



Kirby Corporation

2007 Annual Report



2007 Quarterly Review

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

First Quarter

	2007	2006*	Change
Revenues	\$274,211	\$224,903	22%
Net earnings	\$ 24,422	\$ 22,511	8%
Earnings per share	\$.46	\$.42	10%
EBITDA	\$ 64,323	\$ 54,154	19%

- Strong marine transportation volumes and full utilization of tank barge and towboat fleet
- Higher rates on contract renewals and spot market pricing
- Typical winter weather conditions compared with unusually favorable winter weather conditions in 2006
- Diesel engine services benefited from strong sales and price increases in majority of its markets, and accretive acquisitions during summer of 2006

Second Quarter

	2007	2006*	Change
Revenues	\$288,008	\$243,292	18%
Net earnings	\$ 30,137	\$ 23,643	27%
Earnings per share	\$.56	\$.44	27%
EBITDA	\$ 74,560	\$ 57,015	31%

- Strong marine transportation volumes and full utilization of tank barge and towboat fleet
- Higher rates on contract renewals and spot market pricing
- Improved fleet efficiency, the result of operating additional towboats and improvement in vessel personnel shortages
- Diesel engine services benefited from strong sales and price increases in majority of its markets, and accretive acquisitions during summer of 2006

Third Quarter

	2007	2006*	Change
Revenues	\$302,556	\$264,612	14%
Net earnings	\$ 34,430	\$ 25,850	33%
Earnings per share	\$.64	\$.48	33%
EBITDA	\$ 81,446	\$ 62,953	29%

- Strong marine transportation volumes and full utilization of tank barge and towboat fleet
- Higher rates on contract renewals and spot market pricing
- Improved fleet efficiency, the result of operating additional towboats and improvement in vessel personnel shortages
- Diesel engine services benefited from strong sales and price increases in majority of its markets, and accretive acquisitions during 2006 and 2007

Fourth Quarter

	2007	2006*	Change
Revenues	\$307,850	\$251,411	22%
Net earnings	\$ 34,352	\$ 23,447	47%
Earnings per share	\$.64	\$.44	45%
EBITDA	\$ 80,703	\$ 59,677	35%

- Strong marine transportation volumes and full utilization of tank barge and towboat fleet
- Higher rates on contract renewals and spot market pricing
- Typical winter weather conditions in December negatively impacted results
- Diesel engine services benefited from strong sales and price increases in majority of its markets, and accretive acquisitions during 2006 and 2007

*In 2007, Kirby adopted Financial Accounting Standards Board Staff Position No. AUG AIR-1, "Accounting for Planned Major Maintenance Activities." The adoption resulted in the recast of the 2006 quarterly financial statements, but had no impact on the annual financial statements.

Statements made in this Annual Report with respect to the future are forward-looking statements. These statements reflect Management's reasonable judgment with respect to future events. Forward-looking statements involve risks and uncertainties. Actual results could differ materially from those anticipated as a result of various factors. Forward-looking statements are based on currently available information and Kirby assumes no obligation to update any such statements. A list of these factors can be found in Kirby's Annual Report on Form 10-K for the year ended December 31, 2007, included in this Annual Report and filed with the Securities and Exchange Commission.

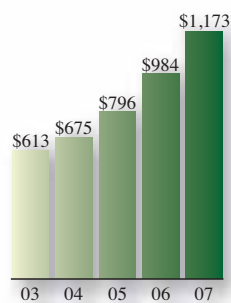
Cover: A Kirby Inland Marine towboat departs Corpus Christi pushing a pressure barge en route to Houston.

Financial Highlights:

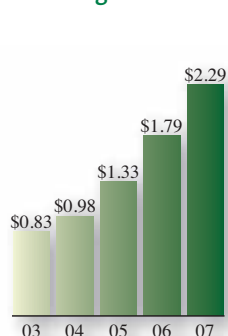
(In thousands, except per share amounts)	For the years ended December 31,				
	2007	2006	2005	2004	2003
Revenues:					
Marine transportation	\$ 928,834	\$ 807,216	\$ 685,999	\$ 588,828	\$ 530,411
Diesel engine services	243,791	177,002	109,723	86,491	83,063
	<u>\$ 1,172,625</u>	<u>\$ 984,218</u>	<u>\$ 795,722</u>	<u>\$ 675,319</u>	<u>\$ 613,474</u>
Net earnings	<u>\$ 123,341</u>	<u>\$ 95,451</u>	<u>\$ 68,781</u>	<u>\$ 49,544</u>	<u>\$ 40,918</u>
Net earnings per share (diluted)	<u>\$ 2.29</u>	<u>\$ 1.79</u>	<u>\$ 1.33</u>	<u>\$.98</u>	<u>\$.83</u>
Weighted average shares outstanding (diluted)	<u>53,764</u>	<u>53,304</u>	<u>51,562</u>	<u>50,314</u>	<u>49,012</u>
EBITDA—Earnings before interest, taxes, depreciation and amortization:*					
Net earnings	\$ 123,341	\$ 95,451	\$ 68,781	\$ 49,544	\$ 40,918
Interest expense	20,284	15,201	12,783	13,263	14,628
Provision for taxes on income	76,491	58,751	42,341	30,365	25,079
Depreciation and amortization	80,916	64,396	57,405	55,120	53,328
EBITDA*	<u>\$ 301,032</u>	<u>\$ 233,799</u>	<u>\$ 181,310</u>	<u>\$ 148,292</u>	<u>\$ 133,953</u>
Property and equipment, net	\$ 906,098	\$ 766,606	\$ 642,381	\$ 574,211	\$ 536,512
Total assets	\$ 1,430,475	\$ 1,271,119	\$ 1,025,548	\$ 904,675	\$ 854,961
Long-term debt, including current portion	\$ 297,383	\$ 310,362	\$ 200,036	\$ 218,740	\$ 255,265
Stockholders' equity	\$ 769,830	\$ 631,995	\$ 537,542	\$ 435,235	\$ 372,132

Revenues

(In millions)

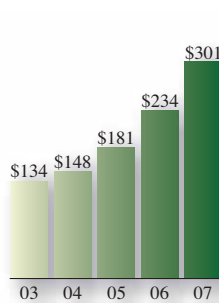


Earnings Per Share

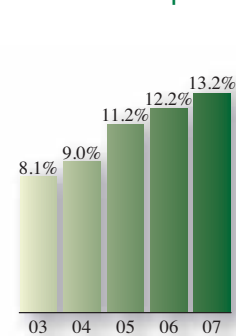


EBITDA*

(In millions)



Return on Invested Capital



* EBITDA, defined as net earnings before interest expense, taxes on income, depreciation and amortization, is a non-GAAP financial measure used by Kirby because of its wide acceptance as a measure of operating profitability before nonoperating expenses (interest and taxes) and noncash charges (depreciation and amortization).

To Our Shareholders

2007 was a record year by almost all measures. This was our fourth consecutive year of record revenues, net earnings and earnings per share. These results surpassed the previous record results achieved during 2006 with a 19% increase in revenues, a 29% increase in net earnings and a 28% increase in earnings per share. EBITDA for 2007 was \$301.0 million, a 29% increase over the \$233.8 million achieved in 2006.

Our record results also positively impacted the price of Kirby stock. During the year, Kirby's stock price rose to a record high of \$50.72. Kirby's stock price during 2007 ranged from the \$50.72 high to a low of \$33.06. The stock closed the year at \$46.48, a 36% increase over the 2006 closing price of \$34.13.

We were also pleased with our return on invested capital of 13.2%, continuing our trend with respect to improving our return on capital when compared to 2006's return of 12.2%. Our stated objective is a 12% return and 2007 was the second year in a row we have exceeded our goal.

During 2007, our marine transportation segment continued to see strong demand for our tank barging services in all four of its markets. Tank barge capacity remained essentially fully utilized, continuing to create a favorable environment for pricing our services.

With respect to our diesel engine services business, we continued to experience strong demand for service work and parts sales, coupled with the benefit of the accretive acquisitions completed during 2006 and 2007. During the year, we grew our diesel engine services business with the acquisition of two high-speed service operations, Saunders Engine and Equipment Company, Inc., purchased in July for \$13.5 million, and P&S Diesel Service, Inc., purchased in February for \$1.6 million. Through the acquisition of Saunders, Kirby became the Gulf Coast factory-authorized full service marine dealer for Caterpillar in Alabama.

Net cash provided by operating activities was \$235.7 million, a 57% improvement over the \$150.4 million achieved in 2006. Cash flows and borrowings under our revolving credit facility were used for capital expenditures and acquisitions. Capital expenditures for 2007 were \$164.1 million, including \$96.2 million primarily for upgrading the existing marine transportation fleet and \$67.9 million for new barge and towboat construction. Acquisition expenditures were \$67.2 million, including \$18.5 million for diesel engine services acquisitions, including those noted above, and \$48.7 million primarily for the purchase of 74 tank barges that were previously leased or managed by Kirby.

Total assets as of December 31, 2007 equaled \$1.43 billion, a 13% increase over the \$1.27 billion as of December 31, 2006. Debt at the end of 2007 was \$297.4 million compared with \$310.4 million at the end of 2006. This decrease in debt reflected the strong net cash flow from operating activities less the capital expenditures and acquisitions noted above. Kirby's debt-to-capitalization ratio was 27.9% at the end of 2007 compared with 32.9% on December 31, 2006.

For the fourth year in a row, Kirby's marine transportation segment produced record results. The operating margin improved to 21.1% in 2007 compared with 19.0% in 2006 and 17.4% in 2005. By the end of 2007, 80% of our marine transportation revenues were from our term contract customers and the remaining 20% from spot market movements, compared with 70% contract and 30% spot market mix for 2006 and 2005. During 2007, contract rates increased in the 6% to 10% average range and spot market rates increased 12% to 13%. Additionally, annual escalators on multi-year contracts for labor and the producer price index increased rates on those contracts by 4% to 5% excluding fuel.

In addition to the strong demand and favorable pricing for our services, our marine transportation segment's results were positively impacted by several other factors during 2007. The first of these was the operation of additional towboats during the year. Kirby operated an average of 258 towboats during the fourth quarter of 2007 compared with 241 during 2006. This increase in towboats resulted from placing in service four new towboats and the purchase of three used towboats, as well as an increase in the availability of chartered-in towboats.

We also made progress in alleviating the vessel crewing shortages that existed during 2006. We made the necessary investment in recruiting and training and were able to return crewing levels to pre-Hurricanes Katrina and Rita levels. Through the Kirby training center, we trained and added 44 new pilots to the wheelhouse during 2007. While crewing our towboats still remains a challenge for the near future, the progress we made in 2007 provided more efficient operations and greater flexibility in meeting customer marine transportation demands. Our goal for 2008 is to add an additional 70 to 75 pilots to the wheelhouse. This will allow us to fully crew our towboats, including the new towboats scheduled for delivery during 2008, and to replace expected turnover and retirements during the year.

Our safety performance continued its multi-year trend of improvement. Our commitment to the safe operation of our vessels and the safe transfer of cargoes resulted in fewer accidents, spills and injuries than in 2006. Continually improving safety results positively impacts earnings and is aligned with our customers' objective of moving their cargoes without incidents. Our cost of risk for 2007, which includes insurance premiums and self insurance, was approximately 1.2% of revenue.

While additional horsepower, improved vessel crewing and improved safety performance all contributed to the segment's improved financial results in 2007, weather was a minor detractor as weather delays were up 9% over 2006. These weather delays consisted of normal weather conditions in the first and fourth quarters, and low water conditions, two minor hurricanes and one tropical storm in the third quarter.



Berdon Lawrence
Chairman of the Board

Joe Pyne
President and Chief Executive Officer

During 2007, our diesel engine services segment also had the fourth straight year of record results. These results were driven by strong service activity and direct part sales, and higher labor utilization in its major markets. The accretive acquisitions of Saunders and P&S in 2007, and Global Power Holding Company and Marine Engine Specialists, Inc. in 2006, were also significant factors in the record results. The segment's operating margin also improved, recording a 15.6% margin in 2007 compared with 14.9% in 2006 and 11.7% for 2005.

We continued to reinvest in our barge and towboat fleet. Our 2007 capital construction program included capital upgrades and enhancements, fleet replacement and additional fleet capacity. During 2007, Kirby placed in service 26 new tank barges with a total capacity of 630,000 barrels, and three 2100 and one 1800 horsepower towboats. Total capital spending for new tank barges and towboats was \$67.9 million. The new tank barges were a combination of replacement barges for older barges retired from service and new capacity. As of December 31, 2007, our fleet capacity totaled 17.3 million barrels, an increase of 300,000 barrels, or a 1.7% increase compared with the 17.0 million barrels we operated at the end of 2006. Capital upgrades and improvements during 2007, primarily for the barge and towboat fleet, totaled \$96.2 million.

For 2008, capital expenditures are projected in the \$150 to \$160 million range, including a projected \$80 million for new tank barges and towboats. We anticipate 26 new tank barges will be placed in service and five 1800 horsepower towboats. We project these new capacity additions will increase our total barge fleet capacity by 1% to 2% after consideration of anticipated barge retirements.

In addition to the Saunders and P&S acquisitions noted above, we remained active on the acquisition front during 2007 with the following purchases:

- In January 2007, purchased 21 tank barges from Cypress Leasing for \$15 million in cash. Kirby had been leasing these barges since 1994.
- In January 2007, acquired Coastal Towing, Inc., owner of 37 barges, for \$19.5 million in cash. Kirby had been operating these barges under a barge management agreement since 2002.
- In February 2007, purchased seven tank barges from Shipyard Marketing, Inc. for \$7.3 million in cash. Kirby had been leasing the barges prior to the purchase.
- In February 2007, purchased from NAK Engineering, Inc., for a net \$3.5 million in cash, the assets and technology necessary to support the Nordberg medium-speed diesel engines used in nuclear applications.
- In October 2007, purchased nine tank barges from Siemens Financial, Inc. for \$4.5 million in cash. The Company had been leasing the barges since 1994.

We continue to pursue a strategy of building value over the long term, which includes reinvesting in our core businesses. We are working closely with our customers to increase efficiencies and leverage our distribution system for their benefit. Our investment in employee training, particularly for vessel personnel, is one of the cornerstones of our long-term plan. This plan also includes our

shore personnel for whom we have developed long-term management and officer succession plans to ensure we have the management teams to continue to run and grow our businesses into perpetuity.

The outlook for 2008 is positive with supply and demand in balance in our marine transportation segment. Volumes remain strong as United States petrochemical and refining companies expand their existing facilities and continue to operate at close to full capacity. We expect the United States economy to continue to expand in 2008, but at a slower rate than in 2007. We certainly acknowledge the current credit strain on the United States economy. We think we are well positioned to weather any potential storm through our long-term contracts and relationships with our customers.

We also expect our diesel engine services business segment to perform well in 2008, although not with the growth rate experienced in 2006 and 2007. We anticipate that our customer base in the diesel services area will continue to grow as we offer customers a single source for all their diesel engine services requirements.

Finally, we wish to thank each and every Kirby employee who contributes on a daily basis to our success. We truly believe that our marine transportation and diesel engine services employees are the best in the business. A special thanks to our Board of Directors and stockholders for their continuing direction and support, and a special note of thanks to Walter Johnson, a Board member since 2001, for his service to Kirby. Walter will retire from the Kirby Board in April. We are also pleased to note the nomination of two new directors, Rod Clark and Rick Stewart, who will be nominated for election to our Board at our 2008 Annual Meeting of Stockholders on April 22, 2008.

Respectfully submitted,



C. Berdon Lawrence
Chairman of the Board



Joseph H. Pyne
President and Chief Executive Officer

Houston, Texas
March 3, 2008

Marine Transportation

Kirby Inland Marine, LP

Services Offered

Kirby Inland Marine is the largest and most efficient marine transporter of bulk liquid products, offering distribution services throughout the Mississippi River System and Gulf Intracoastal Waterway. Kirby's tank barge fleet represents approximately 31% of the total number of United States inland tank barges, transporting petrochemicals, black oil products, refined petroleum products and agricultural chemicals for a customer base consisting of the United States' largest petrochemical and refining companies.

Results of Operations for 2007

Kirby Inland Marine reported record financial results for 2007. Revenues and operating income increased 15% and 28%, respectively, compared with 2006, and the operating margin improved to 21.1% for the year compared with 19.0% for 2006. The 2007 financial results reflected continued strong demand in all of Kirby's transportation markets, higher rates on contract renewals and spot market pricing, rate escalators on a number of multi-year contracts and continued improvement in the shortage of vessel personnel and towboats.

Tank Barge Fleet (Active)

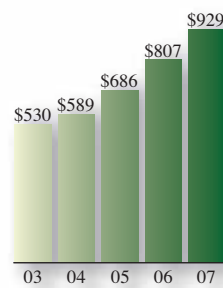
Petrochemical/Refined products	717
Pressure	65
Black oil products	116
Anhydrous ammonia	10
Specialty	5
Total	913
Total Barrel Capacity	17.3 MM

Towboat Fleet (Active)

Less than 800 hp	1
800–1300 hp	124
1400–1900 hp	84
2000–2400 hp	16
2500–3200 hp	17
3300–4900 hp	12
5200 hp and greater	2
Spot charters	2
Total	258

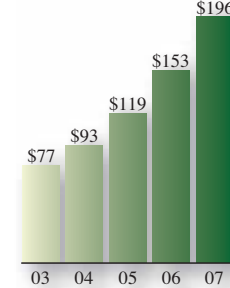
Revenues

(In millions)

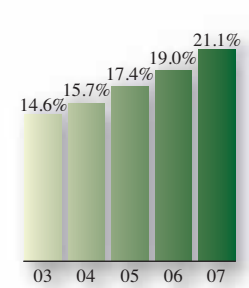


Operating Income

(In millions)



Operating Margin



The M/V Robert G. Stone, Jr., a 2100 horsepower towboat, with a loaded 30,000 barrel tank barge on the Atchafalaya River in Louisiana.

Diesel Engine Services

Kirby Engine Systems, Inc.

Services Offered

Kirby Engine Systems provides nationwide diesel engine services and remanufactured and replacement parts for medium-speed and high-speed diesel engines and reduction gears, essential to day-to-day operations of marine companies, power generation facilities and railroads. Kirby offers its customers a single source for all their engine, gear and transmission services and parts requirements. Today, Kirby employs over 300 factory-trained and authorized project engineers, mechanics and machinists, providing in-house and in-field service.

Service Locations

Medium-Speed

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

High-Speed

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

Manufacturer Relationships

Medium-Speed

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

High-Speed

Caterpillar
Cummins
Detroit Diesel
John Deere

Ancillary Products

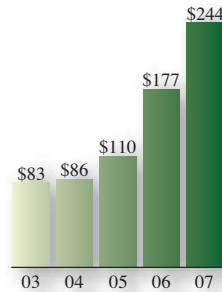
Allison Transmission (transmissions)
Twin Disc (transmissions)
Falk Corporation (reduction gears)
Ingersoll-Rand (starters)
Woodward Governor (governors)
Oil States Industries (marine clutches)

Results of Operations for 2007

Kirby Engine Systems reported record financial results for 2007. Revenues and operating income increased 38% and 44%, respectively, compared with 2006. The operating margin increased to 15.6% compared with 14.9% for 2006. The results reflected the accretive acquisitions of Global and MES in 2006 and P&S and Saunders in 2007, continued strong service demand and parts sales from its marine, power generation and railroad markets, higher labor utilization, and higher service rates and parts pricing.

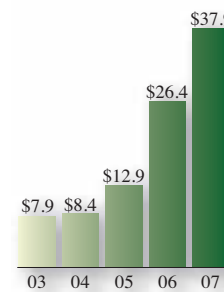
Revenues

(In millions)

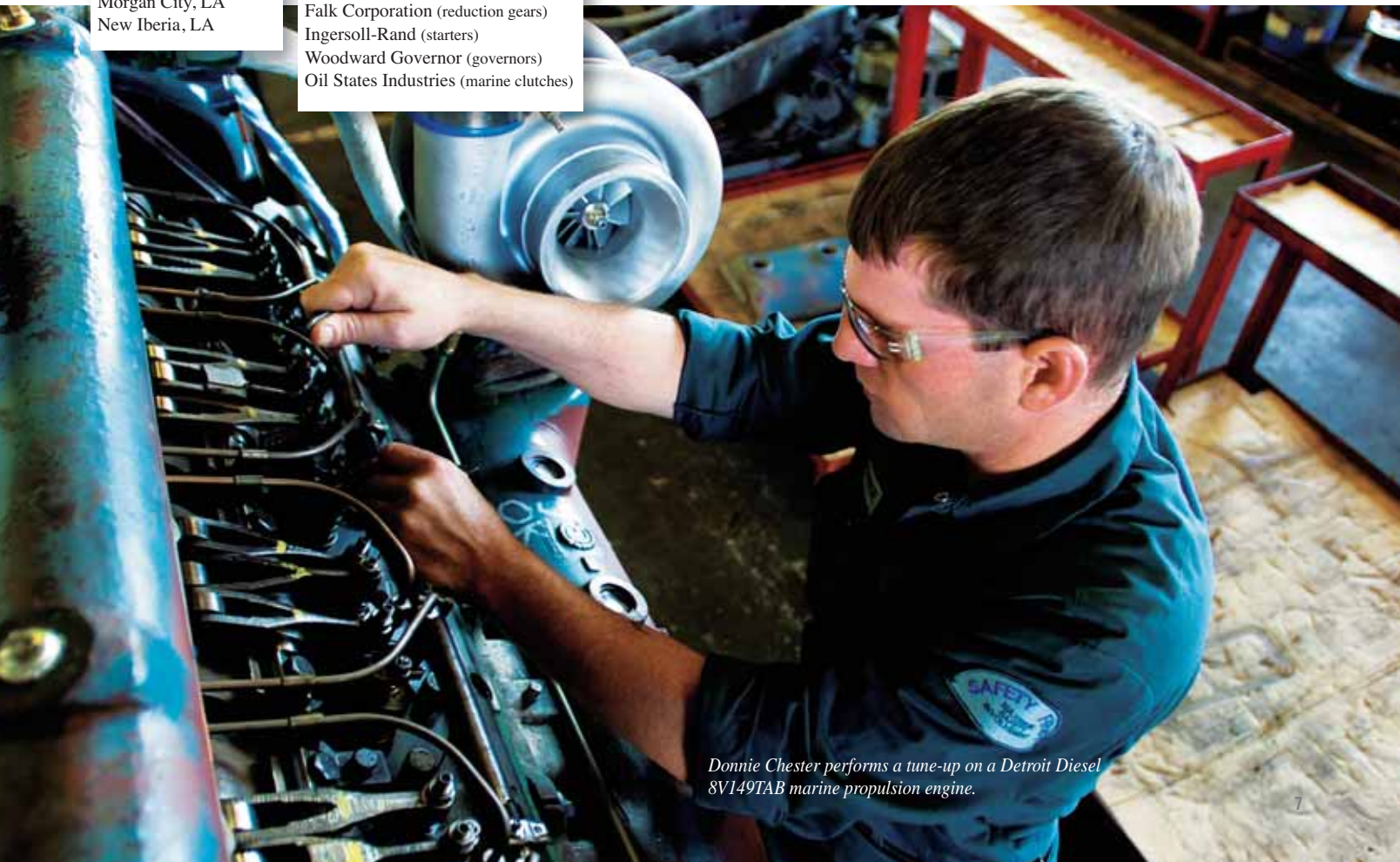
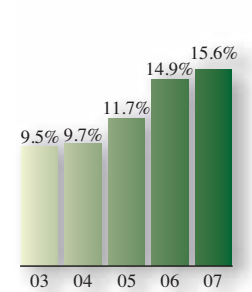


Operating Income

(In millions)



Operating Margin



Donnie Chester performs a tune-up on a Detroit Diesel 8V149TAB marine propulsion engine.

Kirby Inland Marine—Taking the Long-Term View

When Kirby sold its oil and gas assets in 1988 and embarked on its inland marine transportation strategy, it committed to a long-term strategy and a long-term process of building value. In the 20 years since that commitment, Kirby Inland Marine has grown from 71 tank barges and 23 towboats to 913 tank barges and 258 towboats.

That same commitment to building long-term value that began in 1988 continues today within Kirby Inland Marine. Building long-term value for our shareholders and customers includes reinvesting in our fleet with capital upgrades and improvements, tank barge and towboat construction programs, long-term customer relationships, investments in training and management succession planning.

Over the last seven years, Kirby has spent approximately \$370 million on capital upgrades and improvements to its fleet

of tank barges and towboats. These capital upgrades and improvements include developed and improved technologies, such as improved steel renewal plating and advanced coating technologies, that extend the life expectancy of the tank barges, and the replacement of older diesel engines in the towboats with modern, quiet, fuel-efficient and low emission engines.

In 2001 Kirby began its current tank barge construction program. This program was implemented for two reasons: first, to ensure that Kirby's market share would be maintained with new replacement capacity as older single hull and double hull barges were retired from service; and second, to provide some incremental additional tank barge capacity to meet the expanding demands from Kirby's customers.

Since the inception of this program in 2001, Kirby has built 26 ten thousand barrel barges and 113 thirty thousand barrel



barges at a cost of approximately \$260 million. This ongoing tank barge construction program ensures that Kirby has new tank barges coming on line to replace the older single hull and double hull barges that no longer meet Kirby's marine equipment and investment return standards. In 2005, because of the continued strong demand and capacity shortages in the inland tank barge industry, Kirby's construction program included adding tank barge capacity. Since January 1, 2006, Kirby has increased its tank barge capacity from 16.7 million barrels to 17.3 million barrels at December 31, 2007, a 3.8% increase over the two-year period.

This increase in tank barge capacity and shortages in horsepower have also resulted in the building of towboats, the first towboats Kirby has built in 20 years. During 2005, 2006 and 2007, Kirby contracted for the construction of 16 towboats, four 2100 horsepower and twelve 1800 horsepower. One was placed in service in 2006 and four in 2007. Five are scheduled for delivery in 2008 and six in 2009. With the cost of each of these vessels between \$3.6 and \$3.7 million, Kirby spent a

total of \$26 million on new towboat construction in 2005, 2006 and 2007.

In the 2007 second half, approximately 80% of Kirby's marine transportation revenue was from term contracts and 20% from spot market movements. While spot contracts cover only one trip over a limited period of time, a term contract is for one year or more. These contracts may include renewal options and are negotiated with customers with whom Kirby has typically had long-standing relationships.

To perpetuate Kirby's business, Kirby is committed to training. While many industries can assume a level of preparation, education and training for their workforce from universities and community colleges, the inland marine transportation business requires a unique set of skills not offered by many educational institutions. For this reason, Kirby invested approximately \$12 million in 2006 and \$16 million in 2007 in training and recruiting activities, and plans to commit approximately \$16 million in 2008.

Kirby's Manager of Barge Maintenance Bob Livingston (right) reviews the results of a \$250,000 capital upgrade on the 28 year-old Kirby 10429 tank barge. This project included the renewal of steel plating on both sides of the barge and application of best available coating systems on all outside and void tank surfaces. All capital projects are carefully planned and modeled to produce a safe, reliable fleet and an optimal return on investment.



This money is primarily invested in training vessel crew members. Kirby operates the premier vessel personnel training facility in the United States where it prepares an individual who has never been on a towboat to work as a deckhand on a towboat. The training never stops as Kirby prepares and promotes its employees to new levels within the organization by providing tankerman and advanced tankerman training, and basic and advanced wheelhouse training.

Kirby's training facility includes classrooms, three tank barges and a working towboat, all located at its training site near the Houston Ship Channel. This on-site training equipment is supplemented by the Seamen's Church Institute's pilothouse simulator, which is located close to Kirby's training facility. Because of the demanding nature of the work and the increasing skill levels required of the vessel employees, the long-term success of Kirby is directly linked to its ability to provide professional crews for its towboats.

Kirby's long-term commitment also extends to its shoreside personnel and, in particular, its succession planning programs. Kirby's ability to compete in the future will depend on the success of its comprehensive, three-phase succession planning process.

Phase one of this process is the recruitment of high caliber employees. In this regard, Kirby is like many companies who recruit at quality colleges and universities (including maritime academies) across the United States for both shoreside and wheelhouse positions. Phase two of this process is to observe these employees early in their careers and to identify the "high potential" employees. Over a period of years, these high potential employees are provided additional training and the opportunity to experience the inland marine transportation business from a variety of perspectives, including sales and logistics, maintenance and operations, and the development of personnel. These employees are provided individual training

Top row below: Kirby's long-term commitment to success includes ensuring that it has the vessel horsepower and the personnel to serve its customers both today and into the future. Kirby will be taking delivery of 11 towboats over the next two years. From the laying of the hull to adding propulsion systems, building the superstructure and adding crew amenities, it takes about one year to build a towboat.



and assignments which prepare them to assume increasing levels of responsibility over a period of time, and ensure that they are ready for that level of responsibility when they are promoted.

Finally, in phase three, Kirby reviews all key positions within the Company throughout the year and identifies both interim and long-term replacement candidates. This process provides a perpetual assessment of Kirby's ability to replace key employees as they are promoted, reassigned or retire. The succession plan is formally reviewed and approved by Kirby's Board of Directors on an annual basis and ensures that the leadership needed for long-term success is positioned within Kirby.

As noted above, Kirby took a long-term view back in 1988 when it committed to the inland marine transportation business. That long-term view advanced Kirby from 71 tank barges and 23 towboats in 1988 to 913 tank barges and 258 towboats today, and to its current position in the inland tank barge industry. Kirby's strategy is to run the Company into perpetuity by making the right investments, continuing to build tank barges and towboats, servicing its customers and developing and following its training and succession plans. This commitment positions Kirby to remain an industry force for the next 20 years.

Bottom row below: Kirby's crew training sets the standard for the industry. Its long-term investment in training keeps Kirby in a constant process of preparing individuals to handle the responsibilities of safely working on the deck of a barge and piloting our equipment. From state-of-the-art simulators to actual hands-on experience, Kirby ensures that vessel personnel are thoroughly trained before working on Kirby equipment, and then continually trained to maintain and improve skill levels.



Kirby Inland Marine—Tracking Shipments Minute by Minute

If there is one issue that concerns customers in today's market, it is the strength of the supply chain. With lean manufacturing, minimum inventories and high product demands, customers must know that the raw materials they need to make the products they sell will arrive on time.

Kirby Inland Marine provides a critical link in its customers' supply chains. Kirby transports and transfers the bulk liquid products that keep plants and refineries operating efficiently. Over the years, Kirby has developed and implemented proven systems to ensure that its customers' products are moved across the inland waterways safely and efficiently.

In today's market, however, it is not enough to move products safely and efficiently; you must also be ready to respond when customers inquire about the delivery of their products to their facilities or customers. Whether it is 2 a.m. or 2 p.m., you must be able to respond to the customer's questions about the customer's products being transported in Kirby's tank barges.

Kirby has made a substantial investment both monetarily and developmentally in order to ensure that the customer's

questions can be answered at any time of day or night. The Kirby Traffic Department operates 24 hours per day, 365 days a year. There are always a minimum of eight trained schedulers (those who manage vessel movements) and dispatchers (those who send orders, receive traffic and manage information regarding barges) manning the Kirby Traffic Department headquarters at Waugh Drive in Houston, Texas.

Depending on the customer's type of business and geographical location, the customer's call is automatically routed to a specialist in that area. Today, the Kirby Traffic Department receives an average of 65,000 calls per month, or over 2,100 calls per day. Each one of these calls is critical, and most are from customers who need information on the location and progress of their product along the inland waterways or at the docks. They want an answer to the question, "What is the status of my shipment?"

The advances that Kirby has made with its communication systems and its proprietary software system (Oasis) have enabled Kirby to get closer and closer to providing immediate and precise answers to that question.



Today, the Kirby scheduler or dispatcher receiving that call can look at his/her monitor and view a map of the geographic region that contains an overview of every Kirby operated towboat in that region. The scheduler or dispatcher can then “click” on the image of the towboat and have the position of the tow appear in a pop up screen. The scheduler or dispatcher has the information to tell the customer the location of the tow en route along the inland waterway system within one tenth of a mile, with that position being no more than 10 minutes old, or whether the customer’s product is at the dock and being transferred.

Finally, because weather can impact shipment progress more than any other single factor other than perhaps lock delays, the Kirby Traffic Department provides schedulers and dispatchers with extensive electronic weather resources to refer to whenever

a customer calls. If the customer wants to know how the weather is going to impact their shipment between Houston and Baton Rouge or Baton Rouge and Pittsburgh, Kirby can provide that information.

Kirby is customer focused. From the display board that lists the dispatchers and schedulers currently logged into the phone system, to automatically routing a call to the scheduler or dispatcher who can best answer a given customer’s question, to the software system that allows Kirby’s schedulers and dispatchers to give the customer an update on the position of the tow no more than 10 minutes old, Kirby is committed to safe, efficient and timely inland waterway transportation of its customers’ products. Kirby’s schedulers and dispatchers are able to quickly and accurately answer the question, “What is the status of my shipment?”

Twenty-four hours a day, 365 days a year, customers want two questions answered: “When can I schedule a trip?” and “When will my product be delivered?” Kirby has invested millions of dollars in equipment and proprietary software so that questions can be answered quickly and accurately. One of the highlights of the logistics area is the vessel map (insert) which shows one of the more than 250 tows that Kirby has on the water within one tenth of a mile of its actual location, with the data less than 10 minutes old. Whether the tow is on the Upper Ohio, the Lower Mississippi or the Gulf Intracoastal Waterway, Kirby can accurately pinpoint availability, location and ETA for its customers.



Kirby Engine Systems—Provides Services Essential to Its Customers

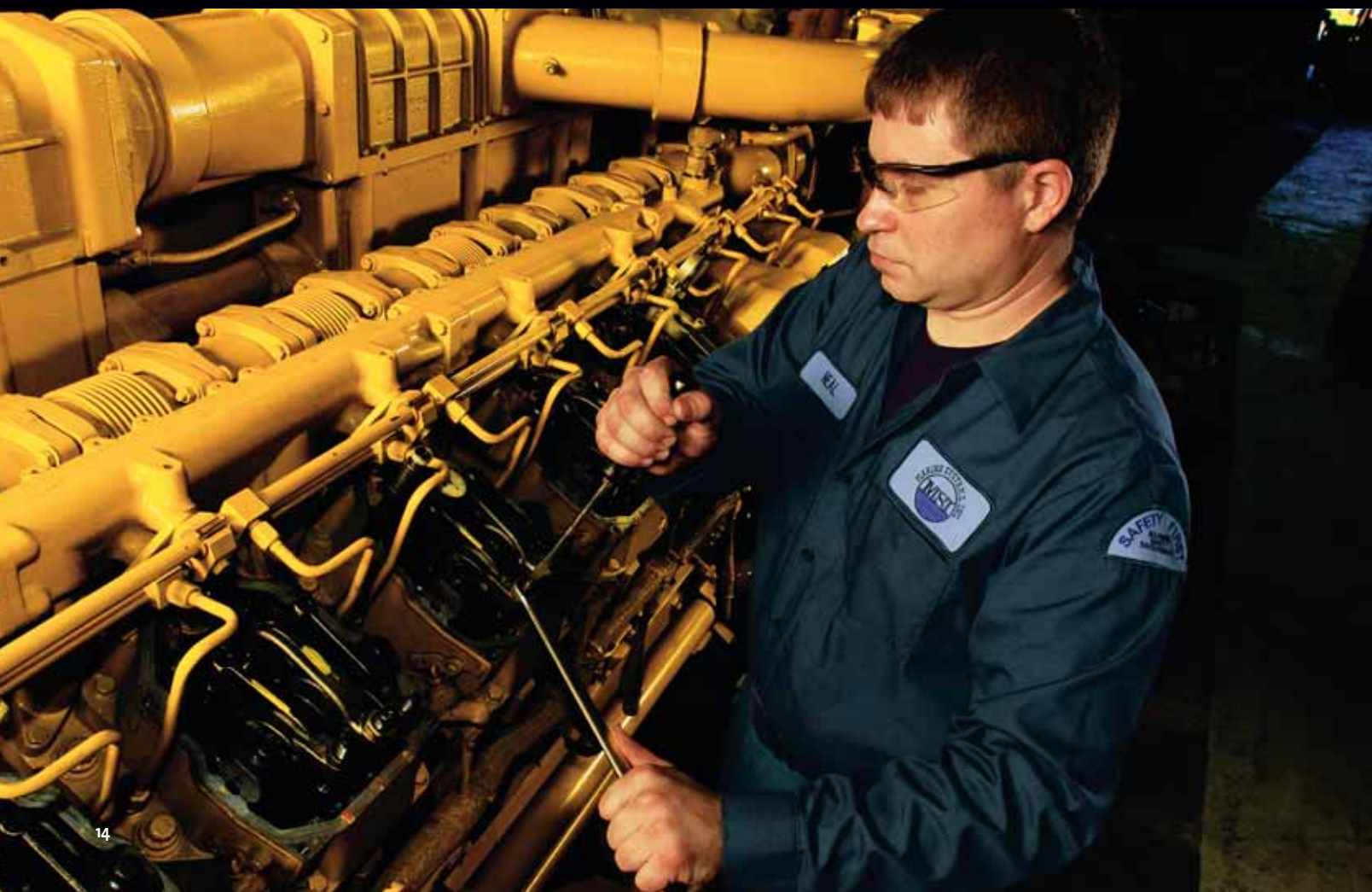
Kirby Engine Systems provides diesel engine services and remanufactured and replacement parts for medium-speed and high-speed diesel engines, gears and transmissions, a service that is essential to the day-to-day operations of marine companies, power generation facilities and railroads. Through its three operating subsidiaries, Marine Systems, Inc., Engine Systems, Inc. and Rail Systems, Inc., Kirby provides both in-house and in-field service and offers its customers a single source for all their engine, gear and transmission service and parts requirements.

During 2007, Kirby continued its expansion of its Gulf Coast region high-speed operations with the acquisition of two Gulf Coast high-speed service providers, P&S Diesel Service, Inc. and Saunders Engine and Equipment Company, Inc., complementing the two Gulf Coast region high-speed service providers acquired in 2006, Global Power Holding Company and Marine Engine Specialists, Inc. The acquisitions further advanced Kirby as a recognized leader and value-added provider of diesel engine services.

In February 2007 Kirby purchased P&S for \$1.6 million and in July 2007 acquired Saunders for \$13.3 million in cash and assumption of \$245,000 of debt. With the purchase of P&S, a factory-authorized marine dealer for Caterpillar in Louisiana, Kirby enhanced its central Gulf Coast high-speed coverage. The acquisition of Saunders extended Kirby's high-speed coverage into the eastern Gulf Coast region with factory-authorized full service marine dealerships for Cummins, John Deere and Detroit Diesel, and a factory-authorized marine dealer for Caterpillar in Alabama.

The long-term relationships Kirby has developed with the manufacturers of medium-speed diesel engines are one of the keys to its success. The principal medium-speed diesel engines serviced by Kirby are those manufactured by Electro-Motive Diesel, Inc. (EMD) and used in marine, power generation and railroad applications. Kirby has enjoyed a 42-year relationship with EMD, serving as the authorized distributor in 17 eastern states and the Caribbean, as the exclusive distributor worldwide for parts to the nuclear industry, and as the exclusive

Neal Duval adjusts an exhaust valve on a Caterpillar 3516B marine propulsion engine. Kirby provides service through the employment of over 300 factory-trained and authorized project engineers, mechanics and machinists.



distributor to the United States shortline, industrial and certain transit and Class II railroads. In addition, Kirby has EMD service centers in the Midwest, Gulf Coast and West Coast regions. Recently, Kirby benefited from a change in EMD's distribution network, effectively allowing all Kirby operations to purchase parts directly from EMD, thus removing territorial restrictions related to parts distribution.

The acquisitions of the high-speed diesel engine service providers are another key to Kirby's success by broadening the product line and service offered to its customers.

Today, Kirby serves as a factory-authorized full service marine dealership for Cummins, Detroit Diesel and John Deere diesel engines, and Allison transmissions, as well as a factory-authorized marine dealer for Caterpillar in Alabama, Kentucky and Louisiana.

A distinguishing factor in a manufacturing operation is its ability to consistently maintain quality. One of the leading certifications of quality control is ISO 9001:2000. Receiving and maintaining this certification requires adherence to internally developed processes and procedures along with the constant pursuit of improvement in order to maintain quality

and efficiency. Kirby has gained ISO 9001 certification for each of its medium-speed engine and component rebuild operations. Future efforts will focus on ISO 9001 certification for its high-speed engine and component rebuild operations in Houma and Belle Chasse, Louisiana, and Mobile, Alabama.

Kirby provides service through the employment of over 300 factory-trained and authorized project engineers, mechanics and machinists. In-house service, provided through 15 strategically located United States parts and service facilities, consists of direct sales of OEM (Original Equipment Manufacturer) replacement parts and the refurbishment or rebuilding of parts, engines and ancillary products in strict compliance with the latest factory specifications. Project engineers and mechanics provide in-field service throughout the world, as service teams respond to meet customers' needs wherever the equipment is located. Kirby has the ability to provide in-field service from a number of locations to support customer requirements in any one geographic area. During 2007, Kirby service teams responded to customers' needs throughout the United States, as well as at destinations in Africa, the Middle East, Asia, Australia, Europe and Central and South America.

Steve Adams prepares a Detroit Diesel 16V92 rear block as part of the engine rebuilding process. Kirby provides both in-house and in-field service and offers its customers a single source for all their engine, gear and transmission service and parts requirements.



Board of Directors

C. Sean Day^{2,3,4}
Chairman of
Teekay Corporation
Director since 1996

Bob G. Gower^{1,2,3}
Private Investor
Director since 1998

Walter E. Johnson⁴
Chairman of Amegy Bank, N.A.
Director since 2001

William M. Lamont, Jr.^{1,3,4}
Private Investor
Director since 1979

C. Berdon Lawrence¹
Chairman of the Board of Kirby
Director since 1999

David L. Lemmon²
Private Investor
Director since 2006

Monte J. Miller³
Private Investor
Director since 2006

George A. Peterkin, Jr.^{1,2}
Chairman Emeritus of Kirby
Director since 1973

Joseph H. Pyne¹
President and
Chief Executive Officer of Kirby
Director since 1988

¹ Executive Committee
² Audit Committee
³ Compensation Committee
⁴ Governance Committee

Officers

Kirby Corporation

C. Berdon Lawrence
Chairman of the Board

Joseph H. Pyne
President and Chief
Executive Officer

Norman W. Nolen
Executive Vice President, Chief
Financial Officer and Treasurer

Mark R. Buese
Senior Vice President—
Administration

Gregory R. Binion
Vice President—Corporate
Development and Planning

Ronald A. Dragg
Vice President and Controller

G. Stephen Holcomb
Vice President—Investor Relations

Amy D. Husted
Vice President—Legal

David R. Mosley
Vice President and
Chief Information Officer

Jack M. Sims
Vice President—Human Resources

Thomas G. Adler
Secretary

Kirby Inland Marine, LP

Steven P. Valerius
President

James F. Farley
Executive Vice President—
Operations

William G. Ivey
Executive Vice President—Marketing

Mel R. Jodeit
Senior Vice President—Sales

John E. Russell
Senior Vice President—Sales

David L. Shaw
Senior Vice President—Vessel
Operations

William M. Withers
Senior Vice President—Sales

Stephen C. Butts
Vice President—Sales

Skye M. Durant
Vice President—Kirby Logistics
Management

Robert D. Goolsby
Vice President—Facility Operations

James C. Guidry
Vice President—Canal Vessel
Operations

Dixie Offshore Transportation Company

Joseph H. Pyne
President

Kenneth C. Bush
Executive Vice President

Thomas J. Johnson
Vice President—Marketing

Osprey Line, L.L.C.

Christian G. O'Neil
President

Charles J. Duet
Vice President—Project Cargo

Kirby Engine Systems, Inc.

Dorman Lynn Strahan
President

T. Walter Berry
Executive Vice President

David H. Farrar
Vice President and Controller

Engine Systems, Inc.

John A. Manno
Vice President

P. Scott Mangan
Vice President—East Coast

Marine Systems, Inc.

Timothy P. Brady
Senior Vice President

Lynn A. Ahlemeyer
Vice President—Gulf Coast and
West Coast

Thomas W. Bottoms
Vice President—Midwest

Troy A. Bourgeois
Vice President—Sales

Bart J. Hohensee
Vice President

Gary E. Mires
Vice President

Rail Systems, Inc.

John A. Manno
Vice President

Shareholder Information

Annual Meeting

The 2008 Annual Meeting of Stockholders will be held at 55 Waugh Drive, 8th Floor, Houston, Texas 77007, at 10:00 a.m. (CDT), Tuesday, April 22, 2008.

Corporate Headquarters

Executive Office:

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

Mailing Address:

P.O. Box 1745
Houston, Texas 77251-1745

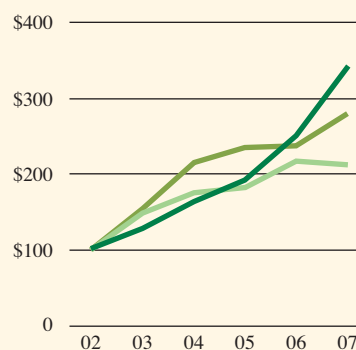
Inquiries Regarding Stock Holdings

Registered shareholders (shares held in owner's name) should address communications concerning address changes, lost certificates and stock transfers to:

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

Comparison of 5 Year Cumulative Total Return

Return on \$100 invested on 12/31/02 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.



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

Beneficial shareholders (shares held in the name of banks or brokers) should address communications to their banks or stockbrokers.

All other inquiries should be addressed to G. Stephen Holcomb, Vice President—Investor Relations, at Kirby's corporate headquarters.

Web Site

For more investor information, as well as information about Kirby, visit Kirby's web site at www.kirbycorp.com.

Independent Registered Accountants

KPMG LLP
700 Louisiana, Suite 3000
Houston, Texas 77002

Common Stock Information

Stock trading symbol—KEX

The New York Stock Exchange is the principal market for Kirby's common stock. As of March 3, 2008, there were 53,727,000 common shares outstanding held by approximately 850 registered shareholders. The number of registered shareholders does not reflect the number of beneficial owners of common stock.

Common Stock Market Price

	Sales Price	
	High	Low
2008		
First Quarter (through March 3, 2008)	\$50.16	\$37.72
2007		
First Quarter	\$38.20	\$33.06
Second Quarter	\$40.02	\$34.85
Third Quarter	\$44.90	\$35.68
Fourth Quarter	\$50.72	\$42.00
2006		
First Quarter	\$34.30	\$25.13
Second Quarter	\$40.59	\$32.35
Third Quarter	\$41.36	\$28.09
Fourth Quarter	\$37.05	\$30.54

Financial and Investor Relations

Copies of Kirby's Form 10-K (which is incorporated in this Annual Report) and copies of Kirby's Form 10-Q reports are available free of charge. Either contact G. Stephen Holcomb, Vice President—Investor Relations, at Kirby's corporate headquarters, e-mail Steve.Holcomb@kirbycorp.com, or visit Kirby's web site at www.kirbycorp.com.

Certifications

Kirby has included as Exhibits 31.1 and 31.2 to its Annual Report on Form 10-K for the year ended December 31, 2007, filed with the Securities and Exchange Commission, certificates of the Chief Executive Officer and Chief Financial Officer regarding the quality of Kirby's public disclosure. In addition, in 2007, Kirby submitted to the New York Stock Exchange (NYSE) a certificate of the Chief Executive Officer certifying that he was not aware of any violation by Kirby of NYSE corporate governance listing standards as of the date of the certification.



Kirby Corporation

Corporate Headquarters: 55 Waugh Drive, Suite 1000, Houston, Texas 77007

Mailing Address: P. O. Box 1745, Houston, Texas 77251-1745

Telephone: (713) 435-1000 Fax: (713) 435-1011

Web site: www.kirbycorp.com

