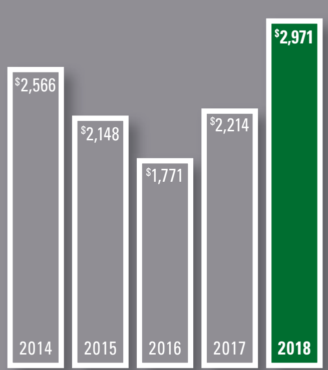
Kirby Corporation
Annual Report

2018

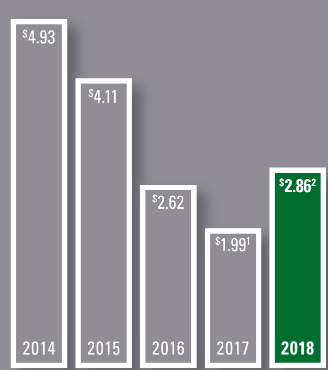
FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts)	For the years ended December 31, **2018**	2017	2016	2015	2014
Revenues:					
Marine transportation	**$ 1,483,143**	$ 1,324,106	$ 1,471,893	$ 1,663,090	$ 1,770,684
Distribution and services	**1,487,554**	890,312	298,780	484,442	795,634
	$ 2,970,697	$ 2,214,418	$ 1,770,673	$ 2,147,532	$ 2,566,318
Net earnings attributable to Kirby	**$ 78,452**	$ 313,187	$ 141,406	$ 226,684	$ 282,006
Net earnings attributable to Kirby excluding one-time items*	**$ 171,408**[1]	$ 110,690[2]	$ 141,406	$ 226,684	$ 282,006
Net earnings per share attributable to Kirby (diluted)	**$ 1.31**	$ 5.62	$ 2.62	$ 4.11	$ 4.93
Net earnings per share attributable to Kirby excluding one-time items* (diluted)	**$ 2.86**[1]	$ 1.99[2]	$ 2.62	$ 4.11	$ 4.93
EBITDA:**					
Net earnings attributable to Kirby	**$ 78,452**	$ 313,187	$ 141,406	$ 226,684	$ 282,006
Interest expense	**46,856**	21,472	17,690	18,738	21,461
Provision (benefit) for taxes on income	**35,081**	(240,889)	84,942	133,742	169,782
Impairment of long-lived assets	**82,705**	105,712	—	—	—
Impairment of goodwill	**2,702**	—	—	—	—
Depreciation and amortization	**224,972**	202,881	200,917	192,240	169,312
EBITDA**	**$ 470,768**	$ 402,363	$ 444,955	$ 571,404	$ 642,561
Property and equipment, net	**$ 3,539,802**	$ 2,959,265	$ 2,921,374	$ 2,778,980	$ 2,589,498
Total assets	**$ 5,871,594**	$ 5,127,427	$ 4,289,895	$ 4,140,558	$ 4,127,052
Long-term debt, including current portion	**$ 1,410,188**	$ 992,406	$ 722,802	$ 774,849	$ 712,405
Total equity	**$ 3,216,301**	$ 3,114,223	$ 2,412,867	$ 2,279,196	$ 2,264,913

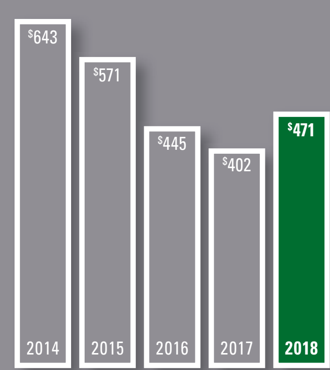
REVENUES
(In millions)



EARNINGS PER SHARE
(Excluding one-time items*)



EBITDA**
(In millions)



**Net earnings attributable to Kirby, excluding one-time items, and net earnings per share attributable to Kirby, excluding one-time items, are non-GAAP financial measures which exclude certain one-time items as defined in footnotes 1 and 2. Management believes that the exclusion of certain one-time items from these financial measures enables it and investors to assess and understand operating performance, especially when comparing those results with previous and subsequent periods or forecasting performance for future periods, primarily because management views the excluded items to be outside of Kirby's normal operating results.*

*** EBITDA, defined as net earnings attributable to Kirby before interest expense, taxes on income, depreciation and amortization, impairment of long-lived assets, and impairment of goodwill 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 (impairment of long-lived assets, impairment of goodwill, depreciation and amortization).*

1 The 2018 year included the following one-time items (after tax): $67.2 million, or $1.12 per share, non-cash impairment of long-lived assets and lease cancellation costs; $2.1 million, or $0.04 per share, non-cash impairment of goodwill; $18.1 million, or $0.30 per share, expenses related to the retirement of Kirby's Executive Chairman; $3.0 million, or $0.05 per share, of non-cash expenses related to an amendment to the employee stock plan; and $2.5 million, or $0.04 per share, transaction costs associated with the Higman Marine acquisition.

2 The 2017 year included the following one-time items (after tax): $269.5 million, or $4.83 per share, deferred tax revaluation benefit, the result of federal law reform legislation that resulted in the remeasurement of Kirby's U.S. deferred tax assets and liabilities, and $67.0 million, or $1.20 per share, non-cash impairment of long-lived assets.

On the cover: The *M/V Cottle*, a new 2600 horsepower Kirby Inland Marine towboat, transits the San Jacinto River near the Houston Ship Channel with two loaded 30,000 barrel tank barges. The *M/V Cottle*, which is named after Cottle County, Texas, and George Washington Cottle, who died at the Battle of the Alamo in 1836, was completed in early 2019 and is one of the newest towboats in Kirby's fleet.

MARINE TRANSPORTATION

Kirby Inland Marine operates the nation's largest fleet of inland tank barges and towing vessels. Petrochemicals, such as styrene, benzene, and methanol; liquid fertilizer, including anhydrous ammonia; refined products, including gasoline, diesel and jet fuel; black oil, such as asphalt, No. 6 fuel oil, crude oil and coker fuel; and pressurized products, such as butane, propane, and butadiene, are transported efficiently and safely from producers to intermediaries to end users.

1,003

Inland Tank Barges

Fleet Breakdown

Petrochemicals/refined products	789
Black oil	131
Pressure	73
Anhydrous ammonia	10

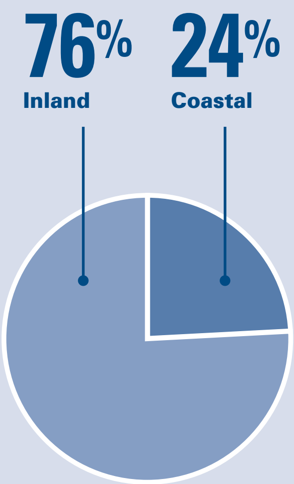
285

Inland Towboats

Fleet Breakdown

800–1300 HP	54
1400–1900 HP	64
2000–2400 HP	137
2500–3200 HP	12
3300–4800 HP	14
5000 HP and greater	4

2018 Revenue



13.4 YEARS

Average Age of Barge Fleet

21.8 M

Total Barrel Capacity

Kirby Offshore Marine is the largest barrel capacity United States operator of coastal tank barges and towing vessels participating in the regional distribution of refined petroleum products, black oil, and crude oil, as well as the distribution of petrochemicals between Petroleum Administration and Defense Districts.*

53

Coastal Tank Barge Fleet

Fleet Breakdown

Refined products/petrochemicals	37
Black oil	16

50

Coastal Tugboat Fleet

Fleet Breakdown

1000–1900 HP	4
2000–2900 HP	1
3000–3900 HP	9
4000–4900 HP	14
5000–6900 HP	12
Greater than 7000 HP	10

4

Offshore Dry-Bulk Barge and Tugboat Units

Deadweight tonnage	78,000

* <195,000 barrel market

5.1 M

Total Barrel Capacity

The Kirby 185-01, a Kirby Offshore Marine 185,000 barrel coastal tank barge, with the *M/V Nancy Peterkin*, a 10000 horsepower tugboat, transits near the Golden Gate Bridge in San Francisco, California. This articulated tank barge and tug boat unit was placed into service in 2015 and currently moves refined petroleum products under a multi-year contract.

Kirby is a leading distributor and services provider to industrial markets, offering customers a single source for after-market service and parts for engines, transmissions, reduction gears, and related equipment used in oilfield services, marine, power generation, on-highway, and other industrial applications. In marine and power generation applications, Kirby provides after-market service for medium-speed and high-speed engines, reduction gears, and ancillary products. In the oilfield services and land-based pressure pumping markets, Kirby serves as a distributor and service provider for high-speed diesel engines, transmissions, and pumps, and manufactures and remanufactures oilfield service equipment, including pressure pumping units. Kirby also rents equipment including generators, forklifts and compressors for use in a variety of industrial markets.

2018 Revenue

68% Oil & Gas

32% Commercial/ Industrial

63 Locations

224 Sub-dealer Locations

1,250 Qualified Technicians

200 Sales Professionals

70 Engineers

2.5M Square Feet of Shop Capacity

A certified technician at the Stewart & Stevenson Dallas branch removes a piston kit on a MTU 12V4000 during an engine rebuild. Aftermarket services like equipment overhauls and refurbishments, maintenance, and warranty help customers extend the life of their oilfield service equipment.

Our Brands

Stewart & Stevenson

United Holdings

Marine Systems, Inc. MSI

ESI

Rail King®
MOBILE RAILCAR MOVER

TO OUR SHAREHOLDERS

Joe Pyne
Chairman of the Board

David Grzebinski
President and
Chief Executive Officer

We are pleased to report that 2018 was a year in which Kirby Corporation ("Kirby" or the "Company") made significant progress with expanding the Company's earnings power. During the year, we closed several excellent marine acquisitions, continued to integrate Stewart & Stevenson LLC ("Stewart & Stevenson") into our distribution and services segment, and experienced a recovery in all the markets that we serve.

Overall, we generated a record $2.97 billion in revenues, net earnings of $78 million, and earnings per share of $1.31 in 2018. Excluding one-time items, net earnings were $171 million with earnings per share of $2.86. Earnings per share excluding one-time items increased 44% year-on-year, reflecting market improvement and growth in our inland marine business, a full year contribution from Stewart & Stevenson, and improved market fundamentals in our oil and gas and commercial marine businesses in the distribution and services segment.

In 2018, we put our strong balance sheet to work, continuing our strategy of investing counter-cyclically. Our recent marine transportation acquisitions were timely and occurred as we emerged from the bottom of the cycle and markets improved following a three-year prolonged industry downturn. As we integrated these acquisitions, we benefited from increased tank barge utilization rates, improved pricing, and higher activity in all facets of our marine businesses.

The recent acquisitions within our inland marine transportation business totaled $534 million. In February 2018, we completed the purchase of Higman Marine, Inc. and its affiliated companies ("Higman") for $419 million in cash, significantly expanding our presence in the inland marine transportation market. Higman's active fleet of 161 inland tank barges with 4.8 million barrels of capacity and 75 inland towboats was one of the youngest fleets in the industry, with an average age of seven years for the tank barges and eight years for the towboats. In May, we purchased Targa Resources Corp.'s ("Targa") fleet of 16 pressure barges for $69 million, and in December, we purchased 27 inland barges from CGBM 100, LLC for $29 million. We also completed a few smaller acquisitions totaling five inland tank barges and one inland towboat. In total, 2018 was a watershed year for inland marine, and we acquired 209 barges totaling 5.4 million barrels of capacity and 76 towboats.

In our coastal business, in June, we acquired a new state-of-the-art 155,000 barrel articulated barge unit ("ATB") which was under construction by a competitor. We took delivery of this new unit in December, and have put in place a new multi-year contract with a major petrochemical customer along the Gulf Coast effective in the 2019 first quarter. At the same time, we retired a less efficient and aging ATB currently operating in our fleet.

Our investments were not only in acquisitions but also in keeping our fleet in great shape. During 2018, we spent $301.9 million on capital expenditures, including the construction cost of $71.7 million for the 155,000 barrel coastal ATB. We also continued to reinvest in our marine transportation fleets, including $26.1 million for new inland towboat construction in conjunction with a replacement program that we started at the end of 2017. In total, we will construct 15 new modern and efficient 2600 horsepower inland towboats for delivery in 2019 and 2020. In our coastal fleet, we spent $41.7 million, including progress payments on the construction of six 5000 horsepower ATB tugboats which will better align the age of our horsepower with that of our coastal tank barges, thereby improving our reliability and efficiency. We took delivery of three of these tugboats in 2018, and the remaining three will be placed into service in 2019. The balance of $162.4 million in capital expenditures was used primarily for upgrades to our existing inland and coastal fleets and improvements to our marine transportation and distribution and services facilities.

In distribution and services, a key focus during 2018 was to further the integration of Stewart & Stevenson, which was acquired in September 2017. We are pleased to report this integration has been very successful to date, and we have more than realized the $25 million of cost savings target. This acquisition transformed this segment and contributed significantly to year-on-year growth in revenue of 67% and operating income of 50%. Today, this segment has enhanced capabilities, a larger geographic footprint, and reduced volatility with a diversified portfolio across many markets.

In summary, we had a successful year in 2018, and remain intensely focused on capital allocation and taking advantage of cyclical downturns. Additionally, in January 2019, Kirby announced an agreement to acquire Cenac Marine Services LLC's ("Cenac") marine transportation fleet for $244 million in cash. We expect this acquisition to close in March 2019. Cenac's fleet is an ideal complement to Kirby's inland fleet, with 63 well-maintained 30,000 barrel barges with an average age of four years and 34 modern towboats with an average age of six years. The acquisition of Cenac, as well as those completed in 2018, are expected to generate returns above our cost of capital. They were all purchased at sizeable discounts to replacement cost and will allow the Company to avoid significant capital outlays for new tank barges and towboats in the future. To put it in perspective, our 2018 inland acquisitions and the pending purchase of Cenac's fleet will increase our number of inland barges by 27% with a corresponding 37% increase in barrel capacity compared to the end of 2017, and the average age of our inland fleet will decline to a historical low of 12.8 years. As the inland market continues its recovery, Kirby will be more efficient and better able to service our customers, and have significantly increased earnings power to drive improved returns for our shareholders for years to come.

Turning to the markets we serve, in inland marine, increased volumes of petrochemical movements, driven by a favorable pricing environment for our customers' products and new petrochemical plants along the Gulf Coast, as well as higher demand for the transportation of crude oil and natural gas condensate by barge led to favorable demand across the industry. These factors, combined with modest retirements of industry barge capacity, near record low new tank barge construction, and extensive lock closures across the inland waterway network resulted in improved pricing and barge utilization rates during the year. Overall, spot market rates increased approximately 25% during the year, and term contracts generally renewed higher in the low to mid-single digits during the second quarter through the end of the year. Inland tank barge utilization rates were in the low to mid-90% range for the majority of 2018. In 2018, we rapidly integrated 207 acquired inland tank barges, took delivery of three new inland tank barges, including two under construction by Higman, and retired 48 aging inland tank barges. We ended 2018 with an inland fleet of 1,003 tank barges, representing 21.8 million barrels of capacity, and 285 towboats.

In coastal, market fundamentals also started to show initial signs of improvement during 2018. In the first three quarters, spot market rates stabilized, and in the fourth quarter, we experienced modest increases in spot and term contract pricing. Utilization in our coastal business began the year in the high-70% range and increased modestly to the 80% range during the remainder of the year. This improvement was driven in part by the widening of the Brent / WTI crude spread, resulting in more shipments of crude oil from the Gulf Coast to the East Coast by medium range tankers that were participating in markets typically serviced by coastal ATBs. Additionally, limited new construction and a growing amount of aging and idle capacity resulted in a number of barge retirements during the year. In total, we estimate that approximately two million barrels of coastal ATB capacity was scrapped by the industry during 2018, including four Kirby ATBs with a total capacity of 0.5 million barrels. At the end of 2018, we had a fleet of 53 coastal tank barges, representing 5.1 million barrels of capacity, and 50 tugboats.

To put it in perspective, our 2018 inland acquisitions and the pending purchase of Cenac's fleet will increase our number of inland barges by 27% with a corresponding 37% increase in barrel capacity compared to the end of 2017, and the average age of our inland fleet will decline to a historical low of 12.8 years.

In late 2018, we completed a financial assessment on the viability of installing ballast water treatment systems on all vessels in our fleet that use ballast water. Our analysis concluded that the we could not earn a sufficient return on the incremental investment on four aging coastal ATBs and one leased barge. Therefore, we impaired these units during the fourth quarter, taking a one-time charge of $85 million. We intend to retire each of the ATBs on their next major shipyard, which range in date from 2020 to 2023. While adversely affecting the year's results, our decision underscores our commitment to capital discipline and to invest only where it makes financial sense.

In distribution and services, we experienced a strong oil and gas market with orders for both new and remanufactured pressure pumping units and equipment, and increased demand for the sale of new and overhauled transmissions during the first half of 2018. With demand levels increasing, we opened a new pressure pumping remanufacturing facility in the Permian Basin during the second quarter. This facility immediately experienced high customer demand for remanufacturing and service, and has been a successful expansion of our capacity to date. In the second half of 2018, however, pipeline take-away capacity constraints in the Permian resulted in reduced well completions and weaker market conditions for our products and services. As a result, we saw reduced demand for new and overhauled transmissions, and experienced some modest softening of orders for new pressure pumping equipment. In the fourth quarter, however, we received many new orders for new and remanufactured equipment that will provide for stable activity levels in our manufacturing businesses through the first half of 2019.

The commercial and industrial market improved in 2018 as the inland and coastal marine transportation markets started to recover. As a result, many of our marine repair centers experienced higher service levels during the year, and they sold increased volumes of new diesel engines and parts to customers. In the power generation sector, the Company benefited from a full year of Stewart & Stevenson's stand-by power equipment rental business, and the segment experienced increasing demand for back-up power systems. Activity remained stable in the nuclear back-up power generation business.

Our debt at year-end was $1.4 billion, which compared to $992 million at the end of 2017. Our debt-to-capitalization ratio at year-end was 31% compared with 24% at December 31, 2017. Looking into 2019, our financial policies remain unchanged and consistent with our history, we will prioritize the use of our free cash flow towards repayment of debt as we progress through 2019.

We are positioned well for the coming years as the petrochemical complex continues to grow and U.S. shale production rises, and our shareholders should be rewarded nicely in the coming years.

Our outlook for 2019 is favorable, and we expect additional growth in revenue and earnings per share as compared to 2018. In the inland marine transportation market, we anticipate favorable market conditions to continue, driven by modest increases in general economic activity helping demand, approximately 15 new petrochemical projects coming online, and new Permian crude pipelines which will bring additional volumes to the Gulf Coast. These factors are expected to contribute to higher demand and stable barge utilization during 2019. With the full year contribution from 2018 barge acquisitions and the pending closure of Cenac in 2019, we expect inland revenues and operating income to meaningfully grow during the year. In the coastal market, we anticipate stable to slightly higher volumes during the year and modest improvement in barge utilization. Together with anticipated industry barge retirements as a result of ballast water treatment regulations, we expect a more balanced market which should yield improved profitability for 2019 and beyond.

In the distribution and services segment, oil price volatility in late 2018 has created some near-term uncertainty for our oil and gas businesses, with many oilfield companies anticipating that their capital spending levels will be at or below cash flow levels for 2019. As a result, some industry experts believe that activity could be soft in the first half of the year, but increase as new Permian pipelines come on-line in the second half of 2019. To that end, we anticipate modestly reduced year-on-year activity in our oil and gas distribution business. In contrast, however, the strength of our manufacturing backlog at the end of 2018 is expected to provide for sustained levels of activity through the first half of 2019, and we anticipate that demand for more efficient and environmentally friendly pressure pumping equipment, international projects, and pressure pumping remanufacturing will provide stability for the remainder of the year. In the commercial and industrial markets, we expect higher demand for back-up power systems and specialty equipment rentals. Activity levels for the commercial marine and nuclear back-up power generation businesses are expected to be stable.

In summary, 2018 was a good year for Kirby. The performance of our operations was strong, and we completed several meaningful marine acquisitions which we worked to quickly integrate into our fleet. In distribution and services, we made considerable progress with the integration of Stewart & Stevenson, diversifying our portfolio and lending stability to this segment. We are well positioned as the petrochemical complex continues to grow and U.S. shale production rises, and our shareholders should be rewarded nicely in the coming years.

Before we close, we'd like to thank all Kirby employees for the contributions they have made in 2018. We had a successful, but challenging year with numerous acquisitions in marine transportation and shifting market conditions in distribution and services. Despite these challenges, everyone rose to the occasion, setting up Kirby for continued success in 2019.

To our Board of Directors, each of you bring a wealth of experience to Kirby, and we want to extend our warmest thanks for your hard work and wise counsel during 2018. To our customers, thank you for your trust in Kirby and your confidence in us to deliver your products safely and efficiently every day. And to our shareholders, we thank you for your support and look forward to a bright future ahead.

Respectfully submitted,

Joseph H. Pyne
Chairman of the Board

David W. Grzebinski
President and Chief Executive Officer

MARINE TRANSPORTATION

Kirby Corporation, through its wholly owned subsidiaries Kirby Inland Marine and Kirby Offshore Marine, is the United States' largest tank barge operator, with operations extending to all corners of the United States, including Alaska and Hawaii.

The United States possesses 12,500 miles of coastline which is complemented by an extensive 12,000 mile inland waterway system of commercially navigable and interconnected rivers, canals, and intracoastal waterways that serve as "water highways." These water highways play a vital role in the regional distribution of petrochemicals, refined petroleum products, black oil, agricultural chemicals, and dry-bulk products. The majority of the United States' refineries and petrochemical plants are located in ports and harbors along the coasts and inland waterways.

Tank barge transportation is the most energy-efficient means of transporting bulk liquid cargoes in the United States compared with railroads and trucks. A Mississippi River linehaul tow consisting of 15 tank barges has the carrying capacity of approximately 216 railroad tank cars plus six locomotives or approximately 1,050 tractor trailer tank trucks. Similarly, a Gulf Intracoastal Waterway unit tow consisting of two 30,000-barrel tank barges has the carrying capacity of 92 rail cars and 288 tractor trailer tank trucks. Marine transportation is also safer than these other modes of transportation, generally involving less urban exposure and operating on a system with few crossing junctures and in areas relatively remote from population centers.

Kirby Inland Marine serves the inland tank barge market with a fleet consisting 1,003 inland tank barges with 21.8 million barrels of capacity, representing approximately 26% of the total

number of industry inland tank barges, and 285 inland towboats. Kirby Inland Marine transports petrochemicals, black oil, refined petroleum products, and agricultural chemicals throughout the Mississippi River System, Gulf Intracoastal Waterway, and Houston Ship Channel.

Kirby Offshore Marine serves the coastal tank barge market with a fleet consisting of 53 coastal tank barges with 5.1 million barrels of capacity, representing approximately 24% of the total industry capacity in the 195,000 barrels or less category, and 50 coastal tugboats. Kirby Offshore Marine transports refined petroleum products, black oil, and petrochemicals primarily along the Atlantic, Pacific, and Gulf Coasts and in Alaska and Hawaii. Kirby Offshore Marine's fleet also includes two offshore dry-bulk barge and tugboat units which transport raw sugar from Florida to the East Coast. Additionally, Kirby Ocean Transport carries coal across the Gulf of Mexico to a power generation facility in Florida with two offshore dry-bulk barge and tugboat units.

Kirby Inland Marine and Kirby Offshore Marine have approximately 3,050 employees, of which approximately 2,350 are vessel crew members.

The *M/V Sweeney*, a 2000 horsepower Kirby Inland Marine towboat, transits the Mississippi River near Baton Rouge, Louisiana with two loaded 30,000 barrel tank barges. The *M/V Sweeney* was acquired with the Higman purchase in 2018, and currently moves refined products between Baton Rouge and Houston for a major oil and gas customer.

2018 RESULTS OF OPERATIONS

76% of marine transportation revenues from the inland market and **24%** from the coastal market.

56% of revenues from transportation of petrochemicals, **21%** black oil, **19%** refined products, and **4%** agricultural chemicals.

Total revenues of **$1.48** billion compared to **$1.32** billion in 2017.

Operating income of **$147.4** million compared to **$135.5** million in 2017.

Operating margin of **9.9%** compared to **10.2%** in 2017.

Operating income and operating margin include **$8.2** million of one-time charges in the 2018 first quarter including Higman transaction fees and expenses, an amendment to the employee stock plan, and severance.

Higher revenues and operating income reflected improvements in the inland market which were partially offset by reductions in the coastal market.

Improvements in the inland market were driven by increasing volumes and demand, higher tank barge utilization levels in the high **80%** to mid-**90%** range, improving spot and term contract pricing, and the addition of Higman's fleet in February 2018 and the Targa pressure barge fleet in May 2018.

Reductions in the coastal market were primarily due to tank barge utilization levels in the high **70%** to low **80%** range, lower term and spot market pricing, and fewer volumes transported as a result of the impairment and early retirement of **12** coastal tank barges at the end of 2017.

Inland marine ton miles (in millions) increased to **14,501** in 2018 compared to **11,519** in 2017, or an increase of **26%**.

DISTRIBUTION AND SERVICES

Kirby Corporation, through its wholly owned subsidiary Kirby Distribution & Services, Inc. and its wholly owned subsidiaries Kirby Engine Systems, United Holdings, and Stewart & Stevenson, serves two distinct markets: oil and gas and commercial and industrial.

In the oil and gas market, Kirby is engaged in the distribution and service of diesel engines, pumps, and transmissions, as well as the sale of OEM replacement parts to large and mid-cap oilfield service companies, operators, and producers. Kirby's manufacturing group is an industry leader in the construction of new oilfield equipment, including pressure pumping units, cementers, blenders, and other equipment, both for North American and international markets. Kirby also specializes in the remanufacture and service of existing pressure pumping equipment. Kirby's key distributorships in the oil and gas market include Allison Transmission, MTU, and DEUTZ.

In the commercial and industrial market, Kirby supports the day-to-day operations of its domestic and international customers through the distribution and service of medium-speed and high-speed diesel engines and ancillary equipment used in marine, on- and off-highway, and power generation applications. In this market, Kirby also sells and rents power generation systems and railcar movers, and rents forklifts and air compressors.

In marine, Kirby is a major service and OEM replacement parts provider for diesel engines and ancillary products, such as reduction gears and transmissions, with service centers across the United States. Kirby also sells new diesel engines. Kirby's marine engine businesses participate in many sectors of the marine vessel industry, including inland and offshore vessels, oilfield

supply vessels, fishing vessels, harbor docking equipment, ferries, and luxury yachts. Marine distributorships include EMD throughout the United States, as well as MTU, Volvo Penta, and Alfa Laval in various geographies. Kirby also operates factory-authorized dealerships for Caterpillar, Cummins, and John Deere commercial marine diesel engines.

In power generation, Kirby sells pre-packaged and fabricated back-up power systems for emergency, standby and auxiliary power for nuclear, commercial, and industrial applications, as well as rents generator systems. Kirby serves as the exclusive worldwide distributor for EMD, Nordberg, Woodward, and Baker Hughes to the nuclear industry. It is also a distributor for MTU in commercial back-up power applications. Power generation customers include the worldwide nuclear power industry, domestic utilities, municipalities, universities, medical facilities, data centers, petrochemical plants, manufacturing facilities, retail stores, and office complexes.

In on- and off-highway, Kirby distributes, sells parts, and services diesel engines and transmissions for trucking companies, commercial truck fleets, municipalities, and oil and gas operators in the United States, as well as mining companies in Colombia. Kirby's distributorships include Allison Transmission, and diesel engines and parts for MTU, Detroit Diesel, Volvo Penta, Isuzu, and DEUTZ. Additionally, Kirby is the distributor for Thermo-King refrigeration systems for several key markets in Texas.

Kirby Distribution and Services has approximately 2,500 employees.

2018 RESULTS OF OPERATIONS

68% of distribution and services revenues from the oil and gas market and **32%** from the commercial and industrial market.

71% of revenues from distribution and service and **29%** manufacturing

Total revenues of **$1.49** billion compared to **$0.89** billion in 2017.

Operating income of **$129.3** million compared to **$86.5** million in 2017.

Operating margin of **8.7%** compared to **9.7%** in 2017.

Higher revenue and operating income are primarily due to the full year contribution from Stewart & Stevenson, which was acquired in September 2017, as well as improvements in both the oil and gas market and the commercial and industrial market.

Oil and gas results improved due to increased deliveries of new pressure pumping units and higher demand for new and overhauled transmissions and related parts.

Commercial and industrial results improved due to higher demand for marine diesel engine service work on inland towboats and offshore vessels, as well as increased orders for new marine diesel engines.

A new Liberty Oilfield Services Quiet Fleet™ pressure pumping unit manufactured at United Engine Manufacturing's facility in Oklahoma City, Oklahoma. These pressure pumping units, which generally have 2500 HHP diesel engines, are enclosed and reduce noise levels by 14 dBA at 100 feet. When operating, noise levels at a distance of 25 feet are reduced below the OSHA hearing protection threshold, making them more environmentally friendly to operate in populated areas.

BOARD OF DIRECTORS

Anne-Marie N. Ainsworth[1]
Retired President and CEO of the general partner of Oiltanking Partners, L.P. and of Oiltanking Holding Americas, Inc.
Director since 2015

Richard J. Alario[1,3]
Retired CEO of Key Energy Services, Inc.
Director since 2011

Barry E. Davis[1,2]
Executive Chairman of EnLink Midstream GP, LLC and EnLink Midstream Manager, LLC
Director since 2015

C. Sean Day[2,3]
Chairman Emeritus of Teekay Corporation
Director since 1996

David W. Grzebinski
President and Chief Executive Officer of Kirby
Director since 2014

Monte J. Miller[2,3]
Retired Executive Vice President, Chemicals, of Flint Hills Resources, LP
Director since 2006

Joseph H. Pyne
Chairman of the Board of Kirby
Director since 1988

Richard R. Stewart[1]
Retired President and CEO of GE Aero Energy
Director since 2008

William M. Waterman[3]
Retired President and CEO of Penn Maritime Inc.
Director since 2012

[1] Audit Committee
[2] Compensation Committee
[3] Governance Committee

OFFICERS

KIRBY CORPORATION

David W. Grzebinski
President and Chief Executive Officer

William G. Harvey
Executive Vice President and Chief Financial Officer

Christian G. O'Neil
President – Marine Transportation

Joseph H. Reniers
President – Kirby Distribution and Services, Inc.

Kim B. Clarke
Vice President and Chief Human Resources Officer

Keith L. Clay
Vice President – Supply Chain

Ronald A. Dragg
Vice President and Controller

Eric S. Holcomb
Vice President – Investor Relations

Amy D. Husted
Vice President and General Counsel

William Matthew Woodruff
Vice President – Public and Governmental Affairs

Renato A. Castro
Treasurer

Thomas G. Adler
Secretary

MARINE TRANSPORTATION

Kirby Inland Marine, LP

Christian G. O'Neil
President

James C. Guidry
Executive Vice President – Vessel Operations

Mel R. Jodeit
Executive Vice President – Marketing

John W. Sansing, Jr.
Senior Vice President – Maintenance

William M. Withers
Senior Vice President – Sales

Todd M. Behlke
Vice President – Operations

Stephen C. Butts
Vice President – Sales

Craig T. Foret
Vice President – Logistics Management

Gordon A. Keenan
Vice President – Training

Patrick C. Kelly
Vice President – Sales

Lyle D. Marshall
Vice President – Sales

Richard C. Northcutt
Vice President – Sales and Horsepower Management

Kirby Inland Marine, LP *continued*

Cliff R. Stanich
Vice President – Sales

Cecil K. Wattigney
Vice President – Sales

Thomas H. Whitehead
Vice President – Sales

Carl R. Whitlatch
Vice President and Controller

Kirby Offshore Marine, LLC

Christian G. O'Neil
President

James C. Guidry
Executive Vice President – Vessel Operations

John T. Hallmark
Executive Vice President – Sales and Strategy

Craig N. Tornga
Senior Vice President – Operations

William M. Withers
Senior Vice President – Sales

Carl R. Whitlatch
Vice President and Controller

Kirby Ocean Transport Company

Christian G. O'Neil
President

John T. Hallmark
Executive Vice President

William M. Withers
Vice President

Osprey Line, L.L.C.

John T. Hallmark
President

DISTRIBUTION & SERVICES

Kirby Distribution & Services, Inc.

Joseph H. Reniers
President

Mia C. Cradeur
Vice President and Controller

Kimberly A. Richard
Vice President – Marketing and Strategy

Kirby Engine Systems, LLC

Dorman Lynn Strahan
President

Engine Systems, Inc.

P. Scott Mangan
Vice President – East Coast

Marine Systems, Inc.

Thomas W. Bottoms
Vice President – Midwest

United Engines LLC

Ronnie E. Stover
Executive Vice President – Sales

Joshua C. Weed
Executive Vice President – Distribution Operations

Troy A. Bourgeois
Vice President – Oil and Gas Sales

Paul A. Martin
Vice President – Parts Operations

David L. Tonne
Vice President – Service Operations

UE Manufacturing LLC

Ronnie E. Stover
Executive Vice President – Sales

Gregory L. Culp
Vice President – Engineered Products

Thermo King of Houston, LP

Jason K. Robison
Vice President

Stewart & Stevenson LLC

Jack L. Pieper
Vice President and Controller

Stewart & Stevenson Power Products LLC

John H. Merrifield
President

Donald F. Mann
President – ADDA and FDDA

Joshua C. Weed
Executive Vice President – Distribution Operations

Andrew W. Hudson
Senior Vice President – Rental Operations

Troy A. Bourgeois
Vice President – Oil and Gas Sales

Paul A. Martin
Vice President – Parts Operations

David L. Tonne
Vice President – Service Operations

Stewart & Stevenson Manufacturing Technologies LLC

E. Max Hengst, Jr.
President

Ronnie E. Stover
Executive Vice President – Sales

Chad T. Joost
Senior Vice President – Sales and Marketing

Stewart & Stevenson de las Americas Colombia, Ltda

Rafael H. Garcia
President

SHAREHOLDER INFORMATION

ANNUAL MEETING

The 2019 Annual Meeting of Stockholders will be held at the Four Seasons Hotel, 1300 Lamar, Houston, Texas 77010 at 10:00 a.m. (CDT), Tuesday, April 30, 2019.

CORPORATE HEADQUARTERS

Executive Office:
55 Waugh Drive, Suite 1000
Houston, Texas 77007
Telephone: (713) 435-1000
Fax: (713) 435-1010
Website: www.kirbycorp.com

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

WEBSITE

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

INDEPENDENT REGISTERED ACCOUNTANTS

KPMG LLP
BG Group Place
811 Main Street, Suite 4500
Houston, Texas 77002

COMMON STOCK MARKET PRICE

	Sales Price High	Sales Price Low
2019		
First Quarter (through March 1, 2019)	$ 79.02	$ 65.24
2018		
First Quarter	$ 80.90	$ 66.08
Second Quarter	$ 94.05	$ 76.20
Third Quarter	$ 88.80	$ 75.70
Fourth Quarter	$ 86.12	$ 60.63
2017		
First Quarter	$ 73.40	$ 61.65
Second Quarter	$ 74.50	$ 62.55
Third Quarter	$ 68.60	$ 59.25
Fourth Quarter	$ 72.95	$ 61.80

INQUIRIES REGARDING STOCK HOLDINGS

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

Proxy Services
C/O Computershare Investor Services
P.O. Box 505008
Louisville, KY 40233-9814
Toll Free Telephone: (877) 373-6374
Website: www.computershare.com

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

All other inquiries should be addressed to Eric Holcomb, VP – Investor Relations, at Kirby's corporate headquarters.

COMMON STOCK INFORMATION

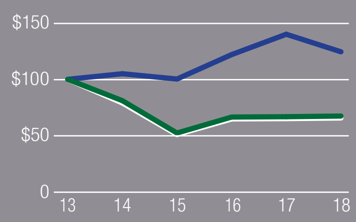
Stock trading symbol—KEX
The New York Stock Exchange is the principal market for Kirby's common stock. As of March 1, 2019, there were 59,875,000 common shares outstanding held by approximately 580 registered shareholders. The number of registered shareholders does not reflect the number of beneficial owners of common stock.

FINANCIAL AND INVESTOR RELATIONS

Copies of Kirby's Form 10-K (which is incorporated in this Annual Report) are available free of charge. Either contact Eric Holcomb, VP – Investor Relations, at Kirby's corporate headquarters, e-mail investor.relations@kirbycorp.com, or visit Kirby's website at www.kirbycorp.com.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

The graph below matches Kirby Corporation's cumulative 5 Year total shareholder return on common stock with the cumulative total returns of the Russell 2000 index and the Dow Jones US Marine Transportation index. The graph tracks the performance of a $100 investment in Kirby common stock and in each index (with the reinvestment of all dividends) from 12/31/2013 to 12/31/2018.



	12/13	12/14	12/15	12/16	12/17	12/18
Kirby Corporation	100.00	81.35	53.02	67.00	67.30	67.87
Russell 2000	100.00	104.89	100.26	121.63	139.44	124.09
Dow Jones US Marine Transportation	100.00	79.35	51.72	65.36	65.65	66.20

Kirby Corporation Russell 2000 Dow Jones US Marine Transportation

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Kirby Corporation

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

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

(713) 435-1000
Fax: (713) 435-1010
www.kirbycorp.com

A Kirby Inland Marine towboat flies a NO HARM flag. At Kirby, safety is at the core of everything that we do and is deeply rooted into our business strategy and day-to-day operations. All towboats, tugboats, and operating facilities that have zero incidents with **NO HARM to People, to the Environment, and to Equipment** for a period of one year or more proudly fly a NO HARM flag.