Kirby Corporation

2010 Annual Report

2010 Quarterly Review

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

First Quarter

	2010	2009	Change
Revenues*	$ 268,253	$ 277,661	(3)%
Net earnings**	$ 24,674	$ 28,006	(12)%
Earnings per share**	$ .46	$ .52	(12)%
EBITDA	$ 66,158	$ 70,553	(6)%

- Marine transportation demand improved, driven by higher volumes from petrochemical customers and plant outages
- Term contracts renewed on average 10% lower and spot contracts up 3% to 6% compared with 2009 fourth quarter
- Diesel engine services marine markets remained weak as customers continued to defer major maintenance projects
- Charge for early retirements and staff reductions of $.05 per share included in both 2010 and 2009 quarter

Second Quarter

	2010	2009	Change
Revenues*	$ 273,669	$ 272,743	– %
Net earnings**	$ 29,268	$ 33,719	(13)%
Earnings per share**	$ .54	$ .63	(14)%
EBITDA	$ 73,141	$ 80,051	(9)%

- Marine transportation demand stable, above all 2009 quarters, with barge utilization in mid to high 80% range
- Term contract renewals stable and spot contracts up 2% to 3% compared with 2010 first quarter
- Diesel engine services marine markets remained weak, particularly the Gulf Coast oil services market

Third Quarter

	2010	2009	Change
Revenues*	$ 281,317	$ 272,166	3 %
Net earnings**	$ 30,687	$ 35,014	(12)%
Earnings per share**	$ .57	$ .65	(12)%
EBITDA	$ 76,783	$ 84,550	(9)%

- Marine transportation demand for petrochemical and black oil products improved modestly, with barge utilization in the mid to high 80% range
- Term contract renewals stable and spot contracts flat compared with 2010 second quarter
- Diesel engine services power generation market stronger, offset by weak marine markets, particularly the Gulf Coast oil services market

Fourth Quarter

	2010	2009	Change
Revenues*	$ 286,318	$ 259,588	10 %
Net earnings**	$ 31,620	$ 29,202	8 %
Earnings per share**	$ .59	$ .54	9 %
EBITDA	$ 78,681	$ 73,855	7 %

- Marine transportation demand for petrochemical and black oil products continued to modestly improve, with barge utilization in the high 80% range
- Term contract renewals in some cases modestly higher and spot contracts flat to slightly positive compared with 2010 third quarter
- Diesel engine services power generation market strong, offset by continued weak Gulf Coast oil services market
- 2009 quarter included a charge of $.05 per share, primarily for shore staff reductions

* Higher diesel fuel prices resulted in higher 2010 marine transportation revenues associated with the pass through of diesel fuel to customers through fuel escalation and de-escalation clauses in term contracts when compared with 2009.
** Net earnings represent net earnings attributable to Kirby and earnings per share represent diluted earnings per share attributable to Kirby common stockholders.

Statements made in this Annual Report with respect to the future are forward-looking statements. These statements reflect Management's reasonable judgment with respect to future events. Forward-looking statements involve risks and uncertainties. Actual results could differ materially from those anticipated as a result of various factors. Forward-looking statements are based on currently available information and Kirby assumes no obligation to update any such statements. A list of these factors can be found in Kirby's Annual Report on Form 10-K for the year ended December 31, 2010, included in this Annual Report and filed with the Securities and Exchange Commission.

Cover: The crew of the M/V Daytona*, a Kirby Inland Marine 4600 horsepower towboat, prepares a tow of nine loaded tank barges for a trip up the Mississippi River with multiple destinations. On the back cover is the* M/V Delos Case*, a Kirby Inland Marine 1200 horsepower chartered towboat.*

Financial Highlights

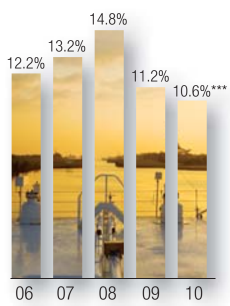
(In thousands, except per share amounts)	2010	2009	2008	2007	2006
	For the years ended December 31,				
Revenues:					
Marine transportation	$ 915,046	$ 881,298	$ 1,095,475	$ 928,834	$ 807,216
Diesel engine services	194,511	200,860	264,679	243,791	177,002
	$ 1,109,557	$ 1,082,158	$ 1,360,154	$ 1,172,625	$ 984,218
Net earnings attributable to Kirby	$ 116,249	$ 125,941	$ 157,168	$ 123,341	$ 95,451
Net earnings per share attributable to Kirby common stockholders (diluted)	$ 2.15	$ 2.34	$ 2.91	$ 2.29	$ 1.79
EBITDA–Earnings before interest, taxes, depreciation and amortization:*					
Net earnings attributable to Kirby	$ 116,249	$ 125,941	$ 157,168	$ 123,341	$ 95,451
Interest expense	10,960	11,080	14,064	20,284	15,201
Provision for taxes on income	72,258	78,020	97,444	76,491	58,751
Depreciation and amortization	95,296	93,968	91,199	80,916	64,396
EBITDA*	$ 294,763	$ 309,009	$ 359,875	$ 301,032	$ 233,799
Property and equipment, net	$ 1,118,161	$ 1,085,057	$ 990,932	$ 906,098	$ 766,606
Total assets	$ 1,794,937	$ 1,635,963	$ 1,526,098	$1,430,475	$ 1,271,119
Long-term debt, including current portion	$ 200,134	$ 200,239	$ 247,307	$ 297,383	$ 310,362
Total equity	$ 1,159,139	$ 1,056,095	$ 893,555	$ 772,807	$ 635,013

Revenues
(In millions)

Earnings Per Share

EBITDA*
(In millions)

Return on Invested Capital**



* EBITDA, defined as net earnings attributable to Kirby before interest expense, taxes on income, depreciation and amortization, is a non-GAAP financial measure used by Kirby because of its wide acceptance as a measure of operating profitability before nonoperating expenses (interest and taxes) and noncash charges (depreciation and amortization).
** Return on invested capital is defined as net earnings attributable to Kirby plus interest expense (net of taxes) divided by total average invested capital (average equity plus average debt).
*** Adjusted to reflect average debt levels net of cash and cash equivalents for 2010.

Kirby performed well during 2010, a year that was characterized by continued economic uncertainty across the United States and globally. The favorable performance was driven by the positive impact of removing significant costs out of our businesses through cost reduction initiatives we implemented in 2009 and 2010, and the improvement in petrochemical and black oil products volumes for both domestic consumption and export as the year progressed.

For 2010, Kirby reported revenues of $1.1 billion, net earnings of $116.2 million and earnings per share of $2.15. The results include a first quarter charge of $4.1 million before taxes, or $.05 per share, for early retirements and staff reductions. Since our peak headcount in October 2008, we have reduced the size of our shore staff by 24% through early retirements, staff reductions and employee attrition. We believe these reductions are sustainable, assuming our tank barge fleet size remains the same.

Cash flow remained strong throughout 2010, with net cash provided by operating activities of $245.2 million, significantly exceeding our capital needs. This strong cash flow was used for capital expenditures of $136.8 million and the repurchase of 618,000 shares of Kirby stock for $23.8 million at an average price of $38.48 per share. We continued to build cash and cash equivalents on our balance sheet, totaling $195.6 million at the end of 2010.

As a result of our strong balance sheet, our debt is rated investment grade by Moody's, Standard & Poor's and Fitch. Our outstanding debt at the end of 2010 was predominately the $200 million in senior notes that matures in 2013. Our debt-to-capitalization ratio was 14.7% at December 31, 2010. However, the debt-to-capitalization ratio net of cash was close to zero, at 0.4%

Our marine transportation's petrochemical market improved steadily during 2010. Low-priced natural gas, a basic feedstock for the U.S. petrochemical industry, significantly improved the competitiveness of the U.S. petrochemical industry. As a result, U.S. petrochemical volumes, volumes that we transport between processing plants and domestic waterfront terminals for domestic use or for foreign destinations, improved as the year progressed. This improvement in volumes resulted in an increase in our petrochemical fleet tank barge utilization to the high 80% level during the second half of 2010. The black oil products market also improved as the year progressed, driven by shipments of refinery feedstock and intermediates between domestic refineries and plants supporting both normal and turnaround operations, and by U.S. exports of diesel fuel and heavy fuel oil during the second half of 2010.

The marine transportation operating margin was 21.1% in 2010 compared with 23.6% for 2009. The lower margin reflects the continued impact of lower term and spot contract rate renewals that rolled through in 2009 and the first half of 2010, as well as a 29% increase in fuel costs. These were partially offset by the benefits of our ongoing cost reductions and efficiency initiatives. In fact, our ability to maintain operating margins of 20% plus in this economic environment reflects our success in reducing costs while continuing to operate safely and efficiently and remaining focused on our customers' needs.

Our diesel engine services business continued to be negatively impacted by U.S. economic weakness during 2010 with revenues, operating income and operating margin consistent with 2009. The power generation market performed well with engine-generator set upgrade projects, direct parts sales and new engine sales above 2009 levels. The majority of our Gulf Coast oil services market remained weak all year as customers continued to defer major maintenance projects. With 20% to 25% of our diesel engine services revenues historically associated with the Gulf Coast oil services industry, the Gulf Coast drilling moratorium, new safety regulations on Gulf Coast drilling operators and delays in issuing offshore drilling permits placed additional pressure on an already weak market. The segment's operating margin for 2010 was 10.6% compared with 10.5% for 2009. Our ability to maintain a 10% plus operating margin, despite the large percentage of the business tied to the Gulf Coast oil services market, reflects the emphasis placed in 2009 and 2010 on reducing costs and focusing on the stronger diesel engine services markets.

As noted earlier, capital expenditures during 2010 were $136.8 million. We took delivery of 53 new 10,000 barrel tank barges, four 30,000 barrel tank barges and three new 1800 horsepower towboats for $74.3 million. These new tank barges, plus six chartered tank barges, added 800,000 barrels of capacity to our barge fleet. However, during 2010 we retired 89 older tank barges and returned 12 chartered barges, reducing our fleet capacity by 1.6 million barrels. As a result, our net tank barge capacity declined 800,000 barrels during 2010 to 15.9 million barrels compared with 16.7 million barrels at the beginning of 2010. In addition to builiding new equipment, we also expended $62.5 million primarily on upgrades to our existing marine transportation fleet.

Due to our tank barge construction program and the acceleration of older tank barge retirements, we were able to reduce the average age of our fleet. In December 2007, the average age of a tank barge in our fleet was 24.0 years. Today, the average age is 20.3 years. Our younger fleet improves our reliability and flexibility, and reduces the maintenance costs of the fleet.

For 2011, we plan to continue our barge replacement program as shipyard prices are attractive. Capital expenditures for 2011 are projected to be in the $185 to $195 million range, including $100 million for the construction of 40 new tank barges, or 1.1 million barrels of capacity, and three new 1800 horsepower towboats. Based on current economic conditions, we are forecasting that by the end of 2011 our tank barge capacity will have increased only slightly, as we will continue to remove older barges from our fleet. We are also projecting expending $85 to $95 million in 2011, primarily on upgrades to our marine transportation fleet.

Kirby has been financially disciplined over the past several years and enters 2011 with a very strong balance sheet that can be used to take advantage of acquisition opportunities in both our core businesses. In February 2011, we completed the acquisition of the ship bunkering operations of Enterprise Marine Services LLC for approximately $53.2 million in cash. The asset purchase consisted of 21 tank barges and 15 towing vessels. The ship bunkering operation provides transportation and delivery services for ship bunkers (engine fuel) to cruise ships, container ships and freighters, primarily in Miami, Port Everglades, Cape Canaveral and Tampa, Florida, Mobile, Alabama, and Houston, Texas. We also completed in February the purchase of a 51% interest in a Houston Ship Channel barge shifting and barge fleeting facility for $4.1 million. These two completed acquisitions are discussed in more detail on page 8.

Also in February 2011, we announced the signing of an agreement to purchase United Holdings LLC, a distributor and service provider of engine and transmission related products for the oil and gas services, power generation and transportation industries, and a manufacturer of oilfield service equipment. The base purchase price is $270 million in cash, before post-closing adjustments, plus a provisional three-year earnout for up to an additional $50 million payable in 2014. This pending acquisition is discussed in more detail on page 14.

In March 2011, we announced the signing of an agreement to acquire K-Sea Transportation Partners L.P., an operator of tank barges and towing vessels participating in the transportation of refined petroleum products in the U.S. coastwise trade. The total value of the consideration is approximately $600 million, before post-closing adjustments and fees, and will consist of cash and Kirby common stock. K-Sea's fleet, consisting of 58 offshore tank barges with 3.8 million barrels of capacity and 63 tugboats, transports refined petroleum products along the U.S. East, West and Gulf Coasts, and in Alaska and Hawaii. This pending acquisition is discussed in more detail on page 8.

Based on the current strength of the U.S. petrochemical industry, higher industry-wide utilization levels and continued industry-wide discipline with respect to tank barge capacity, the environment for higher industry-wide pricing during 2011 is positive. Low natural gas prices, a key feedstock for the U.S. petrochemical industry, significantly enhances the global competitiveness of the U.S. petrochemical industry and may ultimately lead to higher petrochemical production, as well as petrochemical plant expansions, both of which would lead to increased volumes for the inland tank barge industry. Additionally, our 2011 outlook for the diesel engine services market is also favorable, driven by a strong power generation market and an improved marine market, including a projected slow recovery of the Gulf Coast oil services market as 2011 progresses.

Joe Pyne
Chairman, President and Chief Executive Officer

Finally, we believe that our sustained success is due to the efforts of our marine transportation and diesel engine services employees, and I wish to thank each and every Kirby employee who contributes on a daily basis to our success. I also want to thank our Board of Directors and our shareholders for their continued direction and support, and add a special note of thanks to Rod Clark, a Board member since 2008, for his service to Kirby. Rod will retire from the Kirby Board in April. We believe that with the continued support of our employees, Board members and shareholders, combined with Kirby's strong financial condition, we will continue to prosper and create value for our shareholders.

Respectfully submitted,

Joseph H. Pyne
Chairman, President and Chief Executive Officer

Houston, Texas
March 15, 2011

Marine Transportation at a Glance

Services Offered

- Kirby Inland Marine is the leading United States transporter of bulk liquid products by tank barge throughout the Mississippi River System, Gulf Intracoastal Waterway and Houston Ship Channel.
- Kirby transports petrochemicals, black oil products, refined petroleum products and agricultural chemicals for the United States' largest petrochemical and refining companies.

Strengths

- Kirby's fleet consists of 846 inland tank barges, comprising 16.4 million barrels of cargo capacity, and 238 inland towboats, representing approximately 27% of the United States inland tank barge fleet.
- A "One-Stop Shop" for customers, Kirby provides a critical link in customers' supply chains, transporting and transferring bulk liquid products that keep plants and refineries operating efficiently.
- Kirby's fleet size, distribution system and communication systems allow for lower costs through economies of scale by matching tank barges, towboats, products and destinations more efficiently, resulting in backhaul opportunities, faster turnarounds, more efficient use of horsepower and barges positioned closer to cargoes.
- Approximately 75% of Kirby's business is under term contracts, of which approximately 50% are under time charters, while 25% of business is in spot contracts.
- Kirby places a strong emphasis on safety, with a motto of "Safety Is Our Franchise to Operate."

Markets

- **Petrochemicals**: Contributed 69% of 2010 marine transportation revenue. Bulk liquid products transported include benzene, styrene, methanol, acrylonitrile, xylene, caustic soda, butadiene and propylene, products used in the manufacture of both consumer nondurable goods (70%) and consumer durable goods (30%).
- **Black Oil Products**: Contributed 18% of 2010 marine transportation revenue. Bulk liquids transported include residual fuel oil, coker feedstock, vacuum gas oil, asphalt, carbon black feedstock, crude oil and ship bunkers. Drivers of the products include fuel for power plants and ships, feedstock for refineries, certain durable goods and road construction.

The M/V Daytona *pushes a nine barge tow of loaded tank barges up the Mississippi River near Baton Rouge, Louisiana. Loaded tank barges are staged in the Baton Rouge area from Gulf Coast petrochemical plants and refineries and are transported from Baton Rouge to waterfront terminals and plants on the Mississippi, Illinois and Ohio Rivers.*

- **Refined Petroleum Products**: Contributed 8% of 2010 marine transportation revenue. Products transported include gasoline, No. 2 oil, jet fuel, heating oil, diesel fuel and naphtha. Drivers of the products are vehicle usage, air travel, weather conditions and refinery utilization.
- **Agricultural Chemicals**: Contributed 5% of 2010 marine transportation revenue. Products transported include anhydrous ammonia, nitrogen-based liquid fertilizer and industrial ammonia. Drivers of the products are the agricultural economy, including the production of corn, cotton and wheat, and chemical feedstock usage.

Results of Operations for 2010

- Operating income of $192.8 million on revenue of $915.0 million compared with operating income of $208.1 million on revenue of $881.3 million for 2009.
- Operating margin of 21.1% compared with 23.6% for 2009.
- Higher revenue for 2010 was a reflection of improved tank barge demand and utilization, primarily the result of higher petrochemical production volumes throughout 2010, and a 29% increase in diesel fuel prices for 2010 compared with 2009.
- Lower operating income and operating margin for 2010 were primarily a reflection of lower contract rates negotiated throughout 2009 and early 2010, partially offset by modestly higher tank barge utilization and cost reduction initiatives implemented throughout 2009 and 2010.

Tank Barge Fleet (Active)

Petrochemical/Refined products	635
Black oil products	133
Pressure	62
Anhydrous ammonia	11
Specialty	5
Total	**846**
Total Barrel Capacity	**16.4 MM**

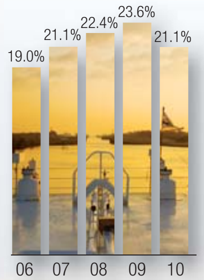
Towboat Fleet (Active)

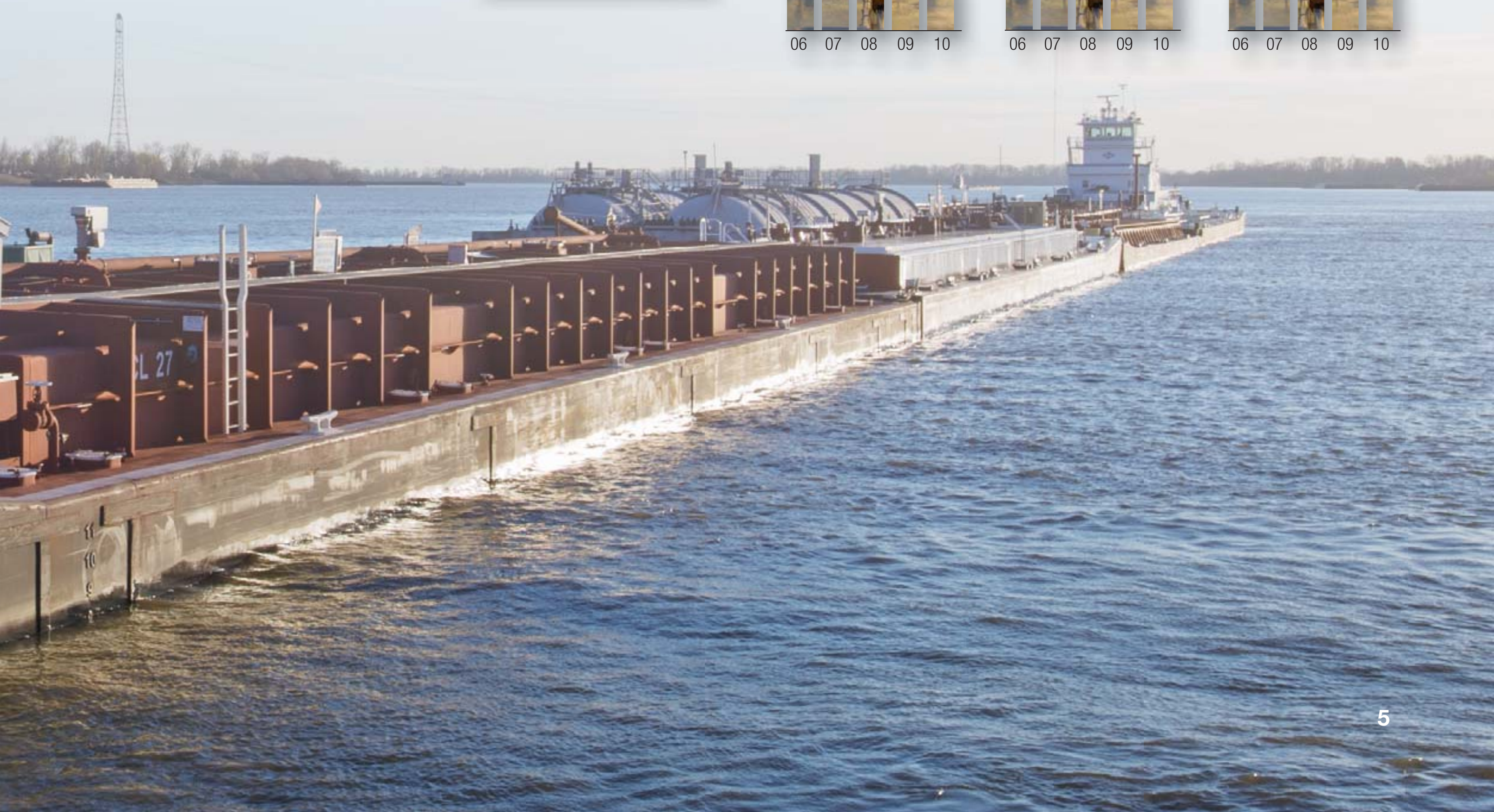
Less than 800 hp	1
800–1300 hp	103
1400–1900 hp	84
2000–2400 hp	21
2500–3200 hp	16
3300–4900 hp	10
5000 hp and greater	2
Spot charters	1
Total	**238**

Revenues
(In millions)

Operating Income
(In millions)

Operating Margin





Diesel Engine Services at a Glance

Services Offered

- Kirby Engine Systems is the leading United States service remanufacturer and replacement parts provider, as well as an ancillary products provider for gears, transmissions, starters, governors and marine clutches, for medium-speed and high-speed diesel engines and reduction gears.
- Services three distinct markets: marine, power generation and railroad applications.

Strengths

- Largest service area of any United States diesel engine services provider with 15 strategically located service and parts facilities.
- Provides an essential service to support the day-to-day operations of its marine, power generation and railroad customers.
- Has long-term distributorships, dealerships and contract service center relationships with major manufacturers of diesel engines, reduction gears, transmissions, starters, governors and marine clutches.
- Employs over 235 factory-trained and authorized project engineers, mechanics and machinists, providing both in-house and worldwide in-field service.

Markets

- **Marine**: Contributed 65% of 2010 diesel engine services revenue. Market includes engines, gears and transmissions on inland and offshore towing vessels, harbor docking tugs, offshore oilfield service vessels, onshore and offshore oil and gas drilling rigs, commercial fishing fleets, dredging vessels, commercial ferries and Great Lakes ore carriers.
- **Power Generation**: Contributed 27% of 2010 diesel engine services revenue. Market includes engines used in standby, peak and base load power generation and pumping stations.

- **Railroad**: Contributed 8% of 2010 diesel engine services revenue. Market includes engines and non-engine locomotive components for shoreline, industrial, Class II and certain transit (passenger) railroads.

Results of Operations for 2010

- Operating income of $20.6 million on revenue of $194.5 million compared with operating income of $21.0 million on revenue of $200.9 million for 2009.
- Operating margin of 10.6% compared with 10.5% for 2009.
- Continued weak Gulf Coast oil services market resulted in lower labor utilization as customers continue to defer major maintenance projects, exacerbated by the new safety regulations in Gulf Coast drilling operations and the delays in issuing offshore drilling permits.
- Power generation service levels increased with higher engine-generator set upgrades in the second half of 2010.
- Benefited from cost reduction initiatives implemented throughout 2009 and 2010.

Service Locations

Medium-Speed Diesel Engines
Houma, LA (2 locations)
Chesapeake, VA
Paducah, KY
Rocky Mount, NC
Seattle, WA
Tampa, FL

High-Speed Diesel Engines
Houma, LA
Baton Rouge, LA
Belle Chasse, LA
Houston, TX
Lake Charles, LA
Mobile, AL
Morgan City, LA
New Iberia, LA

Manufacturer Relationships

Medium-Speed Diesel Engines
Electro-Motive Diesel, Inc.
Alco
Cooper-Bessemer
Nordberg

High-Speed Diesel Engines
Caterpillar
Cummins
Detroit Diesel
John Deere
MTU

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

Revenues

(In millions)

Operating Income

(In millions)

Operating Margin

Jerry Boudreaux, a Kirby Engine Systems medium-speed mechanic, rebuilds a 1000 horsepower Electro-Motive 8-645E propulsion engine for a locomotive customer. In-house service is provided through 15 service and parts facilities, consisting of the refurbishment or rebuilding of engines, gears and transmissions, and the direct sales of OEM replacement parts.

Marine Transportation

In early 2011, we completed two service enhancing acquisitions, the purchase of a ship bunkering operation on February 24 and the purchase of a 51% interest in a shifting and fleeting facility on February 9. In addition, on March 13 we announced the signing of an agreement to purchase a major operator of tank barges and towing vessels participating in the transportation of refined petroleum products in U.S. coastwise trade.

2011 Marine Transportation Acquisitions

On February 24, 2011, we completed the acquisition of the ship bunkering operations of Enterprise Marine Services LLC for approximately $53.2 million in cash. The assets purchased consist of 21 inland and offshore tank barges and 15 towboats and tugboats that provide transportation and delivery services for ship bunkers (engine fuel) to cruise ships, container ships and freighters primarily in the Miami, Port Everglades and Cape Canaveral, Florida, area, the three largest cruise ship ports in the United States, as well as Tampa, Florida, Mobile, Alabama, and Houston, Texas. The acquired vessels and operations, immediately accretive to Kirby's earnings, expanded our marine transportation footprint in Florida, as well as expanded our existing Houston Ship Channel ship bunkering operation. The acquired tank barges are relatively new, with an average age of seven years, and the large majority of the vessels are under time charter agreements ranging from two to three years.

We also purchased on February 9, 2011, a 51% interest in a shifting operation and fleeting facility for dry cargo barges and tank barges on the Houston Ship Channel for $4.1 million in cash. This acquisition is complementary to Kirby's existing Houston Ship Channel fleeting assets and shifting services, providing barge storage capabilities closer to certain customers' docks.

Agreement to Acquire K- Sea Transportation Partners L.P.

On March 13, 2011, we announced the signing of an agreement to acquire K-Sea Transportation Partners L.P., an operator of tank barges and tugboats participating in the coastwise transportation primarily of refined petroleum products in the U.S. The total value of the transaction is approximately $600 million, before post-closing adjustments and fees, and will consist of cash, Kirby common stock and the refinancing of K-Sea debt. K-Sea's fleet, consisting of 58 tank barges with a capacity of 3.8 million barrels and 63 tugboats, operates along the East Coast, West Coast and Gulf Coast of the U.S., as well as in Alaska and Hawaii. K-Sea's tank barge fleet, 54 of which are doubled hulled, has an average age of approximately nine years and is one of the youngest fleets in the coastwise trade. K-Sea's customers include major oil companies and refiners, many of which are current Kirby customers for inland tank barge services. Headquartered in East Brunswick, New Jersey, K-Sea has major operating facilities in New York, Philadelphia, Norfolk, Seattle and Honolulu. The acquisition of K-Sea is a great foundation from which to expand our liquid transportation business into the U.S. Jones Act coastwise trade by extending Kirby's tank barge service to our customers with U.S. coastwise transportation requirements.

Under the terms of the agreement, the total value of the transaction is approximately $600 million, consisting of $335 million for K-Sea's equity and the refinancing of $265 million of K-Sea debt. K-Sea's common and preferred unitholders will receive $8.15 per unit in consideration in the form of cash and Kirby common stock. K-Sea's common unitholders will have the election to receive for each common unit either $8.15 in cash or $4.075 in cash and 0.0734 of a share of Kirby common stock. K-Sea's preferred unitholders will receive for each preferred unit $4.075 in cash and 0.0734 of a share of Kirby common stock. K-Sea's general partner will receive $8.15 in cash for each general partner unit and $18 million in cash for its incentive distribution rights. The closing of the transaction is expected to occur in June or July 2011.

During 2010, Kirby Inland Marine moved over 51 million tons of liquid cargoes on the Mississippi River System and the Gulf Intracoastal Waterway. Inland barge transportation is one of the safest modes of transportation in the United States. It generally involves less urban exposure than railroads or trucks and operates on a system with relatively fewer crossing junctions and in areas relatively remote from population centers.

Navigation Safety – "Between the Sticks"

Navigation safety is a critical element in Kirby's transportation service, ensuring that our customers' liquid cargos are transported along the waterways efficiently and without incident. Continuous improvement of navigation safety is also a core Kirby objective and a key requirement of our customers.

Kirby's wheelmen, our Captains and Pilots, understand navigation safety is a condition of standing watch on a Kirby vessel. A flawless watch is a 24/7 expectation.

To achieve a flawless watch requires a high degree of leadership, as well as talent, skill and the study and mastery of the challenges of inland waterway navigation. Our process for selecting and training wheelhouse personnel, and continuously working to improve their performance, ensures that Kirby's wheelmen deliver as well as set the standard for navigation safety.

Between the Sticks

Navigation safety occurs in an environment that we call "Between the Sticks," when the wheelman standing watch maneuvers a tow, consisting of a towboat and one or more tank barges, on a waterway.

First and foremost, a wheelman must continuously monitor his environment, consciously focusing on maintaining an "effective lookout" around the tow at all times. The Kirby wheelman must understand and respond to ever-changing navigation conditions, while ensuring that the tow properly and safely advances and maneuvers within the confines of the inland waterways and restrictive channels.

To meet these navigational challenges, the wheelman must utilize modern wheelhouse instrumentation to fully understand the effects of the "invisibles," the state of the wind, water and currents, and how those detected "invisibles" are affecting the tow. While near other vessels and locks, the wheelman must also be alert to issues of vessel-to-vessel hydrodynamic interaction, collision avoidance and overall risk management.

Apprentice Steersman Training Program

New wheelmen are developed through Kirby's apprentice steersmen training program. This program selects outstanding employees rising in the Kirby ranks as well as qualified graduates from maritime academies. The apprentice steersmen training program requires a minimum of 30 months to fully complete and ensures the mastery of three essential skill sets: watchkeeping, maneuvering and vessel signaling. Our apprentice steersmen program includes classroom study, augmented with wheelhouse simulator-based assessments and real time wheelhouse training on Kirby's towboats, supervised by Kirby's experienced Captains.

Using the Simulator for Steersmen Training

While it is essential that a steersman have as much time as possible to learn on a vessel, the addition of the Vessel Training Simulator to our Training Center has allowed us to provide focused, repetitive practice of challenging and difficult-to-schedule tasks in a managed setting.

The Vessel Training Simulator features four large screen monitors to provide a real wheelhouse feel in a land-based controlled environment. Entering the simulator, one has the feel of stepping into a wheelhouse, complete with the rumbling noise of the engines and the slight vibration in the floor. A steersman might have few opportunities to practice narrow channel maneuvering on a towboat; however, using the simulator, a steersman can learn through repetition and improvement while under the supervision and guidance of an experienced wheelman how to handle even the most difficult of situations.

Our apprentice steersmen training program is producing skilled wheelmen capable of commanding a Kirby towboat. Kirby's training programs have received United States Coast Guard approval and are the most advanced and effective in the promotion of navigation safety in the inland maritime industry.

Pushing multiple barges safely along the United States inland waterways requires skills, knowledge and a commitment to navigation safety. William Battise, the Relief Captain on the M/V Daytona*, maneuvers a tow consisting of nine loaded tank barges on the Mississippi River near Baton Rouge, Louisiana.*

Tank Barge and Towboat Construction, Meeting the Demands of Our Customers

One of the keys to successfully serving the inland marine transportation needs of our customers is a well maintained and flexible tank barge and towboat fleet. Investments we make in our existing fleet, coupled with our fleet construction program, position Kirby well for the future, ensuring a safe and well-maintained fleet to meet the volume demands of our customers.

For many years, Kirby has closely monitored the industry's tank barge fleet age and capacity compared with industry demand. In order to maintain our customer service levels, we implemented a formal, future focused, pro-active tank barge fleet management and replacement program in 1999. The intent of the program was to position the fleet to respond to increases and reduction in demands. The program's flexibility was demonstrated from 2004 to 2008, as Kirby responded to increased customer demand using a combination of new construction and reinvestment of capital in existing equipment to meet increasing customer volumes. With the United States and global economic recession starting in 2008 and a corresponding decline in industry-wide tank barge utilization during 2009 and 2010, we retired older tank barges that required higher maintenance expenditures, thereby reducing the annual cost of maintaining our fleet. Our cash flow was used for the construction of new tank barges rather than for maintenance of older tank barges. Also during 2009 and 2010, reduced prices for steel on the supply side, combined with excess shipyard capacity, significantly reduced the cost of new tank barge construction. Kirby used this time to renew our fleet.

Tank Barge Construction

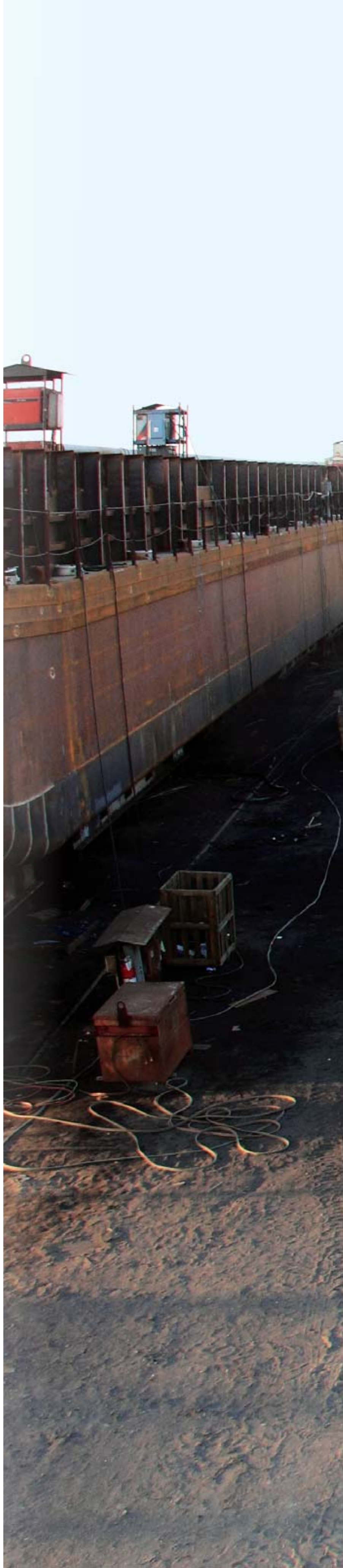
During 2009 and 2010, we took delivery of 100 new tank barges and retired 189, many of which were smaller capacity, non-standard size barges, reducing our overall capacity by 1.6 million barrels. For 2011, we expect the delivery of 40 new tank barges and we will retire an estimated 48 tank barges, resulting in a net addition of approximately .3 million barrels of capacity. For 2012 and forward, based on the current economic environment, our plan is to match tank barge retirements with new construction.

The result of our tank barge construction program and the retirement of older tank barges is a reduction in the average age of our fleet. As of December 31, 2007, the average age of a tank barge in our fleet was 24.0 years. Today, the average age is 20.3 years. Our goal is to systematically upgrade our tank barge fleet while maintaining our leading position in the markets we serve.

Beginning in 2006, the design of our petrochemical and refined products fleet was changed to 6 psi (six pounds). This change eliminates fugitive emissions of high vapor pressure cargoes during periods of hot weather. We worked closely with a number of our suppliers in the redesign of our tank barges, thereby improving the overall barge design and increasing the strength of the appendages. We currently operate 119 of these 6 psi tank barges, the only inland marine transportation company building its tank barges to that pressure rating.

Towboat Construction

Fleet replacement also includes towboats. In 2006, we began a towboat construction program with the delivery of four 2100 horsepower, 90 foot class towboats. Between 2007 and 2010, we took delivery of twelve 1800 horsepower, 76 foot class towboats. The new towboats are state-of-the-art designed to match the service requests of our customers, replacing older, lower horsepower towboats that required higher maintenance costs. The engines are fuel efficient and environmentally friendly, and the wheelhouses are designed for improved visibility with full view windows and ergonomically designed consoles. These vessels were also built with a focus on safety and crew comfort. Crew habitability was significantly improved with enhanced living spaces and reductions in noise. We will take delivery of two additional 1800 horsepower, 86 foot towboats in 2011, and one early in 2012.



Two Kirby Inland Marine 30,000 barrel tank barges under construction at the West Gulf Marine shipyard in Galveston, Texas. Kirby took delivery of 57 new tank barges and three new 1800 horsepower towboats during 2010, and new construction commitments for 2011 include 40 tank barges and three 1800 horsepower towboats.

Diesel Engine Services

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 three operating subsidiaries, Marine Systems, Inc., Engine Systems, Inc. and Rail Systems, Inc., we provide both in-house and worldwide in-field service and offer our customers a single source for all their engines, gears and transmissions service and parts requirements. The distributorship, dealership and contract service center relationships we have developed with the manufacturers of medium-speed and high-speed diesel engines and ancillary products are one of the major keys to our success.

Distributorships, Dealerships and Contract Service Center Relationships

The principal medium-speed diesel engines we service are those manufactured by Electro-Motive Diesel, Inc. ("EMD"). We have a 45-year relationship with EMD, currently serving as the authorized distributor in 17 Eastern states and the Caribbean, the worldwide distributor for parts to the nuclear industry, and the U.S. distributor to the shortline, industrial and certain transit and Class II railroads. We also operate contract service centers in the Gulf Coast, Midwest and West Coast regions.

In the high-speed market, we operate factory-authorized service dealerships for Cummins, Detroit Diesel, MTU and John Deere diesel engines. We also operate factory-authorized marine dealerships for Caterpillar in Alabama, Kentucky, Louisiana and Texas. The Texas dealership was awarded to Kirby in June 2010.

We also have dealer and distributor relationships with gear and transmission manufacturers such as Falk, Lufkin, Allison, Twin Disc and Reintjes that complement the high-speed and medium-speed engine operations.

Announced Acquisition of United Holdings LLC

On February 21, 2011, we announced the signing of an agreement to purchase United Holdings LLC, a distributor and service provider of engines and transmission related products for the oil and gas services, power generation and transportation industries. The base purchase price is $270 million in cash, before post-closing adjustments, plus a provisional three-year earnout for up to an additional $50 million payable in 2014. United, headquartered in Oklahoma City, Oklahoma, with 21 locations across 13 states, distributes and services equipment and parts for Allison Transmission, MTU Detroit Diesel Engines, Daimler Trucks North America, and other diesel and natural gas engines. United also manufactures oilfield service equipment, including hydraulic fracturing equipment. United's principal customers are oilfield service companies, oil and gas operators and producers, compression service companies and transportation companies. The closing of the acquisition is expected to occur in April 2011.

With the expansion of the North America shale gas market due to the high amount of shale gas reserves, United is a logical extension of our diesel engine service business into the land based diesel engine and transmission services business. United manufactures hydraulic fracturing units and services their components, which include high-speed diesel engines, transmissions and pumps, many of the same components used by our marine customers. With an estimated 10 million horsepower employed in the North America hydraulic fracturing business, and with significant additional horsepower forecast to be added in the future, United is well positioned to benefit from a strong land based services market going forward, especially in the servicing and parts distribution of engines and transmissions used in the oil and gas industry.

Allen Ledet, a Kirby Engine Systems high-speed mechanic, rebuilds a 825 horsepower Caterpillar 3412-7BL propulsion engine for a marine customer. Kirby employs over 235 factory-trained and authorized project engineers, mechanics and machinists, providing in-house and worldwide in-field service.

Board of Directors

James R. Clark [4]
Retired President and COO of Baker Hughes Incorporated
Director since 2008

C. Sean Day [3, 4]
Chairman of Teekay Corporation
Director since 1996

Bob G. Gower [1, 2, 3]
Retired Chairman of Lyondell Petrochemical Company
Director since 1998

William M. Lamont, Jr. [1, 3, 4]
Private Investor
Director since 1979

C. Berdon Lawrence [1]
Chairman Emeritus of Kirby
Director since 1999

David L. Lemmon [2]
Retired President and CEO of Colonial Pipeline Company
Director since 2006

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

George A. Peterkin, Jr. [1]
Chairman Emeritus of Kirby
Director since 1973

Joseph H. Pyne [1]
Chairman of the Board, President and Chief Executive Officer of Kirby
Director since 1988

Richard R. Stewart [2]
Retired President and CEO of GE Aero Energy
Director since 2008

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

Officers

Kirby Corporation

Joseph H. Pyne
Chairman of the Board, President and Chief Executive Officer

David W. Grzebinski
Executive Vice President and Chief Financial Officer

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

Joseph H. Reniers
Vice President—Human Resources

Renato A. Castro
Treasurer

Thomas G. Adler
Secretary

Kirby Inland Marine, LP

Gregory R. Binion
President

James F. Farley
Executive Vice President—Operations

William G. Ivey
Executive Vice President—Marketing

James C. Guidry
Senior Vice President—Vessel Operations

Mel R. Jodeit
Senior Vice President—Sales

John E. Russell
Senior Vice President—Sales

William M. Withers
Senior Vice President—Sales

Stephen C. Butts
Vice President—Sales

Robert D. Goolsby
Vice President—Facility Operations

Patrick C. Kelly
Vice President—Kirby Logistics Management

C. Gene Moore
Vice President—River Vessel Operations

Richard C. Northcutt
Vice President—Traffic

Christian G. O'Neil
Vice President—Sales

C. Linn Peterson
Vice President—Florida Bunkering Operations

John W. Sansing, Jr.
Vice President—Maintenance

Cliff R. Stanich
Vice President—Sales

Thomas H. Whitehead
Vice President—Sales

Carl R. Whitlatch
Vice President and Controller

Kirby Ocean Transport Company

Joseph H. Pyne
President

William M. Withers
Vice President

Osprey Line, L.L.C.

John T. Hallmark
President

Charles J. Duet
Vice President

Kirby Engine Systems, Inc.

Dorman Lynn Strahan
President

Mia C. Cradeur
Vice President and Controller

David H. Farrar
Vice President—Procurement and Distribution

John A. Manno
Vice President—Business Development

Engine Systems, Inc.

John A. Manno
Vice President

P. Scott Mangan
Vice President—East Coast and West Coast

Marine Systems, Inc.

Lynn A. Ahlemeyer
Vice President—Gulf Coast

Thomas W. Bottoms
Vice President—Midwest and Mobile

Troy A. Bourgeois
Vice President—Sales

Rail Systems, Inc.

John A. Manno
Vice President

Shareholder Information

Annual Meeting

The 2011 Annual Meeting of Stockholders will be held at Kirby's Houston office, 55 Waugh Drive, 9th Floor, Houston, Texas 77007, at 10:00 a.m. (CDT), Tuesday, April 26, 2011.

Corporate Headquarters

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

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) 575-2897
Web site: http://computershare.com

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

All other inquiries should be addressed to 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
BG Group Place
811 Main Street, Suite 4500
Houston, Texas 77002

Common Stock Information

Stock trading symbol—KEX

The New York Stock Exchange is the principal market for Kirby's common stock. As of March 1, 2011, there were 53,668,000 common shares outstanding held by approximately 830 registered shareholders. The number of registered shareholders does not reflect the number of beneficial owners of common stock.

Common Stock Market Price

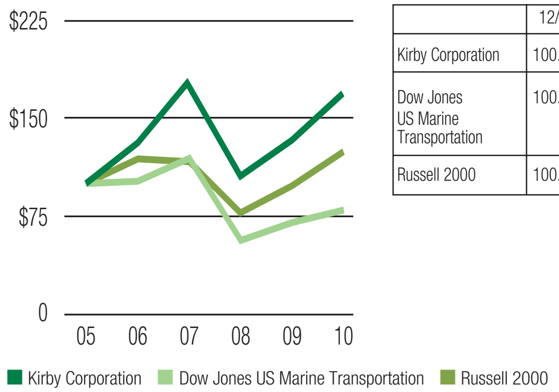
	Sales Price High	Sales Price Low
2011		
First Quarter (through March 11, 2011)	$57.43	$43.29
2010		
First Quarter	$38.77	$30.83
Second Quarter	$43.96	$36.60
Third Quarter	$43.33	$35.78
Fourth Quarter	$45.78	$39.25
2009		
First Quarter	$31.16	$19.46
Second Quarter	$36.32	$25.93
Third Quarter	$39.16	$28.71
Fourth Quarter	$37.28	$32.30

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 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.

Comparison of 5 Year Cumulative Total Return

Return on $100 invested on December 31, 2005, in stock or index, including reinvestment of dividends.
Fiscal year ended December 31.



	12/05	12/06	12/07	12/08	12/09	12/10
Kirby Corporation	100.00	130.84	178.19	104.89	133.53	168.87
Dow Jones US Marine Transportation	100.00	101.12	118.86	55.97	69.84	79.43
Russell 2000	100.00	118.37	116.51	77.15	98.11	124.46

Kirby Corporation

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

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

(713) 435-1000 Fax: (713) 435-1010

Web site: www.kirbycorp.com