,046	9,696	15,391
	=====	=====	=====	=====
Earnings per share of common stock	\$.13	.18	.34	.60
	=====	=====	=====	=====

See accompanying notes to condensed financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED STATEMENTS OF CASH FLOW
(Unaudited)

	Nine months ended September 30,	
	1994	1993
	(\$ in thousands)	
Net earnings	\$ 9,696	15,391
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on disposition of assets	(552)	(520)
Realized gain on investments	(1,331)	(789)
Depreciation and amortization	24,026	20,801
Increase in deferred taxes	4,951	5,915
Deferred scheduled maintenance costs	2,076	1,496
Earnings of minority stockholder and unconsolidated subsidiary	1,605	787
Other noncash adjustments to earnings	161	37
Decrease (increase) in cash from other changes in operating working capital for:		
Marine transportation, diesel repair and other	(17,478)	(9,788)
Insurance	32,273	1,562
	-----	-----
Net cash provided by operating activities	55,427	34,892
	-----	-----
Cash flow from investing activities:		
Proceeds from sale and maturities of investments	37,417	28,651
Purchase of investments	(91,149)	(32,444)
Net decrease in short-term investments	5,132	2,179
Capital expenditures	(24,613)	(15,922)
Purchase of assets of marine transportation companies:		
Property, equipment and other assets, net of assumed liabilities	(25,650)	(24,308)
Intangible assets	--	(2,001)
Proceeds from disposition of assets	2,571	1,268
Other	--	397
	-----	-----
Net cash used in investing activities	(96,292)	(42,180)
	-----	-----
Cash flow from financing activities:		
Borrowings on bank revolving credit loan	181,000	97,264
Payments on bank revolving credit loan	(145,500)	(80,464)
Payments under long-term debt	(9,724)	(9,724)
Sale of Universal stock to minority stockholder	7,000	--
Proceeds from exercise of stock options	452	252
	-----	-----
Net cash provided by financing activities	33,228	7,328
	-----	-----
Increase (decrease) in cash and invested cash	(7,637)	40
Cash and invested cash, beginning of year	14,936	7,300
	-----	-----
Cash and invested cash, end of period	\$ 7,299	7,340
	=====	=====

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

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$ 5,436	6,822
Income taxes	\$ 5,450	3,300

Noncash investing and financing activity:

Assumption of liabilities in connection with merger with marine transportation company	\$ --	11,445
--	-------	--------

Issuance of stock in connection with purchase of marine transportation company	\$	--	14,725
Issuance of stock in connection with conversion of 7 1/4% convertible debentures	\$	--	50,000

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 September 30, 1994 and December 31, 1993, and the results of operations for the three months and nine months ended September 30, 1994 and 1993.

(1) BASIS FOR PREPARATION OF THE NINE MONTH 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) ACQUISITIONS

On July 1, 1994, the Company announced the signing of a letter of intent to purchase from The Dow Chemical Company ("Dow") 65 inland tank barges, one river towboat and two shifting boats. Also, the Company will purchase, assume with owner's consent or sublease up to 31 additional inland tank barges and two towboats presently in Dow's service. Under the terms of the letter of intent, Dow will enter into a long-term contract with a subsidiary of the Company to provide service for Dow's inland bulk liquid marine transportation requirements for a period of ten years. Dow is a major manufacturer of petrochemicals, industrial chemicals and related bulk liquid products and historically has used its own barges and outside towing resources to service its inland marine transportation requirements. Dow produces its products at its Freeport, Texas manufacturing complex, other plants in Louisiana and at various other United States locations. A number of the Dow plants, as well as their suppliers and customers, rely extensively on water transportation for moving products between Dow's manufacturing facilities, for shipment to the ultimate users and to move certain raw materials purchased by Dow. The closing of the transaction, expected in mid-November, 1994, is subject to the negotiation of the necessary definitive agreements and approvals by the management of the Company and Dow. The asset purchase, if consummated, will be funded by borrowings under the Company's established bank revolving credit agreement and will be accounted for in accordance with the purchase method of accounting.

On July 1, 1994, a wholly owned subsidiary of the Company completed the purchase of a U.S. flag tanker from Tosco Refining Company ("Tosco"). The single-hull tanker was placed in service in late August, 1994, after undergoing capitalized restorations and modifications. The tanker will be utilized in the carriage of refined petroleum products in United States coastwise trade and is operating under a three year charter. The tanker has a capacity of 266,000 barrels and a deadweight tonnage of 37,750. The tanker will be retired from service in accordance with the Oil Pollution Act of 1990 ("OPA 90") on January 1, 1999. The asset purchase was funded by borrowings under the Company's established bank revolving credit agreement and is accounted for in accordance with the purchase method of accounting.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS

(2) ACQUISITIONS (Continued)

On July 21, 1994, a wholly owned subsidiary of the Company completed the purchase of three U.S. flag tankers from OMI Corp. ("OMI") for \$23,750,000. The

single-hull tankers will transport refined petroleum products primarily between the United States Gulf Coast, Florida and the mid-Atlantic states. The three tankers operated in the spot market, however, during the majority of July, August and part of September, the tankers were idle due to the extreme weakness in the tanker market. Effective October, 1994, one tanker went under a six-months' charter and effective November, 1994, one tanker was chartered for a one year period. Both of the charters have extension options. Each of the tankers has a total capacity of 266,000 barrels and a deadweight tonnage of 37,853. In accordance with the OPA 90, the three tankers will be retired from service on January 1, 2000. Funding for the transaction was provided through the Company's established bank revolving credit agreement. The operations of the three tankers are included as part of the Company's operations effective July 21, 1994, in accordance with the purchase method of accounting.

(3) TAXES ON INCOME

Earnings before taxes on income and details of the provision for taxes on income for United States and Puerto Rico operations for the three months and nine months ended September 30, 1994 and 1993 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	1994	1993	1994	1993
	-----	-----	-----	-----
	(\$ in thousands)			
Earnings before taxes on income:				
United States	\$ 4,281	7,652	10,969	21,353
Puerto Rico	1,290	1,905	4,378	3,613
	-----	-----	-----	-----
	\$ 5,571	9,557	15,347	24,966
	=====	=====	=====	=====
Provision (credit) for taxes on income:				
United States:				
Current	\$ (1,747)	1,332	(1,298)	3,660
Deferred	3,616	1,004	4,951	3,940
State and municipal	96	--	248	--
	-----	-----	-----	-----
	\$ 1,965	2,336	3,901	7,600
	=====	=====	=====	=====
Puerto Rico:				
Current	\$ --	1,750	1,750	1,750
Deferred	--	425	--	225
	-----	-----	-----	-----
	\$ --	2,175	1,750	1,975
	=====	=====	=====	=====

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS

(4) INSURANCE DISCLOSURE

In March, 1994, the Company received \$7,000,000 from Universal Insurance Company ("Universal"), the Company's Puerto Rican property and casualty insurance subsidiary, representing the redemption of 20,424 shares of Universal's Class B voting common stock and 24,360 shares of Universal's Class C non-voting common stock. Since December, 1992, the date of the first redemption, Universal has redeemed from the Company a total of 65,387 shares of voting Class B common stock and 24,360 shares of non-voting Class C common stock for a total redemption price of \$15,000,000. In August, 1994, Eastern America Financial Group, Inc. ("Eastern America Group") purchased from Universal 30,410 shares of Class A voting common stock for \$7,000,000. The March redemption from the Company and the August Eastern America Group purchase from Universal reduced the Company's ownership of Universal's voting common stock to 58% from 70% prior to the transactions.

Under previously announced options and redemption rights included in the merger between Eastern America Insurance Company ("Eastern America") and Universal, Eastern America Group, which is the parent of the former Eastern

America, could acquire 100% of Universal's stock over a period of up to 12 years from September, 1992. Eastern America Group owns the remaining 42% of Universal's voting common stock.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Results of Operations

The Company reported net earnings of \$9,696,000, or \$.34 per share, for the first nine months of 1994, compared with net earnings of \$15,391,000, or \$.60 per share, reported for the first nine months of 1993. Net earnings for the 1994 third quarter totaled \$3,606,000, or \$.13 per share, compared with net earnings of \$5,046,000, or \$.18 per share, reported for the 1993 third quarter.

The Company conducts operations in three business segments: marine transportation, diesel repair and property and casualty insurance. The sum of the three business segments' earnings before taxes on income exceeds the Company's consolidated earnings before taxes on income due primarily to general corporate expenses. A discussion of each segment follows:

Marine Transportation

The Company's marine transportation segment reported transportation revenues for the first nine months of 1994 of \$224,750,000, reflecting a 14% increase when compared with \$197,645,000 reported for the first nine months of 1993. Third quarter 1994 transportation revenues totaled \$77,338,000, an increase of 3% when compared with \$75,422,000 reported for the 1993 third quarter.

Revenues for the 1994 first nine months reflect the operations during the 1994 periods of three marine transportation companies acquired during the 1993 year, TPT Transportation on March 3, AFRAM Lines (USA) Co., Ltd. on May 14 and Chotin Transportation Company ("Chotin") on December 21. All three of the acquisitions were accounted for under the purchase method of accounting.

As a provider of service for both the inland and offshore United States markets, the marine transportation segment operates through three divisions organized around the markets each services: the Inland Chemical Division, serving the inland industrial and agricultural chemical markets; the Inland Refined Products Division, serving the inland refined products market; and the Offshore Division, which serves the offshore petroleum products, container, dry bulk and palletized cargo markets.

The Inland Chemical Division operates under long-term contracts, short-term contracts and spot movements of products. Currently, approximately 75% of such movements are under term contracts, which, may be at a lower rate than current spot market rates. Since March, 1994, the Division has experienced spot rate increases; however, such increases cannot be negotiated into contract movements until such time as the contracts are renewed.

During the first nine months and third quarter of 1994, the Inland Chemical Division continued to benefit from positive improvements in equipment utilization and rates, generated primarily from a hike in the 1994 performance levels of the chemical manufacturers. The Division's river operation however, continues to experience pricing pressure in movements of chemicals in the Ohio River market.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Results of Operations, Continued

The demand for movements of liquid fertilizer and anhydrous ammonia by the Inland Chemical Division during the 1994 first nine months and third quarter remain strong when compared with the 1993 corresponding periods. Acreage planting in the Midwest farm belt has increased, partially due to the low levels of grain commodities generated during the 1993 year, the result of the 1993 upper Mississippi River flooding.

The Company's Inland Refined Products Division, which moves refined petroleum products (gasoline, diesel fuel and jet fuel) on the inland waterway system, continues to experience full utilization of its fleet during the 1994 first nine months and 1994 third quarter. With the addition of 53 inland tank barges acquired from Chotin in December, 1993, and a transportation agreement through the year 2000, the Inland Refined Products Division substantially increased its market presence in the contract and spot movements of refined petroleum products on the Mississippi River System.

The Inland Refined Products Division, like the Inland Chemical Division, operates under long-term contracts, short-term contracts and spot market movements. Approximately 40% of the Division's movements for the 1994 first nine months were under term contracts and the remaining 60% under spot market movements. Currently, spot market movements are higher than the majority of movements performed under contracts; therefore, the Division has benefited from its higher spot to contract percentage.

The Offshore Division, which participates in the movements of both liquid and dry products, experienced weaknesses in all of its markets during the 1994 first nine months and 1994 third quarter, due primarily to excess equipment capacity and reduced demand for movements of products from each of the markets.

The offshore movement of refined products has remained weak during the 1994 first nine months, with the exception of the first quarter. During the first quarter, certain vessels were engaged in spot market trade delivering heating oil to the Northeast due to the harsh 1994 winter season. Profitability of such spot market movements was adversely affected by the winter weather conditions, which hampered operating efficiencies. During the 1994 second quarter, three of the Company's offshore liquid vessels were idle and during the 1994 third quarter, as many as six of the Company's offshore vessels were idle, including the three tankers acquired from OMI Corp. in July, 1994. During the 1994 second and third quarters, spot market rates were extremely low.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Results of Operations, Continued

Even though the offshore liquid market was extremely weak during the second and third quarters of 1994, the prospects for the 1994 fourth quarter and future years have improved. The requirement for the use of reformulated gasoline under the Clean Air Act in nine major metropolitan areas effective January 1, 1995, has been helpful in placing ten of the Company's twelve offshore liquid vessels under term charters which become effective during the 1994 fourth quarter. Such charters range from six months with options to three years with options and should lead to improved utilization, rates and operating profits. The remaining two vessels are engaged in shorter term movements at satisfactory rates. In addition, further tightening of the offshore liquid market occurred in mid-October, 1994 when the Houston area San Jacinto River flooding caused certain refined products pipelines serving the United States Northeast to break, suspending service for varying periods of days.

Movements for the transportation of food commodities and related products under the United States Government's preference aid cargo programs and military household good movements, have also remained weak. Excess equipment capacity and a reduction in available movements have led to rates that were significantly lower than 1993 rates for the market. Such weakness in the market resulted in one of the Company's ships being idle for three weeks during the 1994 third quarter. The softness in the overall preference aid cargo market has also continued to negatively affect the Company's other offshore dry cargo barge and tug units that primarily work under a long-term contract with an electric utility company, but periodically operate in the preference aid market as a supplement to their long-term contract movements.

During the 1994 first quarter, one of the Company's offshore barge and tug units experienced difficulties with collection of its empty containers from several voyages carrying preference aid cargo to Haiti which, during that time, was politically unstable. Collectively, the voyages to Haiti reduced the Company's 1994 first quarter earnings before taxes by an estimated \$1,750,000.

The Company's foreign flag container service, which provided a direct all-

water transportation service from Memphis to Mexico and Central America, was discontinued effective August 24, 1994. Aggressive pricing from competitors resulted in slower than anticipated acceptance of the service. Volumes were increasing with each voyage; however, operating losses and the negative prospect for future profitability did not warrant continuation of the service. Since inception in February, 1994, the operation suffered operating losses through August 24 of approximately \$1,925,000 (\$1,250,000 after taxes or \$.04 per share). Shut-down expenses are estimated to total approximately \$450,000 (\$300,000 after taxes or \$.01 per share).

Costs and expenses, excluding interest expense, for the marine transportation segment for the first nine months of 1994 totaled \$206,025,000, an increase of 22% over the corresponding 1993 first nine months when costs and expenses totaled \$168,905,000. Costs and expenses for the 1994 third quarter, excluding interest expense, increased to \$71,357,000, an increase of 9% over second quarter 1993 totals of \$65,437,000. The increase for both corresponding periods reflects the costs and expenses associated with the acquisitions and merger consummated in 1993 and the tankers acquired in July, 1994. Higher equipment costs, welfare costs, general and administrative expenses and

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Results of Operations, Continued

inflationary increases also contributed to the increase in the 1994 periods.

The marine transportation earnings before taxes on income for the 1994 first nine months totaled \$14,026,000 compared with \$24,417,000 for the first nine months of 1993. Third quarter 1994 pretax earnings totaled \$4,205,000 compared with \$8,498,000 reported for the 1993 third quarter.

The Company did not incur any physical damage to its equipment during the October, 1994 flooding in the Houston area and fires in the San Jacinto River, the result of breaks in crude and refined products pipelines caused by the flooding. Marine traffic in the Houston Ship Channel, which was at a standstill for several days, returned to normal and the Company does not anticipate any significant operating losses as a result of the events.

Diesel Repair

The Company's diesel repair segment reported diesel repair and parts sales revenues of \$33,572,000 for the first nine months of 1994, reflecting a 36% increase compared with \$24,656,000 for the 1993 first nine months. Third quarter 1994 revenues totaled \$11,755,000, an increase of 70% when compared with 1993 third quarter revenues of \$6,921,000.

The diesel repair segment is divided into two divisions organized around the markets they serve. The Marine Diesel Repair Division operates on all three coasts and in the Midwest through five facilities that repair and overhaul marine diesel engines and reduction gears, and sell related parts and accessories. The Rail Diesel Repair Division provides replacement parts, service and support nationwide to shortline railroads and industrial companies that operate diesel-electric locomotives.

The Marine Diesel Repair Division operates in a competitive market that continues to press operating margins. The Midwest facility's inland marine dry bulk customers have rebounded from the effects of the 1993 upper Mississippi River flood that resulted in depressed coal and grain markets. Such recovery in the Midwest and Gulf Coast markets during the 1994 third quarter enhanced the Marine Diesel Repair Division's operating results. The West Coast facility continues to be negatively affected by the United States military cutbacks and delayed vessel maintenance from the Pacific commercial fishing fleet operations.

The Rail Diesel Repair Division, which commenced operations in January, 1994, reported revenues for the first nine months of 1994 of \$6,284,000 and \$2,239,000 for the 1994 third quarter. Substantially all of the revenues were generated from direct parts sales. The Division reported a modest profit for its first nine months of operations. The Division serves as the exclusive shortline and industrial rail distributor of aftermarket parts and service for the Electro-Motive Division of General Motors ("EMD"), the world's largest

manufacturer of diesel-electric locomotives.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Results of Operations, Continued

The diesel repair segment reported costs and expenses, excluding interest expense of \$31,331,000 for the 1994 first nine months, a 36% increase compared with \$23,042,000 reported for the first nine months of 1993. Third quarter costs and expenses totaled \$10,845,000 compared with \$6,518,000 for the like 1993 quarter, reflecting a 66% increase. The addition of the Rail Diesel Repair Division during the 1994 periods was the primary source of the increases.

Earnings before taxes on income for the diesel repair segment totaled \$2,013,000 for the first nine months of 1994 compared with \$1,435,000 for the corresponding 1993 period. Third quarter 1994 earnings before taxes on income were \$831,000 compared with \$340,000 reported for the 1993 third quarter.

Property and Casualty Insurance

The Company's Puerto Rican property and casualty insurance segment reported net premiums written for the 1994 first nine months of \$90,064,000, an increase of 55% compared with \$58,032,000 reported for the corresponding 1993 period. Premiums written for the 1994 third quarter totaled \$33,477,000, an increase of 11% compared with \$30,061,000 for the 1993 third quarter. Since the merger with Eastern America in September, 1992, the segment continues to place emphasis on automobile lines, particularly the single-interest line. New financial institution customers, portfolio transfers and an improvement in automobile sales in Puerto Rico have all led to the increase in net premiums written. Lower prices on United States manufactured automobiles in Puerto Rico, resulting from a 1994 change in Puerto Rican export tax laws, have resulted in improved automobile sales.

Net premiums earned for the first nine months of 1994 totaled \$43,977,000, a 30% increase over the \$33,855,000 reported for the 1993 first nine months. Net premiums earned for the 1994 third quarter increased 29% to \$14,561,000 compared with \$11,250,000 reported for the 1993 third quarter. Net premiums earned reflect the amortization of net premiums written over the life of a policy. The substantial increase in net premiums written during the 1993 and 1994 years is therefore reflected in higher net premiums earned. Net premiums earned continued to be negatively affected by the high reinsurance costs for the commercial multiple-peril line associated with the ceding of a portion of the gross premium written under the segment's reinsurance program. Reinsurance rates remain high; however, some stabilization has occurred during the 1994 first nine months.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Results of Operations, Continued

Losses, claims and settlement expenses for the 1994 first nine months totaled \$33,788,000, an increase of 33% compared with \$25,435,000 for the first nine months of 1993. Third quarter 1994 losses, claims and settlement expenses totaled \$11,087,000, a 33% increase when compared with \$8,350,000 for the 1993 third quarter. The significant increase for both periods are reflective of the automobile single-interest and double-interest improvements in business volumes. In addition, the nine months' losses, claims and settlement expenses include \$2,000,000 of additional reserves for potential, but as yet, unreported losses associated with the Company's Bermuda reinsurance subsidiary. The losses arose from the subsidiary's participation in certain property and casualty reinsurance lines from 1970 to 1990. Since ceasing participation in the reinsurance market in 1990, the Company continues to take steps toward expediting its withdrawal from the reinsurance business.

Policy acquisition costs for the 1994 first nine months totaled \$10,920,000, a 27% increase over the 1993 first nine months costs of

\$8,602,000. Third quarter 1994 policy acquisition costs equaled \$3,640,000, a 13% increase when compared with \$3,214,000 reported for the third quarter of 1993. The increase for both periods reflects the continued growth in the automobile single-interest and double-interest business and the continued emphasis in the commercial property lines of insurance, which generally carry a higher commission rate.

The Company's portion of the property and casualty insurance segment's earnings before taxes on income for the first nine months of 1994 totaled \$2,378,000 compared with pretax earnings of \$3,599,000 for the 1994 first nine months. Third quarter 1994 earnings before taxes on income were \$1,290,000 compared with \$1,900,000 reported for the 1993 third quarter. The Company's ownership of Universal's voting common stock as of September 30, 1994 was 58% compared with 70% as of September 30, 1993.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Financial Condition, Capital Resources and Liquidity

Redemption

In March, 1994, the Company received \$7,000,000 from Universal, the Company's property and casualty insurance subsidiary, representing the redemption of 20,424 shares of Universal's Class B voting common stock and 24,360 shares of Universal's Class C non-voting common stock. Since December, 1992, Universal has redeemed from the Company a total of 65,387 shares of Class B common stock and 24,360 shares of Class C common stock for a total redemption price of \$15,000,000.

In August, 1994, Eastern America Group purchased an additional 30,410 shares of Class A voting common stock from Universal for \$7,000,000.

The March redemption from the Company and the August purchase by Eastern America Group reduced the Company's ownership of Universal's voting common stocks to 58% from 70% prior to the transactions. The Company owns 100% of Universal's non-voting Class C common stock as well as all of its preferred stock. Under previously announced options and redemption rights included in the merger between Eastern America and Universal, Eastern America Group could become the owner of 100% of Universal's stock over a period of up to twelve years from September, 1992. Eastern America Group owns the remaining 42% of Universal's voting common stocks.

Business Development

As an expansion of the diesel repair segment, beginning in January, 1994, the Company is engaged through Rail Systems, Inc. ("Rail Systems") in the overhaul and repair of locomotive diesel engines and sale of replacement parts for locomotives. Rail Systems serves shortline railroads and industrial companies that operate diesel-electric locomotives within the continental United States. In October, 1993, EMD, the world's largest manufacturer of diesel-electric locomotives, awarded an exclusive shortline and industrial rail distributorship to Rail Systems to provide replacement parts, service and support to these important and expanding markets. Revenues for Rail Systems for the first nine months of 1994 and the 1994 third quarter were \$6,284,000 and \$2,239,000, respectively. The operations of Rail Systems reflected a nominal operating profit for both the 1994 first nine months and third quarter.

In May, 1994, the Company entered into a contract for the construction of 12 double skin 29,000 barrel capacity inland tank barges for use in the movement of industrial chemicals and refined products. Delivery of the first barge is scheduled for December, 1994 and the remaining 11 barges are scheduled to be delivered one each month thereafter. The Company has the option under the contract to purchase 12 additional barges, with an expiration option date of February 1, 1995. The new construction program is consistent with the Company's long-term strategy of upgrading its equipment to service the needs of its customers and to enhance its market position.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of

Financial Condition and Results of Operations

Financial Condition, Capital Resources and Liquidity, Continued

On July 1, 1994, the Company announced the signing of a letter of intent to purchase from Dow 65 inland tank barges, one river towboat and two shifting boats. Also, the Company will purchase, assume with owner's consent or sublease up to 31 additional inland tank barges and two towboats presently in Dow's service. Under the terms of the letter of intent, Dow will enter into a contract with the Company's subsidiary to provide service for Dow's inland bulk liquid marine transportation requirements for a period of ten years. Dow is a major manufacturer of petrochemicals, industrial chemicals and related bulk liquid products and historically has used its own barges and outside towing resources to service its inland marine transportation requirements. Dow produces its products at its Freeport, Texas manufacturing complex, other plants in Louisiana and at various other United States locations. A number of the Dow plants, as well as their suppliers and customers, rely extensively on water transportation for moving products between Dow's manufacturing facilities, for shipment to the ultimate users and to move certain raw materials purchased by Dow. The closing of the transaction, expected in mid-November, 1994, is subject to the negotiation of the necessary definitive agreements and approvals by the management of the Company and Dow. The asset purchase, if consummated, will be funded by borrowings under the Company's established bank revolving credit agreement.

On July 1, 1994, a wholly owned subsidiary of the Company purchased a single-hull U.S. flag tanker from Tosco. The single-hull tanker was placed in service in late August, 1994, after undergoing capitalized restorations and modifications. The tanker will be utilized in the carriage of refined petroleum products in United States coastwise trade and is currently operating under a three year charter. The tanker has a capacity of 266,000 barrels and a deadweight tonnage of 37,750. The tanker is scheduled to be retired from service in accordance with OPA 90 on January 1, 1999. The Company's established bank revolving credit agreement provided funding for the transaction.

On July 21, 1994, a wholly owned subsidiary of the Company purchased three U.S. flag tankers from OMI for \$23,750,000. The single-hull tankers will transport refined petroleum products primarily between the United States Gulf Coast, Florida and the mid-Atlantic states. The three tankers operated in the spot market; however, during the balance of July, the entire month of August and part of September, the tankers were idle due to extreme weakness in the tanker market. Effective October, 1994, one tanker went under a six-months' charter and effective November, 1994, one tanker is chartered for a one-year period. Both of the charters have extension options. Each of the tankers has a total capacity of 266,000 barrels and a deadweight tonnage of 37,853. In accordance with OPA 90, the three tankers will be retired from service on January 1, 2000. Funding for the transaction was provided through the Company's established bank revolving credit agreement.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Financial Condition, Capital Resources and Liquidity, Continued

In August, 1994, the Company discontinued its direct, all-water containership service from Memphis, Tennessee to Mexico and Central America. The service, provided by the Company's wholly owned subsidiary, Americas Marine Express, Inc., utilized a chartered foreign flag river/ocean vessel that offered direct sailing between the locations. The concept of the service was proven operationally feasible, however, the service was met with aggressive pricing from its competitors, and even though volumes were slowly increasing, operating losses and the prospect for future profitability did not warrant continuation of the service.

Certificates of Financial Responsibility

Each of the subsidiaries of the Company have obtained Certificates of Financial Responsibility ("COFR") granted by the U.S. Coast Guard for all vessels affected in advance of the date required pursuant to the OPA 90 requirement. The Company does not foresee any current or future difficulty in maintaining the COFR which are required to operate vessels over 300 gross tons

in the Exclusive Economic Zone of the United States.

Stock Repurchase

On August 1, 1994, the Board of Directors authorized the Company to purchase up to 2,000,000 shares of its own common stock. Prior authorization for the repurchase of the Company's common stock was superseded by this authorization. The Company is authorized to purchase the common stock on the American Stock Exchange and in privately negotiated transactions. When purchasing common stock, the Company is subject to price, trading volume and other market considerations. Shares repurchased may be used for reissuance upon the exercise of stock options, in future acquisitions for stock or for other appropriate corporate purposes. To date, the Company has not repurchased any of its common stock under the current authorization.

Long-Term Financing

The Company has recently filed a registration statement with the Securities and Exchange Commission covering \$250 million in debt securities. The Company intends to establish a Medium Term Note Program to issue up to \$250 million in Medium Term Notes under such registration statement. The proceeds of the program will be used to refinance certain existing floating rate debt to maintain a balance of fixed rate and floating rate debt consistent with the Company's financing strategy. Also, the program will provide financing for future business and equipment acquisitions and working capital requirements.

On November 4, 1994, a subsidiary of the Company entered into a \$10,000,000 acquisition credit facility with Texas Commerce Bank National Association, which provided the transportation segment with in-place additional financing for the Dow acquisition, scheduled to be completed in mid-November, 1994. Upon completion of the Medium Term Note Program, the \$10,000,000 acquisition credit facility will be retired.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Financial Condition, Capital Resources and Liquidity, Continued

Liquidity

The Company continued to generate significant cash flow from its operating segments to fund its capital expenditures, asset acquisitions, debt service and other operating requirements. Net cash provided by operating activities totaled \$55,427,000 for the 1994 first nine months and \$28,767,000 for the 1994 third quarter compared with 1993 first nine months of \$34,892,000 and 1993 third quarter of \$19,981,000.

During each year, inflation has had a relatively minor effect on the financial results of the Company. The marine transportation segment has long-term contracts that generally contain cost escalation clauses whereby certain costs, including fuel can be passed through to its customers, while the segment's short-term contracts and spot market business, are based principally on current prices. In addition, the marine 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 on inflation was reduced. The repair portion of the diesel repair segment is based on prevailing current market rates. For the property and casualty insurance segment, 97% of its investments were classified as available-for-sale or short-term investments, which consist primarily of United States Governmental instruments.

Universal is subject to dividend restrictions under the stockholders' agreement between the Company, Universal and Eastern America Group. In addition, Universal is subject to industry guidelines and regulations with respect to the payment of dividends.

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

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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, 1993.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

11.0 Computation of Earnings per Common Share.

(b) Reports on Form 8-K:

There were no reports on Form 8-K filed for the nine months ended September 30, 1994.

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: _____
G. Stephen Holcomb
Vice President and Controller

Dated: November 9, 1994

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE

	Three months ended September 30,		Nine months ended September 30,	
	1994	1993	1994	1993

	(\$ in thousands, except per share amounts)			
Net earnings	\$ 3,606	5,046	9,696	15,391
	=====	=====	=====	=====
Shares:				
Weighted average number of common shares outstanding	28,439	28,332	28,419	25,442
Common equivalent shares for dilutive effect of assumed exercise of stock options	290	281	322	244
	-----	-----	-----	-----
	28,729	28,613	28,741	25,686
	=====	=====	=====	=====
Earnings per share of common stock	\$.13	.18	.34	.60
	=====	=====	=====	=====
	28,729	28,613	28,741	25,686

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

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<F1>ALL INSURANCE ASSETS AND LIABILITIES OTHER THAN CASH ARE ASSUMED TO BE
NON-CURRENT.

</FN>