UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM   TO

COMMISSION FILE NO. 1-7615

KIRBY CORPORATION
(Exact name of registrant as specified in its charter)

NEVADA (State or other jurisdiction of incorporation or organization)	74-1884980 (I.R.S. Employer Identification No.)
55 WAUGH DRIVE, SUITE 1000 HOUSTON, TEXAS (Address of principal executive offices)	77007 (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 435-1000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock -- $.10 Par Value Per Share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

As of March 6, 2002, 24,119,005 shares of common stock were outstanding. The aggregate market value of common stock held by nonaffiliates of the registrant, based on the closing sales price of such stock on the New York Stock Exchange on March 5, 2002 was $598,334,000. For purposes of this computation, all executive officers, directors and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such executive officers, directors and 10% beneficial owners are affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

The Company's definitive proxy statement in connection with the Annual Meeting of the Stockholders to be held April 16, 2002, to be filed with the Commission pursuant to Regulation 14A, is incorporated by reference into Part III of this report.

PART I

ITEM 1. BUSINESS

THE COMPANY

Kirby Corporation (the "Company") was incorporated in Nevada on January 31, 1969 as a subsidiary of Kirby Industries, Inc. ("Industries"). The Company became publicly owned on September 30, 1976 when its common stock was distributed pro rata to the stockholders of Industries in connection with the liquidation of Industries. At that time, the Company was engaged in oil and gas exploration and production, marine transportation and property and casualty insurance. Since then, through a series of acquisitions and divestitures, the Company has become primarily a marine transportation company and is no longer engaged in the oil and gas or the property and casualty insurance businesses. In 1990, the name of the Company was changed from "Kirby Exploration Company, Inc." to "Kirby Corporation" because of the changing emphasis of its business.

Unless the context otherwise requires, all references herein to the Company include the Company and its subsidiaries.

The Company's principal executive office is located at 55 Waugh Drive, Suite 1000, Houston, Texas 77007, and its telephone number is (713) 435-1000. The Company's mailing address is P.O. Box 1745, Houston, Texas 77251-1745.

BUSINESS AND PROPERTY

The Company, through its subsidiaries, conducts operations in two business segments: marine transportation and diesel engine services.

The Company's marine transportation segment is engaged in the inland transportation of petrochemicals and chemicals, refined petroleum products, black oil products and agricultural chemicals by tank barges, and, to a lesser extent, the offshore transportation of dry-bulk cargoes by barge. The segment is strictly a provider of transportation services for its customers and does not assume ownership of any of the products that it transports. All of the segment's vessels operate under the United States flag and are qualified for domestic trade under the Jones Act.

The Company's diesel engine services segment is engaged in the overhaul and repair of diesel engines and related parts sales in three distinct markets: the marine market, providing aftermarket service for vessels powered by large medium-speed diesel engines utilized in the various inland and offshore marine industries; the railroad market, providing aftermarket service and parts for shortline, industrial, and certain transit and Class II railroads; and the power generation and industrial markets, providing aftermarket service for diesel engines that provide standby, peak and base load power generation, users of industrial reduction gears and stand-by generation components of the nuclear industry.

The Company and its marine transportation and diesel engine services segments have approximately 2,200 employees, all of whom are in the United States.

The following table sets forth by segment the revenues, operating profits and identifiable assets attributable to the principal activities of the Company for the years indicated (in thousands):

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Revenues from unaffiliated customers:			
Marine transportation	$481,283	$443,203	$290,956
Diesel engine services	85,601	69,441	74,648
Consolidated revenues	$566,884	$512,644	$365,604
Operating profits:			
Marine transportation	$ 83,074	$ 78,100	$ 47,525
Diesel engine services	8,111	6,955	7,129
General corporate expenses	(7,088)	(7,053)	(4,814)
Merger related charges	--	(199)	(4,502)
	84,097	77,803	45,338
Equity in earnings of marine affiliates	2,950	3,394	2,136
Investment income and other income (expense)	(177)	1,498	1,029
Minority interests	(706)	(966)	(273)
Interest expense	(19,038)	(23,917)	(12,838)
Earnings before taxes on income	$ 67,126	$ 57,812	$ 35,392
Identifiable assets:			
Marine transportation	$681,976	$673,999	$673,882
Diesel engine services	48,288	45,344	32,890
	730,264	719,343	706,772
Investment in marine affiliates	13,439	12,784	14,941
General corporate assets	10,768	17,141	31,684
Consolidated assets	$754,471	$749,268	$753,397

MARINE TRANSPORTATION

The marine transportation segment is primarily a provider of transportation services by barge for the inland and offshore markets. As of March 6, 2002, the equipment owned or operated by the marine transportation segment comprised 858 inland tank barges, 214 inland towboats, four inland bowboats, five offshore dry-cargo barges, five offshore tugboats and one shifting tugboat with the following specifications and capacities:

CLASS OF EQUIPMENT	NUMBER IN CLASS	AVERAGE AGE (IN YEARS)	BARREL CAPACITIES
Inland tank barges:			
Regular double hull:			
20,000 barrels and under	386	25.4	4,509,000
Over 20,000 barrels	243	18.1	6,587,000
Specialty double hull	83	26.7	1,223,000
Double side, single bottom	24	26.4	519,000
Single hull:			
20,000 barrels and under	28	33.1	501,000
Over 20,000 barrels	44	29.5	1,105,000
Inactive	50	32.6	832,000
Total inland tank barges	858	24.4	15,276,000
Inland towing vessels:			
Inland towboats:			
Less than 800 horsepower	10	23.7	
800 to 1300 horsepower	120	24.6	
1400 to 1900 horsepower	58	26.0	
2000 to 2400 horsepower	4	30.7	
2500 to 3200 horsepower	10	29.3	
3300 to 4900 horsepower	9	26.9	
Greater than 5200 horsepower	3	25.8	
Total inland towboats	214	25.4	
Inland bowboats	4	22.9	

			DEADWEIGHT TONNAGE
Offshore dry-cargo barges(*)	5	24.6	88,000
Offshore tugboats(*)	6	26.2	

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(*) Includes four barges and five tugboats owned by Dixie Fuels Limited, a partnership in which the Company owns a 35% interest.

The 214 inland towing vessels and six offshore tugboats provide the power source and the 858 inland tank barges and five offshore dry-cargo barges provide the freight capacity. The four inland bowboats are used as an aid in steering. When the power source and freight capacity are combined, the unit is called a tow. Inland tows generally consist of one towboat and from one to 25 tank barges, depending upon the horsepower of the towboat, the river or canal capacity and conditions, and customer requirements. Offshore tows consist of one tugboat and one dry-cargo barge.

The following table sets forth the marine transportation segment's revenues and percentage of such revenues for the years indicated (dollars in thousands):

	YEARS ENDED DECEMBER 31,					
	2001		2000		1999	
REVENUES BY PRODUCT OR OPERATION	AMOUNTS	%	AMOUNTS	%	AMOUNTS	%
Marine transportation -- Inland: Liquid petroleum products........	$477,610	99%	$439,492	99%	$288,414	99%
Marine transportation -- Offshore: Dry-bulk........................	3,673	1	3,711	1	2,542	1
	$481,283	100%	$443,203	100%	$290,956	100%

MARINE TRANSPORTATION INDUSTRY FUNDAMENTALS

The United States inland waterway system, composed of a network of interconnected rivers and canals that serve the nation as water highways, is one of the world's most efficient transportation systems. The nation's waterways are vital to the United States distribution system, with over 1.1 billion short tons of cargo moved annually on United States shallow draft waterways. The inland waterway system extends approximately 26,000 miles, 12,000 miles of which are generally considered significant for domestic commerce, through 40 states, with 635 shallow draft ports. These navigable inland waterways link the United States heartland to the world.

Based on cost and safety, inland barge transportation is often the most efficient and safest means of transporting bulk commodities compared with railroads and trucks. The cargo capacity of a 30,000 barrel inland tank barge is the equivalent of 40 rail tank cars or 150 tractor-trailer tank trucks. A typical Company lower Mississippi River linehaul tow of 15 barges has the carrying capacity of approximately 225 rail tank cars or approximately 870 tractor-trailer tank trucks. The 225 rail cars would require a freight train approximately 2 3/4 miles long and the 870 tractor-trailer tank trucks would stretch approximately 35 miles, assuming a safety margin of 150 ft. between the trucks. The Company's tank barge fleet capacity of 15.3 million barrels equates to approximately 20,000 rail cars or approximately 76,000 tractor-trailer tank trucks. In addition, in studies comparing inland water transportation to railroads and trucks, shallow draft water transportation has been proven to be the most energy efficient and environmentally friendly method of moving bulk raw materials. One ton of bulk product can be carried 514 miles by inland barge on one gallon of fuel, compared with 202 miles by rail or 59 miles by truck.

Inland barge transportation is also the safest mode of transportation in the United States. It generally involves less urban exposure than rail or truck. It operates on a system with few crossing junctures and in areas relatively remote from population centers. These factors generally reduce both the number and impact of waterway incidents. For the amount of tonnage carried, barge spills generally occur quite infrequently.

INLAND TANK BARGE INDUSTRY

The Company's marine transportation segment operates within the United States inland tank barge industry, a diverse and independent mixture of integrated transportation companies and small operators, as well as captive fleets owned by United States refining and petrochemical companies. The inland tank barge industry provides marine transportation of bulk liquid cargoes for customers and, in the case of captives, for their own account, along the Mississippi River and its tributaries and the Gulf Intracoastal Waterway. The most significant segments of this industry include the transportation of petrochemicals and chemicals, refined petroleum products, black oil products and agricultural chemicals. The Company operates in each of these segments. The use of marine transportation by the petroleum and petrochemical industry is a major reason for the location of United States refineries and petrochemical facilities on navigable inland waterways. Texas and Louisiana currently account for approximately 80% of the United States production of petrochemicals and chemicals. Much of the United States farm belt is likewise situated with access to the inland waterway system, relying on marine transportation of farm products, including agricultural chemicals. The Company's principal distribution system encompasses the Gulf Intracoastal Waterway from Brownsville, Texas, to St. Marks, Florida, the Mississippi River System and the Houston Ship Channel. The Mississippi River System includes the Arkansas, Illinois, Missouri, Ohio, Red, Tennessee, Yazoo, Ouachita and Black Warrior rivers and the Tennessee-Tombigbee Waterway.

The total number of tank barges that operate in the inland waters of the United States declined from approximately 4,200 in 1982 to approximately 2,900 in 1993 and has remained relatively constant at 2,900 since 1993. The Company believes this decrease primarily resulted from: the increasing age of the domestic tank barge fleet, resulting in scrapping; rates inadequate to justify new construction; a reduction in tax incentives, which previously encouraged speculative construction of new equipment; stringent operating standards to adequately cope with safety and environmental risk; the elimination of government programs supporting small refineries which created a demand for tank barge services; and an increase in environmental regulations that mandate expensive equipment modification, which some owners were unwilling or unable to undertake given capital constraints and the age of their fleets.

The cost of hull work for required annual Coast Guard certifications, as well as general safety and environmental concerns, forces operators to periodically reassess their ability to recover maintenance costs. Previously, tax and financing incentives to operators and investors to construct tank barges, including short-life tax depreciation, investment tax credits and government guaranteed financing, led to growth in the supply of domestic tank barges to its peak of approximately 4,200 in 1982. The tax incentives have since been eliminated; however, the government guaranteed financing programs, dormant since the mid-eighties, have been more actively used since 1993 to finance the construction of some tank barges. The supply of tank barges resulting from the earlier programs has slowly aligned with demand for tank barge services, primarily through attrition, as discussed above.

Improved technology in steel coating and paint have added to the life expectancy of inland tank barges. The average age of the nation's tank barge fleet is over 22 years old, with 22% of the fleet built in the last 10 years. Single hull barges comprise approximately 13% of the nation's tank barge fleet, with an average age of 28 years. Single hull barges are being driven from the nation's tank barge fleet by market forces, stringent environmental regulations and rising maintenance costs associated with maintaining older single hull barges.

During the 1970's and early 1980's, the industry overbuilt tank barge capacity. However, the Company believes that the current more consolidated industry will be less prone to overbuilding of the nation's tank barge fleet. Of the approximately 704 tank barges built since 1989, 120, or 17%, were built by the Company and by Hollywood Marine, Inc. ("Hollywood Marine") prior to its merger with the Company effective October 12, 1999. The balance was primarily replacement barges for single hull barges removed from service, special purpose barges or barges constructed for specific contracts.

The Company's marine transportation segment is also engaged in ocean-going dry-cargo barge operations transporting dry-bulk cargoes. Such cargoes are transported primarily between domestic ports along the Gulf of Mexico and the Atlantic Seaboard, with occasional trips to Caribbean and South American ports.

COMPETITION IN THE INLAND TANK BARGE INDUSTRY

The Company's marine transportation segment is in the inland tank barge business conducted on the Mississippi River System, the Gulf Intracoastal Waterway and the Houston Ship Channel. The industry has become increasingly more concentrated in recent years as many companies have gone out of business or have been acquired. Since 1986, the Company has acquired the inland transportation fleets of 19 inland tank barge or towboat companies and in February 2001 leased the inland tank barges of a chemical company. The Company's inland tank barge fleet has grown from 71 barges in 1988 to 858 today. Competition in this business has historically been based primarily on price; however, the industry's customers, through an increased emphasis on safety, the environment, quality and a greater reliance on a "single source" supply of services, are more frequently requiring that their supplier of inland tank barge services have the capability to handle a variety of tank barge requirements, offer distribution capability throughout the inland waterway system, and offer flexibility, safety, environmental responsibility, financial responsibility, adequate insurance and quality of service consistent with the customer's own operations.

The direct competitors are primarily noncaptive inland tank barge operators. "Captive" companies are those companies that are owned by major oil and/or petrochemical companies which, although occasionally competing in the inland tank barge market, primarily transport cargoes for their own account. The Company is the largest inland tank barge carrier, both in terms of number of barges and total fleet barrel capacity. It currently operates approximately 30% of the total domestic inland tank barge capacity.

While the Company competes primarily with other tank barge companies, it also competes with companies owning refined product and chemical pipelines, rail tank cars and tractor-trailer tank trucks. As noted above, the Company believes that inland marine transportation of bulk liquid products enjoys a substantial cost advantage over rail and truck transportation. The Company believes that refined products and chemical pipelines, although often a less expensive form of transportation than inland tank barges, are not as adaptable to diverse products and are generally limited to fixed point-to-point distribution of commodities in high volumes over extended periods of time.

PRODUCTS TRANSPORTED

During 2001, the Company's marine transportation segment moved over 45 million tons of liquid cargo on the United States inland waterway system. Products transported for its customers comprised the following: petrochemicals and chemicals, refined petroleum products, black oil products and agricultural chemicals.

Petrochemicals and Chemicals. Bulk liquid petrochemicals and chemicals transported include such products as benzene, styrene, methanol, acrylonitrile, xylene and caustic soda, all consumed in the production of paper, fibers and plastics. Pressurized products, including butadiene, isobutane, propylene, butane and propane, all requiring pressurized conditions to remain in stable liquid form, are transported in pressure barges. The transporting of petrochemical and chemical products represents approximately 60% of the segment's revenues. Customers shipping these products are petrochemical and chemical companies in the United States.

Refined Petroleum Products. Refined petroleum products transported include the various blends of gasoline, jet fuel, naphtha and diesel fuel, and represent approximately 20% of the segment's revenues. Customers are oil and refining companies in the United States.

Black Oil Products. Black oil products transported include such products as asphalt, No. 6 fuel oil, coker feed, vacuum gas oil, crude oil and ship bunkers (ship engine fuel). Such products represent approximately 10% of the segment's revenues. Black oil customers are United States refining companies, marketers and end users that require the transportation of black oil products between refineries and storage terminals. Ship bunkers customers are oil companies and oil traders in the bunkering business.

Agricultural Chemicals. Agricultural chemicals transported represent approximately 10% of the segment's revenues. They include anhydrous ammonia and nitrogen-based liquid fertilizer, as well as industrial ammonia. Agricultural chemical customers consist mainly of United States and foreign producers of such products.

DEMAND DRIVERS IN THE INLAND TANK BARGE INDUSTRY

Demand for inland tank barge transportation services is driven by the production volumes of the bulk liquid commodities transported by barge. Demand for inland marine transportation of the segment's four primary commodity groups, petrochemicals and chemicals, refined petroleum products, black oil products and agricultural chemicals, is based on different circumstances. While the demand drivers of each commodity are different, the Company has the flexibility in many cases of re-allocating equipment to stronger markets as needed.

Bulk petrochemical and chemical volumes generally track the general domestic economy and correlate to the United States Gross Domestic Product. These products are used in housing, automobiles, clothing and consumer goods. The other significant component of petrochemical production consists of gasoline additives, the demand for which closely parallels the United States gasoline consumption.

Refined product volumes are driven by United States gasoline consumption, principally vehicle usage, air travel and weather conditions. Volumes also relate to inventory balances within the United States Midwest. Generally, gasoline, No. 2 oil and heating oil are exported from the Gulf Coast where refining capacity exceeds demand. The Midwest is a net importer of such products. Demand for tank barge transportation from the Gulf Coast to the Midwest region reflects the relative price differentials of Gulf Coast production and gasoline produced in the Midwest.

The demand for black oil products, including ship bunkers, varies with the type of product transported. Asphalt shipments are generally seasonal, with a higher shipping season during April through November, months when weather allows for efficient road construction. Other black oil shipments are more stable and service the United States oil refineries. In January through April 2001, high natural gas prices encouraged the substitution of No. 6 fuel oil as boiler fuel instead of natural gas, thereby increasing demand for the product.

Demand for marine transportation of agricultural fertilizer is directly related to domestic nitrogen based fertilizer consumption, driven by the production of corn, cotton and wheat. The nitrogen based liquid fertilizers carried by the Company are distributed from United States manufacturing facilities, generally located in the southern United States where natural gas feedstocks are plentiful, and from imported sources. Such products are delivered to the numerous small terminals and distributors throughout the United States farm belt. High natural gas prices from January through April 2001 caused the United States manufacturers of nitrogen based fertilizer to curtail production, and the demand was met by the importing of product from foreign manufacturers. Such importing caused a disruption in traditional distribution patterns and created additional barging opportunities.

MARINE TRANSPORTATION OPERATIONS

The marine transportation segment operates a fleet of 858 inland tank barges, 214 inland towboats and four inland bowboats, one offshore dry-cargo barge and one offshore tugboat. Through a partnership, the segment operates four offshore dry-cargo barges, four offshore tugboats and one shifting tugboat. The Company also owns 50% interests in two bulk liquid terminals through two partnerships.

Inland Operations. The segment's inland operations are conducted through a wholly owned subsidiary, Kirby Inland Marine, LP ("Kirby Inland Marine"), and its subsidiaries. Kirby Inland Marine's operations consist of the Canal, Linehaul and River fleets, as well as barge fleeting services performed by Western Towing Company ("Western"), a division of Kirby Inland Marine.

The Canal fleet transports petrochemical feedstocks, processed chemicals, pressurized products, refined petroleum products and black oil products along the Gulf Intracoastal Waterway, the Mississippi River below Baton Rouge, Louisiana, and the Houston Ship Channel. Petrochemical feedstocks and certain pressurized products are transported from one refinery to another refinery for further processing. Processed chemicals and certain pressurized products are moved to waterfront terminals and chemical plants. Refined petroleum products are transported to waterfront terminals along the Gulf Intracoastal Waterway for distribution. Certain black oil products are transported to waterfront terminals and products such as No. 6 fuel oil are transported directly to the end users.

The Linehaul fleet transports petrochemical feedstocks, processed chemicals, agricultural chemicals and lube oils along the Gulf Intracoastal Waterway, Mississippi River and the Illinois and Ohio rivers. Loaded tank barges are staged in the Baton Rouge area from Gulf Coast refineries and chemical plants, and are transported from Baton Rouge upriver to waterfront terminals and plants on the Mississippi, Illinois and Ohio rivers on regularly scheduled linehaul tows. Barges are dropped off and picked up going up and downriver.

The River fleet transports petrochemical feedstocks, processed chemicals, refined petroleum products, agricultural chemicals and black oil products along the Mississippi River System above Baton Rouge. Petrochemical feedstocks and processed chemicals are transported to waterfront petrochemical and chemical plants, while refined petroleum products and agricultural chemicals are transported to waterfront terminals. The River fleet operates unit tows, where a towboat and generally a dedicated group of barges operate on consecutive voyages between a loading point and a discharge point.

The transportation of petrochemical feedstocks, processed chemicals and pressurized products is generally consistent throughout the year. Transportation of refined petroleum products, certain black oil products and agricultural chemicals is generally more seasonal. Movements of refined petroleum products generally increase during the summer driving season. Movements of black oil products, such as heating oil, generally increase during the winter months, while movements of asphalt products generally increase in the spring through fall months. Movements of agricultural chemicals generally increase during the spring and fall planting seasons.

The marine transportation segment moves and handles a broad range of sophisticated cargoes. To meet the specific requirements of the cargoes transported, the tank barges may be equipped with self-contained heating systems, high-capacity pumps, pressurized tanks, refrigeration units, stainless steel tanks, aluminum tanks or specialty coated tanks. Of the 858 tank barges owned or operated, 724 are clean products or chemical barges, 56 are black oil barges, 60 are pressure barges, 11 are anhydrous ammonia barges and 7 are specialty barges.

The fleet of 214 inland towboats ranges from 600 to 6000 horsepower. Towboats in the 600 to 1900 horsepower classes provide power for barges used by the Canal and Linehaul fleets on the Gulf Intracoastal Waterway and the Houston Ship Channel. Towboats in the 1400 to 6000 horsepower classes provide power for both the River and Linehaul fleets on the Gulf Intracoastal Waterway and the Mississippi River System. Towboats above 3600 horsepower are typically used in the Mississippi River System to move River fleet unit tows and provide Linehaul fleet towing. Based on the capabilities of the individual towboats used in the Mississippi River System, the tows range in size from 10,000 tons to 30,000 tons.

Marine transportation services are conducted under long-term contracts, ranging from one to 10 years, with customers with whom the Company has long-standing relationships, as well as under short-term and spot contracts. Currently, approximately 70% of the revenues are derived from term contracts and 30% are derived from spot market movements.

Inland tank barges used in the transportation of industrial chemicals are of double hull construction and, where applicable, are capable of controlling vapor emissions during loading and discharging operations in compliance with occupational health and safety regulations and air quality concerns.

The marine transportation segment is one of a few inland tank barge operators with the ability to offer to its customers distribution capabilities throughout the Mississippi River System and the Gulf Intracoastal Waterway. Such distribution capabilities offer economies of scale resulting from the ability to match tank barges, towboats, products and destinations more efficiently.

Through the Company's proprietary vessel management computer system, the fleet of barges and towboats is dispatched from centralized dispatch at the corporate office. The towboats are equipped with a satellite positioning and communication system that automatically transmits the location of the towboat to the Company's traffic department located in its corporate office. Electronic orders are communicated to the vessel personnel, with reports of towing activities communicated electronically back to the traffic department. The electronic interface between the traffic department and the vessel personnel enables more effective matching of customer needs to barge capabilities, thereby maximizing utilization of the tank barge and towboat fleet. The Company's customers are able to access information concerning the movement of their cargoes, including barge locations, through the Company's website.

Western operates the largest commercial tank barge fleeting service (temporary barge storage facilities) in the ports of Houston, Corpus Christi and Freeport, Texas, and on the Mississippi River at Baton Rouge and New Orleans, Louisiana. Western provides service for Kirby Inland Marine's barges, as well as outside customers, transferring barges within the areas noted, as well as fleeting barges.

Kirby Terminals, Inc. ("Kirby Terminals"), a wholly owned subsidiary of the Company, manages the operations of Matagorda Terminal Ltd. and Red River Terminals, LLC, a Texas limited partnership and Louisiana limited liability company, respectively, in each of which Kirby Terminals owns a 50% interest. Both operations are bulk liquid terminals.

Kirby Inland Marine's Logistics Management division offers barge tankerman services and related distribution services primarily to the Company and to some third parties.

Offshore Operations. The segment's offshore operations are conducted through a wholly owned subsidiary, Dixie Offshore Transportation Company ("Dixie Offshore"), and its subsidiary. The offshore fleet comprises one ocean-going dry-bulk barge and tugboat unit owned by the Company, and equipment owned through a limited partnership, Dixie Fuels Limited ("Dixie Fuels"), in which a subsidiary of Dixie Offshore, Dixie Bulk Transport, Inc. ("Dixie Bulk"), owns a 35% interest.

The ocean-going dry-bulk barge and tugboat unit is engaged in the transportation of dry-bulk commodities including bauxite, sugar, limestone rock, grain, coal and scrap steel, primarily between domestic ports along the Gulf of Mexico and along the Atlantic Seaboard, with occasional trips to Caribbean and South American ports.

Dixie Bulk, as general partner, manages the operations of Dixie Fuels, which operates a fleet of four ocean-going dry-bulk barges, four ocean-going tugboats and one shifting tugboat. The remaining 65% interest in Dixie Fuels is owned by Progress Fuels Corporation ("PFC"), a wholly owned subsidiary of Progress Energy, Inc. ("Progress Energy"). Dixie Fuels operates primarily under term contracts of affreightment, including a contract that expires in the year 2002 with PFC to transport coal across the Gulf of Mexico to Progress Energy's facility at Crystal River, Florida.

Dixie Fuels also has a long-term contract with Holcim (US) Inc. ("Holcim") to transport Holcim's limestone requirements from a facility adjacent to the Progress Energy facility at Crystal River to Holcim's plant in Theodore, Alabama. In 2000, the contract, which expires in 2002, was renewed and extended for up to 10 additional years under revised terms. The Holcim contract provides cargo for a portion of the return voyage for the vessels that carry coal to Progress Energy's Crystal River facility. Dixie Fuels is also engaged in the transportation of coal, fertilizer and other bulk cargoes on a short-term basis between domestic ports and the transportation of grain from domestic ports to ports primarily in the Caribbean Basin.

CONTRACTS AND CUSTOMERS

The majority of the marine transportation contracts with its customers are for terms of one year. The Company also operates under longer term contracts with certain other customers. These companies have generally been customers of the Company's marine transportation segment for several years and management anticipates a continuing relationship, however, there is no assurance that any individual contract will be renewed. The Dow Chemical Company ("Dow"), with which the Company has a contract through 2006, accounted for 12% of the Company's revenues in 2001, 10% in 2000 and 12% in 1999.

EMPLOYEES

The Company's marine transportation segment has approximately 1,850 employees, of which approximately 1,350 are vessel crew members. None of the segment's operations are subject to collective bargaining.

PROPERTIES

The principal office of Kirby Inland Marine is located in Houston, Texas, in the Company's facilities under a lease that expires in April 2006. Kirby Inland Marine's operating locations are on the Mississippi River at Baton Rouge, Louisiana, New Orleans, Louisiana, and Greenville, Mississippi, two locations in Houston, Texas, on and near the Houston Ship Channel, and in Corpus Christi, Texas. The Baton Rouge, New Orleans and Houston facilities are owned, and the Greenville and Corpus Christi facilities are leased. The Western and Kirby Logistics Management division's principal offices are located in facilities owned by Kirby Inland Marine in Houston, Texas, near the Houston Ship Channel. The principal office of Dixie Offshore is in Belle Chasse, Louisiana, in owned facilities.

GOVERNMENTAL REGULATIONS

General. The Company's marine transportation operations are subject to regulation by the United States Coast Guard, federal laws, state laws and certain international conventions.

Most of the Company's inland tank barges are inspected by the United States Coast Guard and carry certificates of inspection. The Company's inland and offshore towing vessels and offshore dry-bulk barges are not subject to United States Coast Guard inspection requirements. The Company's offshore towing vessels and offshore dry-bulk barges are built to American Bureau of Shipping ("ABS") classification standards and are inspected periodically by ABS to maintain the vessels in class. The crews employed by the Company aboard vessels, including captains, pilots, engineers, tankermen and ordinary seamen, are licensed by the United States Coast Guard.

The Company is required by various governmental agencies to obtain licenses, certificates and permits for its vessels depending upon such factors as the cargo transported, the waters in which the vessels operate and other factors. The Company is of the opinion that the Company's vessels have obtained and can maintain all required licenses, certificates and permits required by such governmental agencies for the foreseeable future.

The Company believes that additional safety and environmental related regulations may be imposed on the marine industry in the form of personnel licensing, navigation equipment, spill prevention and contingency planning requirements. Generally, the Company endorses the anticipated additional regulations and believes it is currently operating to standards at least the equal of such anticipated additional regulations.

Jones Act. The Jones Act is a federal cabotage law that restricts domestic marine transportation in the United States to vessels built and registered in the United States, manned by United States citizens, and owned and operated by United States citizens. For corporations to qualify as United States citizens for the purpose of domestic trade, 75% of the corporations' beneficial stockholders must be United States citizens. The Company presently meets all of the requirements of the Jones Act for its owned vessels.

Compliance with United States ownership requirements of the Jones Act is very important to the operations of the Company, and the loss of Jones Act status could have a significant negative effect for the Company. The Company monitors the citizenship requirements under the Jones Act of its employees and beneficial stockholders, and will take action as necessary to ensure compliance with the Jones Act requirements.

The requirements that the Company's vessels be United States built and manned by United States citizens, the crewing requirements and material requirements of the Coast Guard, and the application of United States labor and tax laws significantly increase the cost of U.S. flag vessels when compared with comparable foreign flag vessels. The Company's business would be adversely affected if the Jones Act was to be modified so as to permit foreign competition that is not subject to the same United States government imposed burdens.

User Taxes. Federal legislation requires that inland marine transportation companies pay a user tax based on propulsion fuel used by vessels engaged in trade along the inland waterways that are maintained by the United States Army Corps of Engineers. Such user taxes are designed to help defray the costs associated with replacing major components of the inland waterway system, such as locks and dams. A significant portion of the inland waterways on which the Company's vessels operate is maintained by the Corps of Engineers.

The Company presently pays a federal fuel tax of 24.3 cents per gallon, reflecting a 4.3 cents per gallon transportation fuel tax for deficit reduction imposed in October 1993 and a 20 cents per gallon waterway use tax. There can be no assurance that additional user taxes may not be imposed in the future.

ENVIRONMENTAL REGULATIONS

The Company's operations are affected by various regulations and legislation enacted for protection of the environment by the United States government, as well as many coastal and inland waterway states.

Water Pollution Regulations. The Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, the Comprehensive Environmental Response, Compensation and Liability Act of 1981 and the Oil Pollution Act of 1990 ("OPA") impose strict prohibitions against the discharge of oil and its derivatives or hazardous substances into the navigable waters of the United States. These acts impose civil and criminal penalties for any prohibited discharges and impose substantial strict liability for cleanup of these discharges and any associated damages. Certain states also have water pollution laws that prohibit discharges into waters that traverse the state or adjoin the state, and impose civil and criminal penalties and liabilities similar in nature to those imposed under federal laws.

The OPA and various state laws of similar intent substantially increased over historic levels the statutory liability of owners and operators of vessels for oil spills, both in terms of limit of liability and scope of damages.

One of the most important requirements under the OPA is that all newly constructed tank barges engaged in the transportation of oil and petroleum in the United States be double hulled, and all existing single hull tank barges be retrofitted with double hulls or phased out of domestic service by 2015.

The Company manages its exposure to losses from potential discharges of pollutants through the use of well maintained and equipped vessels, the safety, training and environmental programs of the Company, and the Company's insurance program. In addition, the Company uses double hull barges in the transportation of more hazardous chemical substances. There can be no assurance, however, that any new regulations or requirements or any discharge of pollutants by the Company will not have an adverse effect on the Company.

Financial Responsibility Requirement. Commencing with the Federal Water Pollution Control Act of 1972, as amended, vessels over 300 gross tons operating in the Exclusive Economic Zone of the United States have been required to maintain evidence of financial ability to satisfy statutory liabilities for oil and hazardous substance water pollution. This evidence is in the form of a Certificate of Financial Responsibility ("COFR") issued by the United States Coast Guard. The majority of the Company's tank barges are subject to this COFR requirement, and the Company has fully complied with this requirement since its inception. The Company does not foresee any current or future difficulty in maintaining the COFR certificates under current rules.

Clean Air Regulations. The Federal Clean Air Act of 1979 ("Clean Air Act") requires states to draft State Implementation Plans ("SIPs") designed to reduce atmospheric pollution to levels mandated by this act. Several SIPs provide for the regulation of barge loading and degassing emissions. The implementation of these regulations requires a reduction of hydrocarbon emissions released into the atmosphere during the loading of most petroleum products and the degassing and cleaning of barges for maintenance or change of cargo. These regulations require operators who operate in these states to install vapor control equipment on their barges. The Company expects that future toxic emission regulations will be developed and will apply this same technology to many chemicals that are handled by barge. Most of the Company's barges engaged in the transportation of petrochemicals, chemicals and refined products are already equipped with vapor control systems. Additionally, in Texas, a SIP calling for voluntary reductions in towboat diesel engine exhaust emissions for the Houston-Galveston area has been approved. Although a risk exists that new regulations could require significant capital expenditures by the Company and otherwise increase the Company's costs, the Company believes that, based upon the regulations that have been proposed thus far, no material capital expenditures beyond those currently contemplated by the Company and no material increase in costs are likely to be required.

Contingency Plan Requirement. The OPA and several state statutes of similar intent require the majority of the vessels and terminals operated by the Company to maintain approved oil spill contingency plans as a condition of operation. The Company has approved plans that comply with these requirements. The OPA also requires development of regulations for hazardous substance spill contingency plans. The United States Coast Guard has not yet promulgated these regulations; however, the Company anticipates that they will not be significantly more difficult to comply with than the oil spill plans.

Occupational Health Regulations. The Company's vessel operations are primarily regulated by the United States Coast Guard for occupational health standards. The Company's shore personnel are subject to the United States Occupational Safety and Health Administration regulations. The Coast Guard has promulgated regulations that address the exposure to benzene vapors, which require the Company, as well as other operators, to perform extensive monitoring, medical testing and record keeping of seamen engaged in the handling of benzene and benzene containing cargo transported aboard vessels. It is expected that these regulations may serve as a prototype for similar health regulations relating to the carriage of other hazardous liquid cargoes. The Company believes that it is in compliance with the provisions of the regulations that have been adopted and does not believe that the adoption of any further regulations will impose additional material requirements on the Company. There can be no assurance, however, that claims will not be made against the Company for work related illness or injury, or that the further adoption of health regulations will not adversely affect the Company.

Insurance. The Company's marine transportation operations are subject to the hazards associated with operating vessels carrying large volumes of bulk cargo in a marine environment. These hazards include the risk of loss of or damage to the Company's vessels, damage to third parties as a result of collision, fire or explosion, loss or contamination of cargo, personal injury of employees and third parties, and pollution and other environmental damages. The Company maintains insurance coverage against these hazards. Risk of loss of or damage to the Company's vessels is insured through hull insurance currently insuring approximately $775 million in hull values. Liabilities such as collision, cargo, environmental, personal injury and general liability are insured up to $500 million per occurrence.

Environmental Protection. The Company has a number of programs that were implemented to further its commitment to environmental responsibility in its operations. In addition to internal environmental audits, one such program is environmental audits of barge cleaning vendors principally directed at management of cargo residues and barge cleaning wastes. Others are the participation by the Company in the American Waterways Operators Responsible Carrier program and the Chemical Manufacturer's Association Responsible Care program, both of which are oriented towards continuously reducing the barge industry's and chemical and petroleum industries' impact on the environment, including the distribution services area.

Safety. The Company manages its exposure to the hazards associated with its business through safety, training and preventive maintenance efforts. The Company places considerable emphasis on safety through a program oriented toward extensive monitoring of safety performance for the purpose of identifying trends and initiating corrective action, and for the purpose of rewarding personnel achieving superior safety performance. The Company believes that its safety performance consistently places it among the industry leaders as evidenced by what it believes are lower injury frequency and pollution incident levels than many of its competitors.

Training. The Company believes that among the major elements of a successful and productive work force are effective training programs. The Company also believes that training in the proper performance of a job enhances both the safety and quality of the service provided. New technology, regulatory compliance, personnel safety, quality and environmental concerns create additional demands for training. The Company fully endorses the development and institution of effective training programs.

Centralized training is provided through the training department, which is charged with developing, conducting and maintaining training programs for the benefit of all of the Company's operating entities. It is also responsible for ensuring that training programs are both consistent and effective. The Company's owned and operated facility includes state-of-the-art equipment and instruction aids, including a working towboat, three tank barges and a tank barge simulator for tankerman training. During 2001, approximately 2,000 certificates were issued for the completion of courses at the training facility.

Quality. The Company has made a substantial commitment to the implementation, maintenance and improvement of Quality Assurance Systems in compliance with the International Quality Standard, ISO 9002. Currently, all of the Company's marine transportation units serving the liquid and dry-cargo markets have been certified, many of them earning "firsts" among their peers. These Quality Assurance Systems have enabled both shore and vessel personnel to effectively manage the changes which occur in the working environment. In addition, such Quality Assurance Systems have enhanced the Company's already excellent safety and environmental performance.

DIESEL ENGINE SERVICES

The Company is engaged in the overhaul and repair of large medium-speed diesel engines and related parts sales through Kirby Engine Systems, Inc. ("Kirby Engine Systems"), a wholly owned subsidiary of the Company, and its three wholly owned operating subsidiaries, Marine Systems, Inc. ("Marine Systems"), Engine Systems, Inc. ("Engine Systems") and Rail Systems, Inc. ("Rail Systems"). Through these three operating subsidiaries, the Company sells OEM replacement parts, provides service mechanics to overhaul and repair engines and reduction gears, and maintains facilities to rebuild component parts or entire engines and entire reduction gears. The Company serves the marine market and stand-by power generation market throughout the United States, Pacific Rim and Caribbean, the shortline, industrial, and certain transit and Class II railroad markets throughout the United States, other industrial markets such as cement, paper and mining in the Midwest and Southeast, and components of the nuclear industry worldwide. No single customer of the diesel engine services segment accounted for more than 10% of the Company's revenues in 2001, 2000, or 1999. The diesel engine services segment also provides service to the Company's marine transportation segment, which accounted for approximately 3% of the diesel engine services segment's total 2001 revenues, approximately 3% of its revenues for 2000 and 1% in 1999. Such revenues are eliminated in consolidation and not included in the table below.

In July 2001, Rail Systems expanded its distributorship agreement with the Electro-Motive Division of General Motors ("EMD") with the addition of an agreement to distribute EMD replacement parts to certain United States transit and Class II railroads effective July 1, 2001. These new railroads segments are anticipated to purchase between $4,500,000 and $5,500,000 of EMD replacement parts annually from Rail Systems.

In October 2000, Marine Systems completed the acquisition of the Powerway Division of Covington Detroit Diesel -- Allison, Inc. ("Powerway") for $1,428,000 in cash. In November 2000, Marine Systems completed the acquisition of West Kentucky Machine Shop, Inc. ("West Kentucky") for an aggregate consideration of $6,674,000, consisting of $6,629,000 in cash, the assumption of $20,000 of West Kentucky's existing debt and $25,000 of merger costs. The acquisitions were accounted for using the purchase method of accounting. With the acquisition of Powerway, the Company became the sole distributor of aftermarket parts and service for Alco engines throughout the United States for marine, power generation and industrial applications. With the acquisition of West Kentucky, the Company increased its distributorship capabilities to the marine industry with Falk Corporation ("Falk"), a reduction gear manufacturer, and also became a certified industrial renew center for Falk reduction gears for industrial applications in the Midwest. In October 2000, Engine Systems entered into a distributorship agreement with Cooper Energy Services, Inc. ("Cooper") to become the exclusive worldwide distributor for Enterprise and Cooper-Bessemer KSV engines to the nuclear industry.

The following table sets forth the revenues for the diesel engine services segment for the periods indicated (dollars in thousands):

	YEAR ENDED DECEMBER 31,					
	2001		2000		1999	
	AMOUNTS	%	AMOUNTS	%	AMOUNTS	%
Overhaul and repairs	$46,363	54%	$38,228	55%	$ 40,139	54%
Direct parts sales	39,238	46	31,213	45	34,509	46
	$85,601	100%	$69,441	100%	$ 74,648	100%

MARINE OPERATIONS

The Company is engaged in the overhaul and repair of diesel engines and reduction gears, line boring, block welding services and related parts sales for customers in the marine industry. The Company services tugboats and towboats powered by large diesel engines utilized in the inland and offshore barge industries. It also services marine equipment and offshore drilling equipment used in the offshore petroleum exploration and

oil service industry, marine equipment used in the offshore commercial fishing industry and vessels owned by the United States government.

The Company has marine operations throughout the United States providing in-house and in-field repair capabilities and related parts sales. These operations are located in Chesapeake, Virginia, Paducah, Kentucky, Houma, Louisiana, Harvey, Louisiana and Seattle, Washington. The operation based in Chesapeake, Virginia is an authorized distributor for 17 eastern states and the Caribbean for EMD. The marine operations based in Houma, Louisiana, Paducah, Kentucky and Seattle, Washington are nonexclusive authorized service centers for EMD providing service and related parts sales. All of the marine locations are authorized distributors for Falk reduction gears, and all of the marine locations except for Harvey, Louisiana, are also authorized distributors for Alco engines. The Chesapeake, Virginia operation concentrates on East Coast inland and offshore dry-bulk, tank barge and harbor docking operators, the United States Coast Guard and United States Navy. The Houma and Harvey, Louisiana operations concentrate on the inland and offshore barge and oil services industries. The Paducah, Kentucky operation concentrates on the inland river towboat and barge operators and the Great Lakes carriers. The Seattle, Washington operation primarily concentrates on the offshore commercial fishing industry, tugboat and barge industry, the United States Coast Guard and United States Navy, and other customers in Alaska, Hawaii and the Pacific Rim. The Company's emphasis is on service to its customers, and it sends its crews from any of its locations to service customers' equipment anywhere in the world.

MARINE CUSTOMERS

The Company's major marine customers include inland and offshore dry-bulk and tank barge operators, oil service companies, petrochemical companies, offshore fishing companies, other marine transportation entities, and the United States Coast Guard and Navy.

Since the marine business is linked to the relative health of the diesel power tugboat and towboat industry, the offshore supply boat industry, the oil and gas drilling industry, the military and the offshore commercial fishing industry, there is no assurance that its present gross revenues can be maintained in the future. The results of the diesel engine services industry are largely tied to the industries it serves and, therefore, are influenced by the cycles of such industries.

MARINE COMPETITIVE CONDITIONS

The Company's primary competitors are approximately 10 independent diesel services companies and other EMD authorized distributors and authorized service centers. Certain operators of diesel powered marine equipment also elect to maintain in-house service capabilities. While price is a major determinant in the competitive process, reputation, consistent quality, expeditious service, experienced personnel, access to parts inventories and market presence are significant factors. A substantial portion of the Company's business is obtained by competitive bids. However, the Company has entered into preferential service agreements with certain large operators of diesel powered marine equipment. These agreements provide such operators with one source of support and service for all of their requirements at pre-negotiated prices.

Many of the parts sold by the Company are generally available from other service providers, but the Company is one of a limited number of authorized resellers of EMD parts. The Company is also the only marine distributor for Falk reduction gears and the only distributor for Alco engines throughout the United States. Although the Company believes it is unlikely, termination of its distributorship relationship with EMD or its authorized service center relationships with other EMD distributors could adversely affect its business.

POWER GENERATION AND INDUSTRIAL OPERATIONS

The Company is engaged in the overhaul and repair of diesel engines and reduction gears, line boring, block welding service and related parts sales for power generation and industrial customers. The Company is also engaged in the sale and distribution of parts for diesel engines and governors to the nuclear industry. The Company services users of diesel engines that provide standby, peak and base load power generation, as well as users of industrial reduction gears such as the cement, paper and mining industries.

The Company has power generation and industrial operations providing in-house and in-field repair capabilities and safety-related products to the nuclear industry. These operations are located in Rocky Mount, North Carolina, Medley, Florida, Paducah, Kentucky, Harvey, Louisiana and Seattle, Washington. The operations based in Rocky Mount, North Carolina and Medley, Florida are EMD authorized distributors for 17 eastern states and the Caribbean for power generation and industrial applications, and provide in-house and in-field service. The Rocky Mount operation is also the exclusive worldwide distributor of EMD products to the nuclear industry, the exclusive United States distributor for Woodward Governor ("Woodward") products to the nuclear industry and the exclusive worldwide distributor of Cooper products to the nuclear industry. The Paducah, Kentucky operation is a certified industrial renew center for Falk, and provides in-house and in-field repair services for industrial reduction gears in the Midwest. The operation based in Harvey, Louisiana also provides in-house and in-field industrial reduction gear repair services; however, the facility is not a certified industrial renew center. The Seattle, Washington operation provides in-house and in-field repair services for Alco engines located on the West Coast and the Pacific Rim.

POWER GENERATION AND INDUSTRIAL CUSTOMERS

The Company's major power generation customers are Miami-Dade County, Florida Water and Sewer Authority, Progress Energy and the worldwide nuclear power industry. The Company's major industrial customers include the cement, paper and mining industries in the Midwest and southeast United States.

POWER GENERATION AND INDUSTRIAL COMPETITIVE CONDITIONS

The Company's primary competitors are other independent diesel services companies and industrial reduction gear repair companies and manufacturers. While price is a major determinant in the competitive process, reputation, consistent quality, expeditious service, experienced personnel, access to parts inventories and market presence are significant factors. A substantial portion of the Company's business is obtained by competitive bids. The Company has entered into preferential service agreements with certain large operators of diesel powered generation equipment, providing such operations with one source of support and service for all of their requirements at pre-negotiated prices.

The Company is also the exclusive distributor of EMD and Cooper parts for the nuclear industry worldwide and Woodward parts for the domestic nuclear industry. Specific regulations relating to equipment used in nuclear power generation require extensive testing and certification of replacement parts. Non-genuine parts and parts not properly tested and certified cannot be used in the nuclear applications.

ENGINE DISTRIBUTION AGREEMENT

Engine Systems has an agreement with Stewart & Stevenson Services, Inc., allowing Stewart & Stevenson to sell EMD engines in certain applications within Engine Systems' distributorship territory encompassing 17 eastern states and the Caribbean. Engine Systems receives an annual fee based on sales within the distributorship territory.

RAIL OPERATIONS

The Company is engaged in the overhaul and repair of locomotive diesel engines and the sale of replacement parts for locomotives serving shortline, industrial, and certain transit and Class II railroads within the continental United States. The Company serves as an exclusive distributor for EMD providing replacement parts, service and support to these markets. EMD is the world's largest manufacturer of diesel-electric locomotives, a position it has held for over 70 years.

RAIL CUSTOMERS

The Company's rail customers are United States shortline, industrial, transit and Class II operators. The shortline and industrial operators are located throughout the United States, and are primarily branch or spur rail lines that provide the final connection between the plants or mines and the major railroad operators. The shortline railroads are independent operators. The plants and mines own the industrial railroads. The transit railroads are primarily located in larger cities in the Northeast and West Coast of the United States. Transit railroads are operated by cities, states and Amtrak. The Class II railroads are larger regionally operated railroads.

RAIL COMPETITIVE CONDITIONS

As an exclusive United States distributor for EMD parts, the Company provides all EMD parts sales to these markets, as well as providing rebuild and service work. There are several other companies providing service for shortline and industrial locomotives. In addition, the industrial companies, in some cases, provide their own service.

EMPLOYEES

Marine Systems, Engine Systems and Rail Systems together have approximately 250 employees.

PROPERTIES

The principal offices of the diesel engine services segment are located in Houma, Louisiana. The Company also operates eight parts and service facilities that are located in Chesapeake, Virginia, Rocky Mount, North Carolina, Medley, Florida, Paducah, Kentucky, two facilities in Houma, Louisiana, Harvey, Louisiana and Seattle, Washington. All of these facilities are located on leased property except the Houma, Louisiana facilities that are situated on approximately seven acres of Company owned land.

INSURANCE OPERATION

The Company has utilized and continues to utilize a Bermuda domiciled wholly owned insurance subsidiary, Oceanic Insurance Limited ("Oceanic"), to provide certain insurance and reinsurance for the Company and its marine transportation and diesel engine services subsidiaries and affiliated entities.

ITEM 2. PROPERTIES

The information appearing in Item 1 is incorporated herein by reference. The Company and Kirby Inland Marine currently occupy leased office space at 55 Waugh Drive, Suite 1000, Houston, Texas, under a lease that expires in April 2006. The Company believes that its facilities at 55 Waugh Drive are adequate for its needs and additional facilities would be available if required.

ITEM 3. LEGAL PROCEEDINGS

In January 2001, the EPA, in conjunction with other federal and state law enforcement agencies, initiated an investigation into possible violations of the Clean Water Act at a dry cargo barge cleaning facility in Houston operated by Western, a division of Kirby Inland Marine. The Company has cooperated fully with the authorities in the investigation. The U.S. Attorney for the Southern District of Texas has extended an offer to settle the matter under a plea agreement in which Western would plead guilty to one violation of the Clean Water Act for discharging washwater from the facility in violation of the facility's permit. The maximum fine for such a violation is $500,000. The Company is discussing terms of such a plea agreement with the U.S. Attorney and has made an accrual for this matter which management believes is appropriate under present circumstances.

The Company and a group of approximately 45 other companies have been notified that they are Potentially Responsible Parties under the Comprehensive Environmental Response, Compensation and Liability Act with respect to a potential Superfund site, the Palmer Barge Line Site ("Palmer"), located in Port Arthur, Texas. In prior years, Palmer had provided tank barge cleaning services to various subsidiaries of the Company. Based on information currently available, the Company is unable to ascertain the extent of its exposure, if any, in this matter.

In addition, the Company is involved in various legal and other proceedings which are incidental to the conduct of its business, none of which in the opinion of management will have a material effect on the

Company's financial condition, results of operations or cash flows. Management has recorded necessary reserves and believes that it has adequate insurance coverage or has meritorious defenses for these other claims and contingencies.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year ended December 31, 2001, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company are as follows:

NAME	AGE	POSITIONS AND OFFICES
C. Berdon Lawrence	59	Chairman of the Board of Directors
J. H. Pyne	54	President, Director and Chief Executive Officer
Norman W. Nolen	59	Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary
Mark R. Buese	46	Senior Vice President -- Administration
Jack M. Sims	59	Vice President -- Human Resources
Howard G. Runser	51	Vice President -- Information Technology
G. Stephen Holcomb	56	Vice President, Controller and Assistant Secretary
Steven P. Valerius	47	President -- Kirby Inland Marine
Dorman L. Strahan	45	President -- Kirby Engine Systems

No family relationship exists among the executive officers or among the executive officers and the directors. Officers are elected to hold office until the annual meeting of directors, which immediately follows the annual meeting of stockholders, or until their respective successors are elected and have qualified.

C. Berdon Lawrence holds an M.B.A. degree and a B.B.A. degree in business administration from Tulane University. He has served the Company as Chairman of the Board since October 1999. Prior to joining the Company in October 1999, he served for 30 years as President of Hollywood Marine, an inland tank barge company of which he was the founder and principal shareholder and which was acquired by the Company in October 1999.

J. H. Pyne holds a degree in liberal arts from the University of North Carolina and has served as President and Chief Executive Officer of the Company since April 1995. He has served the Company as a Director since 1988. He served as Executive Vice President of the Company from 1992 to April 1995 and as President of Kirby Inland Marine from 1984 to November 1999. He also served in various operating and administrative capacities with Kirby Inland Marine from 1978 to 1984, including Executive Vice President from January to June 1984. Prior to joining the Company, he was employed by Northrop Services, Inc. and served as an officer in the United States Navy.

Norman W. Nolen is a Certified Public Accountant and holds an M.B.A. degree from the University of Texas and a degree in electrical engineering from the University of Houston. He has served the Company as Executive Vice President, Chief Financial Officer and Treasurer since October 1999 and served as Senior Vice President, Chief Financial Officer and Treasurer from February 1999 to October 1999. Prior to joining the Company, he served as Senior Vice President, Treasurer and Chief Financial Officer of Weatherford International, Inc. from

1991 to 1998. He served as Corporate Treasurer of Cameron Iron Works from 1980 to 1990 and as a corporate banker with Texas Commerce Bank from 1968 to 1980.

Mark R. Buese holds a degree in business administration from Loyola University and has served the Company as Senior Vice President -- Administration since October 1999. He served the Company or one of its subsidiaries as Vice President -- Administration from 1993 to October 1999. He also served as Vice President of Kirby Inland Marine from 1985 to 1999 and served in various sales, operating and administrative capacities with Kirby Inland Marine from 1978 through 1985.

Jack M. Sims holds a degree in business administration from the University of Miami and has served the Company, or one of its subsidiaries, as Vice President -- Human Resources since 1993. Prior to joining the Company in March 1993, he served as Vice President -- Human Resources for Virginia Indonesia Company from 1982 through 1992, Manager -- Employee Relations for Houston Oil and Minerals Corporation from 1977 through 1981 and in various professional and managerial positions with Shell Oil Company from 1967 through 1977.

Howard G. Runser holds an M.B.A. degree from Xavier University and a Bachelor of Science degree from Penn State University. He has served the Company as Vice President -- Information Technology since January 2000. He is a Certified Data Processor and a Certified Computer Programmer. Prior to joining the Company in January 2000, he was Vice President of Financial Information Systems for Petroleum Geo-Services, and previously held management positions with Weatherford International, Inc. and Compaq Computer Corporation.

G. Stephen Holcomb holds a degree in business administration from Stephen F. Austin State University and has served the Company as Vice President, Controller and Assistant Secretary since January 1989. He also served as Controller from 1987 through 1988 and as Assistant Controller from 1976 through 1986. Prior to that, he was Assistant Controller of Kirby Industries from 1973 to 1976. Prior to joining the Company, he was employed by Cooper Industries, Inc.

Steven P. Valerius holds a J.D. degree from South Texas College of Law and a degree in business administration from the University of Texas. He has served the Company as President of Kirby Inland Marine since November 1999. Prior to joining the Company in October 1999, he served as Executive Vice President of Hollywood Marine. Prior to joining Hollywood Marine in 1979, he was employed by KPMG LLP.

Dorman L. Strahan attended Nicholls State University and has served the Company as President of Kirby Engine Systems since May 1999, President of Marine Systems since 1986, President of Rail Systems since 1993 and President of Engine Systems since 1996. After joining the Company in 1982 in connection with the acquisition of Marine Systems, he served as Vice President of Marine Systems until 1985.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange under the symbol KEX. The following table sets forth the high and low sales prices per share for the common stock for the periods indicated:

SALES PRICE	HIGH	LOW
2002 First Quarter (through March 5, 2002)	$32.00	$25.65
2001 First Quarter	22.19	18.35
Second Quarter	25.45	19.83
Third Quarter	25.60	20.85
Fourth Quarter	29.00	22.00
2000 First Quarter	20.50	17.63
Second Quarter	24.63	19.63
Third Quarter	24.00	19.00
Fourth Quarter	21.00	17.25

As of March 6, 2002, the Company had 24,119,005 outstanding shares held by approximately 1,000 stockholders of record.

The Company does not have an established dividend policy. Decisions regarding the payment of future dividends will be made by the Board of Directors based on the facts and circumstances that exist at that time. Since 1989, the Company has not paid any dividends on its common stock.

The common stock issued by the Company in the acquisition of Hollywood Marine was not registered under the Securities Act of 1933 (the "Act") in reliance on an exemption from registration under Section 4(2) of the Act and Regulation D promulgated thereunder. Hollywood Marine was a closely held company and the Hollywood Marine merger was a privately negotiated transaction without any general solicitation or advertising. The shareholders of Hollywood Marine who received the Company's common stock represented to the Company that they were all "accredited investors" (as defined in Regulation D) who were acquiring the Company's stock for investment and acknowledged that there would be restrictions on transfer of the shares received in the merger.

ITEM 6. SELECTED FINANCIAL DATA

The comparative selected financial data of the Company and consolidated subsidiaries is presented for the five years ended December 31, 2001. The discontinued operations for the 1997 year reflect the financial results for the Company's offshore tanker and harbor service operations that were discontinued in 1997. The information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company and the Financial Statements included under Item 8 elsewhere herein (in thousands, except per share amounts):

FOR THE YEARS ENDED DECEMBER 31,	2001	2000	1999(*)	1998(*)	1997
Revenues:					
Marine transportation	$481,283	$443,203	$290,956	$244,839	$256,108
Diesel engine services	85,601	69,441	74,648	82,241	79,136
	$566,884	$512,644	$365,604	$327,080	$335,244
Net earnings from continuing operations	$ 39,603	$ 34,113	$ 21,441	$ 10,109	$ 22,705
Discontinued operations:					
Earnings from discontinued operations, net of income taxes	--	--	--	--	2,943
Estimated loss on sale of discontinued operations, net of income taxes	--	--	--	--	(3,966)
	--	--	--	--	(1,023)
Net earnings	$ 39,603	$ 34,113	$ 21,441	$ 10,109	$ 21,682
Earnings (loss) per share of common stock:					
Basic:					
Continuing operations	$ 1.65	$ 1.40	$ 1.01	$ .46	$ .93
Discontinued operations	--	--	--	--	(.04)
	$ 1.65	$ 1.40	$ 1.01	$ .46	$ .89
Diluted:					
Continuing operations	$ 1.63	$ 1.39	$ 1.01	$ .46	$ .92
Discontinued operations	--	--	--	--	(.04)
	$ 1.63	$ 1.39	$ 1.01	$ .46	$ .88
Weighted average shares outstanding:					
Basic	24,027	24,401	21,172	21,847	24,381
Diluted	24,270	24,566	21,293	22,113	24,594

DECEMBER 31,	2001	2000	1999(*)	1998(*)	1997
Property and equipment, net	$466,239	$453,807	$451,851	$256,899	$272,384
Total assets	$754,471	$749,268	$753,397	$390,299	$517,959
Long-term debt	$249,737	$293,372	$321,607	$142,885	$154,818
Stockholders' equity	$301,022	$262,649	$240,036	$141,040	$218,269

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(*) Comparability with prior periods is affected by the following: the sale of the Company's remaining interest in Universal Insurance Company, a Puerto Rico property and casualty insurance company in the Commonwealth of Puerto Rico, effective September 30, 1998, and the purchase of the stock of

Hollywood Marine effective October 12, 1999.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company evaluates its estimates and assumptions on an ongoing basis based on a combination of historical information and various other assumptions that are believed to be reasonable under the particular circumstances. Actual results may differ from these estimates based on different assumptions or conditions. The Company believes the critical accounting policies that most impact our consolidated financial statements are described below. It is also suggested that the Company's significant accounting policies, as described in the Company's financial statements in Note 1, Summary of Significant Accounting Policies, be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Accounts Receivable. The Company extends credit to its customers in the normal course of business. The Company regularly reviews its accounts and estimates the amount of uncollectable receivables each period and establishes an allowance for uncollectable amounts. The amount of the allowance is based on the age of unpaid amounts, information about the current financial strength of customers, and other relevant information. Estimates of uncollectable amounts are revised each period, and changes are recorded in the period they become known. Historically, credit risk with respect to these trade receivables has generally been considered minimal because of the financial strength of the Company's customers; however, a significant change in the level of uncollectable amounts could have a material effect on the Company's results of operations.

Property, Maintenance and Repairs. Property is recorded at cost. Improvements and betterments are capitalized as incurred. Depreciation is recorded on the straight-line method over the estimated useful lives of the individual assets. When property items are retired, sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts with any gain or loss on the disposition included in income. Routine maintenance and repairs are charged to operating expense as incurred on an annual basis. The Company reviews long-lived assets for impairment by vessel class whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of the assets is measured by a comparison of the carrying amount of the assets to future net cash expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There are many assumptions and estimates underlying the determination of an impairment event or loss, if any. The assumptions and estimates include, but are not limited to, estimated fair market value of the assets and estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used, and estimated salvage values. Although the Company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce a materially different result.

Goodwill. The excess of the purchase price over the fair value of identifiable net assets acquired in transactions accounted for as a purchase are included in goodwill. Through the end of 2001, goodwill was amortized on the straight-line method over the lesser of its expected useful life or forty years. Management monitors the recoverability of the goodwill on an ongoing basis based on projections of the undiscounted future cash flows, excluding interest expense, of acquired assets. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average weighted cost of capital. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved. There are many assumptions and estimates underlying the determination of an impairment event or loss, if any. Although the Company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce a materially different result.

Accrued Insurance. The Company is subject to property damage and casualty risks associated with operating vessels carrying large volumes of bulk cargo in a marine environment. The Company maintains insurance coverage against these risks subject to a deductible, below which the Company is liable. In addition to expensing claims below the deductible amount as incurred, the Company also maintains a reserve for losses that may have occurred but have not been reported to the Company. The Company uses historic experience and actuarial analysis by outside consultants to estimate an appropriate level of reserves. If the actual number of claims and magnitude were substantially greater than assumed, the required level of reserves for claims incurred but not reported could be materially understated. The Company records receivables from its insurers for incurred claims above the Company's deductible. If the solvency of the insurers became impaired, there could be an adverse impact on the accrued receivables and the availability of insurance.

ACQUISITIONS AND LEASES

On October 12, 2000, the Company's subsidiary, Marine Systems, completed the acquisition of Powerway for $1,428,000 in cash. On November 1, 2000, Marine Systems completed the acquisition of West Kentucky for an aggregate consideration of $6,674,000, consisting of $6,629,000 in cash, the assumption of $20,000 of West Kentucky's existing debt and $25,000 in merger costs.

On October 12, 1999, the Company completed the acquisition of Hollywood Marine by means of a merger of Hollywood Marine into Kirby Inland Marine. Pursuant to the Agreement and Plan of Merger, the Company acquired Hollywood Marine for an aggregate consideration of $320,788,000, consisting of $89,586,000 in common stock (4,384,000 shares at $20.44 per share), $128,658,000 in cash, the assumption and refinancing of $99,185,000 of Hollywood Marine's existing debt and $3,359,000 of merger costs. A final post-closing working capital adjustment was completed on February 29, 2000, for an additional $1,802,000 in common stock (88,000 shares at $20.44 per share). The final total purchase consideration for Hollywood Marine was $322,590,000. C. Berdon Lawrence was the principal shareholder of Hollywood Marine. Hollywood Marine's operations were included as part of the Company's operations effective October 12, in accordance with the purchase method of accounting. Goodwill was being amortized over 30 years.

In February 2001, the Company, through its marine transportation segment, entered into a long-term lease with a subsidiary of Dow for 94 inland tank barges. The 94 inland tank barges, all double hull, have a total capacity of 1,335,000 barrels. The inland tank barges were acquired by Dow as part of the February 5, 2001 merger between Union Carbide and Dow. The Company has a long-term contract with Dow to provide for Dow's bulk liquid inland marine transportation requirements throughout the United States inland waterway system. With the merger between Union Carbide and Dow, the Company's long-term contract with Dow was amended to provide for Union Carbide's bulk liquid inland marine transportation requirements. At the inception of the lease, the Dow Union Carbide barges were used exclusively in Dow's Union Carbide service. Partial transition of the tank barges into the Company's marine transportation fleet began in the 2001 third quarter and was completed during September 2001.

RESULTS OF OPERATIONS

The Company reported net earnings of $39,603,000, or $1.63 per share, on revenues of $566,884,000 for 2001, compared with net earnings of $34,113,000, or $1.39 per share, on revenues of $512,644,000 for 2000 and net earnings of $21,441,000, or $1.01 per share, on revenues of $365,604,000 for 1999.

Marine transportation revenues for 2001 totaled $481,283,000, or 85% of total revenues, compared with $443,203,000, or 86% of total revenues for 2000 and $290,956,000, or 80% of total revenues for 1999. Diesel engine services revenues for 2001 totaled $85,601,000, or 15% of total revenues, compared with $69,441,000, or 14% of total revenues for 2000 and $74,648,000, or 20% of total revenues for 1999.

The 2000 and 1999 results included merger related charges of $199,000 and $4,502,000, or $130,000 and $2,912,000 after taxes, or $.01 and $.14 per share, respectively, associated with the acquisition of Hollywood Marine. The charges are more fully described below.

The 1999 results also included a $1,065,000, $692,000 after taxes, or $.03 per share, charge to equity in earnings of marine affiliates related to an impairment write-down in the carrying value of an offshore dry-cargo barge in a 50% owned marine partnership. The barge was subsequently sold in 2000.

For purposes of this Management's Discussion, all earnings per share are "Diluted earnings per share". The weighted average number of common shares applicable to diluted earnings for 2001, 2000 and 1999 were 24,270,000, 24,566,000 and 21,293,000 shares, respectively. The increase in the weighted average number of common shares for 2001 and 2000 compared with 1999 primarily reflected the issuance of common stock for the Hollywood Marine acquisition in October 1999, partially offset by open market stock repurchases during 2001 and 2000.

MARINE TRANSPORTATION

The Company, through its marine transportation segment, is a provider of marine transportation services, operating a fleet of 858 inland tank barges and 214 inland towing vessels, transporting petrochemicals and chemicals, refined petroleum products, black oil products and agricultural chemicals along the United States inland waterways. The marine transportation segment also operates one offshore dry-bulk barge and tugboat unit. The segment serves as managing partner of a 35% owned offshore marine partnership, consisting of four dry-bulk barge and tug units. The partnership is accounted for under the equity method of accounting.

MARINE TRANSPORTATION REVENUES

The marine transportation segment reported 2001 revenues of $481,283,000, a 9% increase compared with $443,203,000 reported for the 2000 year and a 65% increase compared with $290,956,000 reported for the 1999 year. The 1999 year included revenues from Hollywood Marine beginning October 12, the date of acquisition. Revenues for the 1999 year on a pro forma basis combining the Company and Hollywood Marine were $422,412,000.

2001 MARINE TRANSPORTATION REVENUES

Revenues for the 2001 year totaled $481,283,000, or 9% over 2000 revenues. The increase included revenues generated from the leasing, in February 2001, of 94 inland tank barges from Dow. The Company generated approximately $24,000,000 of revenues during 2001 from such service. From the date of the lease until late in the 2001 third quarter, the leased barges were employed exclusively in Dow's Union Carbide service. Late in the 2001 third quarter, the Company completed the partial integration of the leased tank barges into the Company's inland tank barge fleet under the terms of the Company's long-term contract with Dow. The completed partial integration allowed the Company to achieve additional operating synergies and total use of the Company's distribution system.

For the 2001 year, the Company benefited from strong upriver refined products movements and favorable black oil movements. The Company's liquid fertilizer movements were higher than expected for the first half of 2001. Petrochemical and chemical movements were depressed for the entire year, the result of a continued slow United States economy.

The strong upriver refined products movements were accelerated in mid-August by a Chicago, Illinois area refinery fire, which closed the facility for an estimated six month period. The facility closure created an anomaly in the normal distribution patterns of refined petroleum products into the Midwest. Historically, upriver movements of refined products are slower after the Labor Day holiday, marking the completion of the summer driving season. In 2001, upriver refined products movements remained strong through the end of the year.

The favorable 2001 black oil movements were primarily driven by the continued high demand for asphalt for use in the active rebuilding of the United States highway infrastructure. In addition, during the 2001 first half, black oil demand was impacted by high natural gas prices, which created additional demand for residual fuel as a natural gas substitute for boiler fuel. With the decline in natural gas prices by the end of the 2001 second quarter, the demand for black oil movements returned to normal levels.

During the 2001 first quarter, and into April and May, high natural gas prices caused the United States manufacturers of nitrogen based fertilizer to significantly curtail production. However, the agricultural demand for nitrogen based fertilizer was strong, and foreign producers made up the shortfall of domestic production. The significant importing of liquid fertilizer disrupted the traditional rail and inland tank barge distribution patterns and created additional barge movements for the marine transportation segment. Liquid fertilizer movements in the 2001 third quarter were at expected levels, while 2001 fourth quarter movements were slow, the result of high Midwest inventories.

Contract renewals during 2001 were generally at modestly higher prices. Spot market rates, after the mid-August 2001 refinery fire, were generally higher than the 2001 first half, the result of increased utilization to meet the demand for refined product movements into the Midwest. During the 2001 year, approximately 70% of movements were under term contract and approximately 30% were spot market movements.

During the 2001 first half, and particularly the first quarter, the marine transportation operations were hampered by adverse weather conditions. Along the Gulf Coast, heavy fog and strong winds caused delays, thereby increasing transit times. Operations on the Illinois River ceased for the majority of January 2001 due to ice. In February, March, April and early May, high water caused navigational delays on the Mississippi River. During the second half of 2001, and particularly the third quarter, the segment benefited from favorable weather and water conditions.

2000 MARINE TRANSPORTATION REVENUES

Revenues for 2000 increased 52% over 1999 revenues, primarily reflecting a full year of revenues from Hollywood Marine, acquired in October 1999. During the 2000 year, approximately 70% of movements were under term contracts and 30% were spot market movements.

During the first half of 2000, petrochemical and chemical movements were strong, reflecting the strong United States economy. During the second half of the year, and specifically the fourth quarter, demand for the movements of petrochemicals and chemicals softened, the result of a slowing economy and inventory adjustments. Refined product movements to the Midwest were strong in the 2000 first half, were unseasonably soft in the third quarter and returned to expected levels in the fourth quarter. During the 2000 third quarter, refined product movements declined earlier than the typical slowdown after the Labor Day holiday. Fertilizer movements were unseasonably strong in the 2000 first quarter, the result of low inventory levels in Midwest terminals, and at expected levels for the balance of the year. Black oil and pressure product movements were at expected levels for the 2000 year.

During the 2000 year, contract renewals were generally at modestly higher rates. Spot market rates trended upward to record high levels during the 2000 first half, the result of strong transportation markets. In the 2000 second half, spot market rates declined approximately 10% from their record high levels due to the decline in refined product movements and the softness in petrochemical and chemical movements. At the end of 2000, spot market rates were approximately 5% higher than levels at the end of 1999.

The 2000 first quarter and fourth quarter were negatively impacted by seasonal weather. Low water conditions on the Mississippi River System in the 2000 first, third and fourth quarters resulted in longer transit times, as well as restricted drafts requiring the light loading of product for upriver movements, negatively impacting revenues. Weather and water conditions for the 2000 second quarter were favorable.

1999 MARINE TRANSPORTATION REVENUES

Revenues for 1999 increased 19% over 1998 revenues, including revenues from Hollywood Marine since the date of acquisition. During 1999, revenues reflected a modest continual upward trend in spot market rates and contract renewals were generally at modestly higher rates. During the first nine months of 1999, approximately 75% of movements were under term contracts and 25% were spot transactions. After the acquisition of Hollywood Marine, approximately 70% of movements were under term contracts and 30% were spot movements. Hollywood Marine movements were approximately 60% contract and 40% spot market.

During the 1999 year, petrochemical and chemical movements remained strong. Refined product movements, more seasonal in nature, were strong during the summer months and steady during the non-summer months. Liquid fertilizer and ammonia movements fell below normal expectations during the first nine months; however, movements rebounded during the fourth quarter to more normal levels. Overproduction of nitrogen in 1998 and early 1999, coupled with a 30-year low corn price level, deterred farmers from planting corn and resulted in high inventory levels of liquid fertilizer in the Midwest. Producers curtailed production for most of 1999, resulting in decreased shipments of liquid fertilizer into the Midwest. Black oil shipments, a product line acquired with the October 1999 Hollywood Marine acquisition and more seasonal in nature, were negatively impacted by warm weather in October and November.

During the 1999 first quarter, poor operating conditions resulted in significant navigational delays (weather, locks and other restrictions), which lowered revenues due to increased transit times. During the 1999 fourth quarter, lack of adequate rainfall in the Ohio River Valley and the Midwest resulted in low water levels in the Mississippi River north of Baton Rouge. Such low water levels resulted in the light loading of product, thereby reducing revenues.

MARINE TRANSPORTATION COSTS AND EXPENSES

Costs and expenses, excluding interest expense, for the segment for the 2001 year totaled $398,209,000, up 9% compared with 2000 year costs and expenses, excluding interest expense and merger related charges, of $365,103,000. The 2001 costs and expenses were up 64% compared with the 1999 costs and expenses of $243,431,000, excluding interest expense and merger related charges. The 1999 year included the costs and expenses of Hollywood Marine since the date of acquisition. Each year reflected higher equipment costs, health and welfare costs, and inflationary increases in costs and expenses.

2001 MARINE TRANSPORTATION COSTS AND EXPENSES

Costs of sales and operating expenses totaled $286,641,000 for 2001, an increase of 9% compared with $262,725,000 for the 2000 year. The increase is in proportion to the higher revenues recorded in 2001. The 2001 year included lease costs, as well as operating expenses, associated with the February 2001 leasing of 94 inland tank barges from Dow.

Selling, general and administrative expenses for 2001 were $54,070,000, or 15% higher than 2000 expenses of $47,149,000. The increase primarily reflected higher salaries, higher bonus and profit-sharing accruals, and the hiring of additional personnel as a result of the leasing of the inland tank barges from Dow.

Taxes, other than on income totaled $11,211,000 for 2001 compared with $9,908,000 for 2000. The 13% increase was primarily due to increased waterway use taxes associated with higher business activity levels, including the additional Dow business.

Depreciation and amortization, including amortization of goodwill, totaled $46,287,000 for 2001, an increase of 2% over $45,321,000 for 2000. The increase included the addition of eleven new barges placed in service during 2000 and 2001.

2000 MARINE TRANSPORTATION COSTS AND EXPENSES

Costs of sales and operating expenses for 2000 totaled $262,725,000 compared with $175,118,000 in 1999, an increase of 50%, primarily reflecting the full year of expenses associated with the Hollywood Marine acquisition. The increase also included significantly higher fuel cost, as the average cost of fuel per gallon consumed during 2000 was 87 cents compared with an average price per gallon consumed during 1999 of 48 cents per gallon. The segment's term contracts contain fuel escalation clauses; however, there is generally a 30 to 90 day delay before contracts are adjusted. The segment also incurred additional training expenses during 2000 associated with the hiring and training of entry level personnel in order to maintain adequate crewing for the vessels in a very tight afloat labor market.

Selling, general and administrative expenses totaled $47,149,000 for 2000 compared with $32,207,000 for 1999. The 46% increase was primarily due to the Hollywood Marine acquisition, including additional administrative expenses associated with the integration of the Company's and Hollywood Marine's accounting, information and dispatching systems.

Taxes, other than on income was $9,908,000 for 2000, an increase of 20% compared with $8,228,000 for the 1999 year. The 20% increase was primarily due to higher property and waterway use taxes as a result of the Hollywood Marine acquisition.

Depreciation and amortization, including amortization of goodwill, for 2000 increased to $45,321,000 from $27,878,000 for the 1999 year, an increase of 63%. The increase was attributable almost entirely to the Hollywood Marine acquisition.

1999 MARINE TRANSPORTATION COSTS AND EXPENSES

Costs of sales and operating expenses for the 1999 year totaled $175,118,000, an increase of 17% over 1998 expenses of $150,027,000. The 1999 costs and expenses included the expenses of Hollywood Marine since October 12, the date of acquisition. The 1999 year also included the full year's impact of an overall 20% afloat wage increase implemented during 1998, the result of a tight afloat labor market. The increase was necessary not only to retain current employees, but also to increase compensation to levels that would be competitive with other industries so as to attract new afloat personnel. Afloat wages for the 1999 year increased approximately $6,900,000 compared with 1998 as a result of the overall 20% wage increase and the Hollywood Marine acquisition.

During 1999, selling, general and administrative expenses, taxes, other than on income, and depreciation and amortization increased 25%, 12% and 16%, respectively, compared with the 1998 year. Each increase was primarily attributable to the Hollywood acquisition and inflationary increases in costs and expenses.

MARINE TRANSPORTATION OPERATING INCOME

Operating income for the marine transportation segment for the 2001 year totaled $83,074,000, a 6% increase compared with $78,100,000 of operating income for 2000, and 75% higher than the 1999 operating income of $47,525,000.

The operating margin for the marine transportation segment was 17.3% for 2001, compared with 17.6% for 2000 and 16.3% for 1999. The slight decline in the 2001 operating margin compared with the 2000 year reflected reduced petrochemical and chemical movements during 2001, as petrochemical and chemical movements typically earn a higher operating margin than refined products and liquid fertilizer movements. The Company generally manages the larger petrochemical and chemical fleet of assets more efficiently through positioning and compatible cargo opportunities.

MARINE TRANSPORTATION EQUITY IN EARNINGS OF MARINE AFFILIATES

Equity in earnings of marine affiliates consisted primarily of a 35% owned offshore marine partnership in 2001 and 2000, and the 35% owned and a 50% owned offshore marine partnership for 1999. Equity in earnings totaled $2,950,000 for the 2001 year, down 13% from equity in earnings of $3,394,000 for 2000 and up 38% from equity in earnings of $2,136,000 for 1999.

During 2001, 2000 and 1999, the four offshore dry-cargo barge and tugboat units owned through the 35% owned partnerships with a public utility were generally employed under the partnership's contract to transport coal across the Gulf of Mexico, with a separate contract for the backhaul of limestone rock. The lower 2001 year results reflect major maintenance at the customer's docking facility which closed the facility for a portion of the 2001 third quarter, and the Company's decision to conduct early maintenance on two of the offshore barge and tugboat units while the facility was closed. During the 1999 fourth quarter, the carrying value of an offshore dry-cargo barge owned through the 50% partnership was reduced by $2,130,000 ($1,065,000 to the Company). The impairment, in accordance with SFAS No. 121, was recorded as a reduction in equity in earnings of marine affiliates.

DIESEL ENGINE SERVICES

The Company, through its diesel engine services segment, sells genuine replacement parts, provides service mechanics to overhaul and repair large medium-speed diesel engines and reduction gears, and maintains facilities to rebuild component parts or entire large medium-speed diesel engines or entire reduction gears. The segment services the marine, power generation and industrial, and railroad markets.

DIESEL ENGINE SERVICES REVENUES

The diesel engine services segment reported 2001 revenues of $85,601,000, an increase of 23% compared with $69,441,000 reported for the 2000 year and an increase of 15% compared with $74,648,000 reported for the 1999 year.

2001 DIESEL ENGINE SERVICES REVENUES

Revenues for 2001, as noted above, totaled $85,601,000, or 23% over 2000 revenues. The 2001 year included a full year of revenues from two service company acquisitions, Powerway acquired in October 2000 and West Kentucky in November 2000. The 2001 year also included revenues from an agreement signed in July 2001 with EMD to sell replacement parts for locomotive engines to certain United States transit and Class II railroads. Nuclear revenues were also stronger in 2001, along with revenues from the Gulf of Mexico oil and gas services market, a market which was strong in the first half of 2001, however, weaker during the second half of the year. The segment's shortline and industrial railroad markets remained weak the entire year.

2000 DIESEL ENGINE SERVICES REVENUES

Revenues for 2000 reflected a 7% decrease compared with 1999 revenues. During 2000, the segment experienced softness in its East Coast engine rebuild market, as well as its Midwest marine and industrial rail application markets. However, the segment benefited from stronger service work and parts sales to the Gulf of Mexico oil and gas services market, a market which had been depressed since mid 1998.

1999 DIESEL ENGINE SERVICES REVENUES

Revenues for 1999 were 9% lower than 1998 revenues, principally due to the depressed Gulf Coast oil and gas services markets and the sale of the power control business line in September 1998, which generated approximately $5,100,000 of 1998 revenues through the date of sale. In the 1999 first six months, strong Midwest and East Coast engine overhauls and parts sales partially offset the weak Gulf Coast market. During the 1999 second half, the Midwest and East Coast demands returned to normal, resulting in the reduction in overall revenues for 1999 compared with 1998. In addition, the segment's shortline and industrial railroad markets continued to experience slower activity levels during the 1999 year when compared with 1998.

DIESEL ENGINE SERVICES COSTS AND EXPENSES

Costs and expenses, excluding interest expense, for the segment for 2001 totaled $77,490,000, an increase of 24% compared with $62,486,000 for 2000, and an increase of 15% compared with $67,519,000 for 1999.

2001 DIESEL ENGINE SERVICES COSTS AND EXPENSES

Costs of sales and operating expenses totaled $64,150,000 in 2001, an increase of 22% over $52,610,000 for the 2000 year. Selling, general and administrative expenses increased 31% from $8,917,000 in 2000 to $11,680,000 in 2001. Taxes, other than on income for 2001 was $286,000 compared with $268,000 in 2000. Depreciation and amortization, including the amortization of goodwill totaled $1,374,000, or 99% higher than $691,000 reported for 2000. The increases, excluding the 99% increase in depreciation and amortization, were in proportion to the higher revenues in 2001 over 2000, reflecting the full year impact of the cost and expenses of the two acquisitions, Powerway in October and West Kentucky in November of 2000. In addition, the 2001 cost and expenses include the impact of the July 2001 agreement with EMD to sell replacement parts for locomotive engines to certain transit and Class II railroads. The 99% increase in depreciation and amortization primarily reflected the amortization of goodwill associated with the Powerway and West Kentucky acquisitions.

2000 DIESEL ENGINE SERVICES COSTS AND EXPENSES

Costs of sales and operating expenses were $52,610,000 in 2000 compared with $57,911,000 in 1999, a decrease of 9%. Selling, general and administrative expenses increased to $8,917,000 in 2000 compared with $8,517,000 for 1999. Taxes, other than on income and depreciation and amortization remained relatively unchanged. The 9% decrease in costs of sales and operating expenses reflected the 7% decline in revenues, as well as cost control initiatives.

1999 DIESEL ENGINE SERVICES COST AND EXPENSES

Costs of sales and operating expenses for 1999 totaled $57,911,000, a decrease of 4% compared with $60,390,000 for 1998. Selling, general and administrative expenses for 1999 was $8,517,000 compared with $12,652,000 for 1998, a decrease of 33%. Taxes, other than on income and depreciation and amortization were relatively unchanged from year to year. The 4% decrease in costs and sales and operating expenses reflected the decline in business from the segment's Gulf Coast market and the sale of the power control portion of the business in 1998. The 33% decrease in selling, general and administrative expenses reflected the segment's cost reduction efforts from the consolidation of operations.

DIESEL ENGINE SERVICES OPERATING INCOME

Operating income for the segment for 2001 was $8,111,000, an increase of 17% compared with $6,955,000 for 2000 and 14% higher than the $7,129,000 of operating income in 1999. The operating margin for the segment was 9.5% for 2001, 10.0% for 2000 and 9.6% for 1999. The decline in the operating margin for the 2001 year was primarily attributable to increased lower margin replacement parts sales to the transit and Class II railroads.

GENERAL CORPORATE EXPENSES

General corporate expenses for 2001 totaled $7,088,000, $7,053,000 in 2000 and $4,814,000 in 1999. The 47% increase in 2000 over 1999 was primarily attributable to the Hollywood Marine acquisition.

MERGER RELATED CHARGES

In connection with the October 1999 acquisition of Hollywood Marine, the Company recorded $4,502,000 of pre-tax merger related charges ($2,912,000 after taxes, or $.14 per share) in the fourth quarter of 1999 to combine the acquired operations with those of the Company. Such charges were as follows (in thousands):

Severance for Company employees............................	$2,061
Exit of insurance mutual...................................	870
Corporate headquarters lease abandonment...................	1,571

	$4,502
	======

The cash portion of the merger related charge totaled $3,248,000. The non-cash portion of the charges consisted of $748,000 for the write-off of the Company's leasehold improvements of its former corporate headquarters and $506,000 for severance pay for changes in stock option terms.

In 2000, the Company recorded additional merger related charges of $199,000, consisting of a $482,000 ($313,000 after taxes, or $.01 per share) charge in June associated with the termination of the corporate headquarter's lease and a $283,000 ($184,000 after taxes, or $.01 per share) credit in December to reduce the current estimates of remaining expenditures. The Company paid the remaining accrued severance in June 2001. The remaining corporate headquarters reserve for lease abandonment was paid in January 2001.

GAIN ON DISPOSITION OF ASSETS

The Company reported net gains on disposition of assets of $363,000 in 2001, $1,161,000 in 2000 and $64,000 in 1999. The net gains were predominantly from the sale of marine equipment.

INTEREST EXPENSE

Interest expense for 2001 totaled $19,038,000, compared with $23,917,000 in 2000 and $12,838,000 in 1999. The 20% reduction for 2001 compared with 2000 primarily reflected lower debt levels, with the paydown of $43,635,000 of debt during 2001, and lower interest rates on the Company's variable rate debt. Interest rate swap agreements totaling $150,000,000, executed in February and April 2001 to hedge a portion of its exposure to fluctuations in short-term interest rates and more fully discussed in Long-Term Financing below, resulted in additional interest expense of $2,210,000 for the 2001 year. The 86% increase for 2000 over 1999 was the result of borrowings to finance the Hollywood Marine acquisition since October 12, 1999, the date of the acquisition, and treasury stock repurchases. The average debt and average interest rate for 2001 were $264,568,000 and 7.2%, compared with $320,955,000 and 7.5% for 2000 and $172,394,000 and 7.5% for 1999, respectively.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

BALANCE SHEET

Total assets as of December 31, 2001 were $754,471,000 compared with $749,268,000 as of December 31, 2000 and $753,397,000 as of December 31, 1999.

In December 2000, Oceanic, the Company's wholly owned captive insurance subsidiary, liquidated its remaining available-for-sale securities, which totaled $9,781,000 as of September 30, 2000. Prior to 1999, Oceanic was used to insure risks of the Company and its subsidiaries, which required Oceanic to be more fully capitalized.

Total current assets as of December 31, 2001 were $113,247,000, a decrease of 4% compared with $118,466,000 as of December 31, 2000 and 8% lower than the December 31, 1999 current asset balance of $122,823,000. The 4% decrease from 2000 to 2001 reflected a $2,808,000 reduction in cash and cash equivalents and a $1,816,000, or 2% reduction in trade accounts receivables, despite marine transportation and diesel engine services revenues increasing during 2001 by a combined 11% over 2000. The reduction in trade accounts receivable reflected the Company's emphasis on the collection of such receivables during 2001.

Property and equipment, net of accumulated depreciation, totaled $466,239,000 as of December 31, 2001, relatively constant with the $453,807,000 as of December 31, 2000 and $451,851,000 as of December 31, 1999. The 2000 balance reflected two diesel engine services acquisitions in the 2000 fourth quarter and a final purchase price adjustment to the Hollywood Marine acquisitions totaling approximately $4,600,000 to reflect the fair value of the property and equipment acquired in the transaction. Capital expenditures are more fully described below.

Goodwill as of December 31, 2001 totaled $156,726,000 as of December 31, 2001 compared with $162,604,000 as of December 31, 2000 and $161,095,000 as of December 31, 1999. Goodwill totaling $157,352,000 was recorded in 1999, and adjusted in 2000 by an additional $3,900,000, for the Hollywood Marine acquisition, representing the excess of the purchase price over the amount allocated to identifiable assets and liabilities. In 2000, the Company also recorded goodwill totaling approximately $3,300,000 from two diesel engine services acquisitions. Goodwill from the Hollywood Marine acquisition was being amortized over 30 years, and the diesel engine services goodwill was being amortized over 10 to 15 years. See Accounting Standards below for a discussion of new accounting standards relating to the amortization of goodwill that will be adopted by the Company in 2002.

Total current liabilities as of December 31, 2001 were $97,057,000 compared with $97,037,000 as of December 31, 2000 and $91,565,000 as of December 31, 1999. In December 2001, the current portion of long-term debt decreased $5,000,000 from the prepayment of a private placement note, more fully described under Long-Term Financing below. The debt prepayment was offset by higher bonus, pension and profit sharing accruals and deferred revenues as of December 31, 2001.

Long-term debt, less current portion, as of December 31, 2001 totaled $249,402,000 compared with $288,037,000 as of December 31, 2000 and $316,272,000 as of December 31, 1999. The 13% reduction in 2001 compared with 2000, and 21% compared with 1999 primarily resulted from the pay down of long-term debt from the free cash flow generated by the Company in 2001 and 2000, less capital expenditures and treasury stock repurchases for each year.

Stockholders' equity as of December 31, 2001 totaled $301,022,000 compared with $262,649,000 as of December 31, 2000 and $240,036,000 as of December 31, 1999. The increase for the 2001 year primarily reflected net earnings of $39,603,000, a net decrease in treasury stock of $1,635,000, an increase of $499,000 in additional paid-in capital, and a $3,364,000 decrease in accumulated other comprehensive income. The reduction in treasury stock reflected $4,385,000 associated with the exercise of employee stock options, less $2,750,000 of open market treasury stock purchases. The $3,364,000 decrease in accumulated other comprehensive income resulted from the net change in the fair value of interest rate swap agreements, net of taxes, more fully described under Long-Term Financing below.

The increase for the 2000 and 1999 year included net earnings of $34,113,000 and $21,441,000, respectively, offset by open market treasury stock purchases of $15,791,000 and $12,362,000, respectively. The 1999 balance also reflected the Company's issuance of $89,586,000 of the Company's common stock associated with the purchase of Hollywood Marine.

LONG-TERM FINANCING

The Company has an unsecured revolving credit facility (the "Revolving Credit Facility") with a syndicate of banks, with JPMorgan Chase as the agent bank. On November 5, 2001, the Company amended the Revolving Credit Facility to increase the revolving credit amount from $100,000,000 to $150,000,000 and to extend the maturity date to October 9, 2004. Borrowing options under the amended Revolving Credit Facility allow the Company to borrow at an interest rate equal to either the London Interbank Offered Rate ("LIBOR") plus a margin ranging from .75% to 1.50%, depending on the Company's senior debt rating; or an adjusted Certificate of Deposit ("CD") rate plus a margin ranging from .875% to 1.625%, also depending on the Company's senior debt rating; or the greater of prime rate, Federal Funds rate plus .50%, or the secondary market rate for three-month CD rate plus 1%. A commitment fee is charged on the unused portion of the Revolving Credit Facility at rates ranging from .20% to .40%, depending on the Company's senior debt rating, multiplied by the average unused portion of the Revolving Credit Facility, and is paid quarterly. A utilization fee equal to .125% to .25%, also depending on the Company's senior debt rating, of the average outstanding borrowings during periods in which the total borrowings exceed 33% of the total $150,000,000 commitment, is also paid quarterly. At March 6, 2002, the applicable interest rate spread over LIBOR was .875% and the commitment fee and utilization fee were .25% and .125%, respectively. The amended Revolving Credit Facility also included modifications to certain financial covenants, including an increase in the minimum net worth requirement, as defined, to $225,000,000. In addition to financial covenants, the Revolving Credit Facility contains covenants that, subject to exceptions, restrict debt incurrence, mergers and acquisitions, sales of assets, dividends and investments, liquidations and dissolutions, capital leases, transactions with affiliates, negative pledge clauses and changes in lines of business. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, the purchase of existing or new equipment, the purchase of the Company's common stock, or for business acquisitions. The Company was in compliance with all Revolving Credit Facility covenants at December 31, 2001. As of December 31, 2001, $13,000,000 was outstanding under the Revolving Credit Facility. The Revolving Credit Facility includes a $10,000,000 commitment which may be used for standby letters of credit. Outstanding letters of credit under the Revolving Credit Facility totaled $703,000 as of December 31, 2001.

The Company has an unsecured term loan credit facility (the "Term Loan") with a syndicate of banks, with Bank of America, N.A. ("Bank of America") as the agent bank. Borrowing options under the Term Loan allow the Company to borrow at an interest rate equal to either LIBOR plus a margin ranging from .75% to 1.50%, depending on the Company's senior debt rating; or an adjusted CD rate plus a margin ranging from .875% to 1.625%, also depending on the Company's senior debt rating; or the greater of prime rate, Federal Funds rate plus .50%, or the secondary market rate for three-month CD rate plus 1%. A utilization fee equal to .125% to .25%, depending on the Company's senior debt rating, of the average outstanding borrowings during periods in which the total borrowings exceed 33% of the original $200,000,000 commitment, is paid quarterly. At March 6, 2002, the applicable interest rate spread over LIBOR was .875% and the utilization fee was .125%. On November 5, 2001, the Term Loan was amended to conform existing financial covenants to the amended Revolving Credit Facility. In addition to financial covenants, the Term Loan contains covenants that, subject to exceptions, restrict debt incurrence, mergers and acquisitions, sales of assets, dividends and investments, liquidations and dissolutions, capital leases, transactions with affiliates, negative pledge clauses and changes in lines of business. The Company was in compliance with all Term Loan covenants at December 31, 2001. As of December 31, 2001, the amount borrowed under the Term Loan was $184,000,000. The final maturity of the Term Loan is October 9, 2004.

The Company has an uncommitted and unsecured $10,000,000 line of credit ("Credit Line") with Bank of America whereby Bank of America will consider short-term advances and the issuance of letters of credit. On November 6, 2001, the Credit Line was amended to extend the maturity date to November 5, 2002. Borrowings under the Credit Line allow the Company to borrow at an interest rate equal to either LIBOR plus a margin of 1%; or the higher of prime rate or the Federal Funds rate plus .50%. As of December 31, 2001, $1,800,000 was borrowed under the Credit Line and outstanding letters of credit totaled $64,000.

The Company has on file with the Securities and Exchange Commission a shelf registration for the issuance of up to $250,000,000 of medium term notes ("Medium Term Notes") providing for the issuance of fixed rate or floating rate notes with maturities of nine months or longer. As of December 31, 2001, 2000 and 1999, $121,000,000 was available under the Medium Term Note program, subject to mutual agreement to terms, to provide financing for future business or equipment acquisitions, and to fund working capital requirements. As of December 31, 2001, $50,000,000 was outstanding under the program. On January 29, 2002, the Company used proceeds from the Revolving Credit Facility to retire the $50,000,000 of Medium Term Notes due on that date.

On December 31, 2001, the Company prepaid the remaining $5,000,000 of principal outstanding on a $50,000,000 private placement 8.22% senior note with a maturity date of June 30, 2002. Principal payments of $5,000,000, plus interest, were due annually through June 30, 2002.

In February and April 2001 the Company hedged a portion of its exposure to fluctuations in short-term interest rates by entering into interest rate swap agreements with JPMorgan Chase and Bank of America ("bank counterparties"). Five-year swap agreements with notional amounts totaling $100 million were executed in February 2001 and three-year swap agreements with notional amounts totaling $50 million were executed in April 2001. Under the swap agreements, the Company will pay to the bank counterparties a fixed rate of 4.96% on a notional amount of $50 million for three years, an average fixed rate of 5.64% on a notional amount of $100 million for five years, and will receive from the bank counterparties floating rate interest payments based on LIBOR for United States dollar deposits. Under Statement of Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", the interest rate swap agreements are designated as cash flow hedges. The changes in fair value, to the extent the swap agreements are effective, are recognized in other comprehensive income until the hedged interest expense is recognized in earnings. No gain or loss on ineffectiveness was required to be recognized in 2001. The fair value of the interest rate swap agreements was recorded as an other long-term liability of $5,176,000 at December 31, 2001. The Company has recorded, in interest expense, losses related to the interest rate swap agreements of $2,210,000 for the year ended December 31, 2001. Fair value amounts were determined as of December 31, 2001 based on quoted market values, the Company's portfolio of derivative instruments, and the Company's measurement of hedge effectiveness.

CAPITAL EXPENDITURES

Capital expenditures for the 2001 year totaled $59,159,000, of which $20,305,000 were for fleet and project construction, and $38,854,000 were primarily for upgrading of the existing marine transportation fleet. For the 2000 year, capital expenditures totaled $47,683,000, of which $5,635,000 were for fleet and project construction and $42,048,000 were primarily for upgrading of the existing marine transportation fleet. For the 1999 year, capital expenditures totaled $12,719,000, primarily for upgrading of the existing marine transportation fleet.

In September 2000, the Company entered into a contract for the construction of six double hull, 30,000 barrel capacity, inland tank barges for use in the transportation of petrochemicals, chemicals and refined petroleum products. Two of the barges were placed into service during the 2001 second quarter, three during the third quarter and the final barge placed into service in the fourth quarter. The total purchase price of the six barges was approximately $8,700,000. Financing of the construction of the six barges was through operating cash flows and available credit under the Company's Revolving Credit Facility.

In January 2001, the Company entered into a contract for the construction of five double hull, 30,000 barrel capacity, inland tank barges which will be used for transporting asphalt. During the 2001 third quarter, two of the asphalt barges were placed into service and the remaining three barges were placed into service in the fourth quarter. The total purchase price of the five barges was approximately $8,900,000. Financing of the construction of the five barges was through operating cash flows and available credit under the Company's Revolving Credit Facility.

In June 2001, the Company entered into a contract for the construction of six double hull, 30,000 barrel capacity, inland tank barges for use in the transportation of petrochemicals, chemicals and refined petroleum products. Delivery of the six barges is expected over an eight month period starting in February 2002. The total purchase price of the six barges is approximately $8,700,000, of which approximately $1,500,000 was expended in 2001. Financing of the remaining construction cost of the six barges will be through operating cash flows and borrowings under the Company's Revolving Credit Facility.

In February 2002, the Company entered in a contract for the construction of two double hull, 30,000 barrel capacity, inland tank barges which will be used for transporting asphalt. Delivery of the first barge is expected in the fourth quarter of 2002 and the second barge in first quarter of 2003. The total purchase price of the two barges is approximately $3,600,000. Financing of the construction of the two barges will be through operating cash flows and borrowings under the Company's Revolving Credit Facility.

TREASURY STOCK PURCHASES

During 2001, the Company purchased 126,000 shares of its common stock at a total purchase price of $2,750,000, for an average price of $21.77 per share. During 2000, the Company purchased 860,000 shares of its common stock at a total purchase price of $15,791,000, for an average price of $18.37 per share. During 1999, the Company purchased 713,000 shares of its common stock at a total purchase price of $12,362,000, for an average price of $17.33 per share.

On April 20, 1999, the Board of Directors increased the Company's common stock repurchase authorization by an additional 2,000,000 shares. As of March 6, 2002, the Company had 1,376,000 shares available under the repurchase authorization. Historically, treasury stock purchases have been financed through operating cash flows and borrowings under the Company's Revolving Credit Facility. The Company is authorized to purchase its common stock on the New York Stock Exchange and in privately negotiated transactions. When purchasing its common stock, the Company is subject to price, trading volume and other market considerations. Shares purchased may be used for reissuance upon the exercise of stock options or the granting of other forms of incentive compensation, in future acquisitions for stock or for other appropriate corporate purposes.

LIQUIDITY

The Company generated net cash provided by operating activities of $96,940,000, $83,303,000 and $72,369,000 for the years ended December 31, 2001, 2000 and 1999, respectively. The increase for 2001 was positively influenced by a $3,106,000 decrease in working capital, while the 2000 year reflected a full year of operations from the Hollywood Marine purchase, partially offset by a $1,948,000 negative impact in working capital.

The Company accounts for its ownership in its 35% and 50% owned marine transportation partnerships under the equity method of accounting, recognizing cash flow only upon the receipt or distribution of cash from the partnerships. For the 2001, 2000 and 1999 years, the Company received $1,883,000, $5,460,000 and $3,121,000, respectively, of cash from the marine partnerships.

Funds generated are available for acquisitions, capital construction projects, treasury stock repurchases, repayment of borrowings associated with each of the above and for other operating requirements. In addition to net cash flow provided by operating activities, the Company also had available as of March 6, 2002, $94,255,000 under its Revolving Credit Facility and $121,000,000 under its Medium Term Notes program, subject to mutual agreement and terms. As of March 5, 2002, the Company had $9,510,000 available under its Credit Line. On January 29, 2002, $50,000,000 of Medium Term Notes matured, and were funded under the Revolving Credit Facility.

Neither the Company, nor any of its subsidiaries, is obligated on any debt instrument, swap agreement, or any other financial instrument or commercial contract which has a rating trigger, except for pricing grids on its Term Loan, Revolving Credit Facility, and Credit Line. The pricing grids on the Company's long-term debt are discussed in Note 4, Long-Term Debt in the financial statements.

The Company expects to continue to fund expenditures for acquisitions, capital construction projects, treasury stock repurchases, repayment of borrowings, and for other operating requirements from a combination of funds generated from operating activities and available financing arrangements.

There are numerous factors that may negatively impact the Company's cash flow in 2002. For a list of significant risks and uncertainties that could impact cash flows, see Note 11, Contingencies and Commitments in the financial statements. Amounts available under the Company's existing financial arrangements are subject to the Company continuing to meet the covenants of the credit facilities as also described in Note 4, Long-Term Debt in the financial statements.

The Company has a 50% interest in a joint venture bulk liquid terminal business which has a $6,511,000 term loan outstanding. The Company uses the equity method of accounting to reflect its investment in the joint venture. The loan is non-recourse to the Company and the Company has no guarantee obligation.

The contractual obligations of the Company and its subsidiaries at December 31, 2001 consisted of the following (in thousands):

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS:	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Long-term debt.......................	$249,737	$64,636	$185,061	$ 8	$ 32
Non-cancelable operating leases......	50,464	14,381	22,355	11,791	1,937
Capital expenditures.................	10,800	9,022	1,778	--	--
	$311,001	$88,039	$209,194	$11,799	$1,969

The Company has issued guaranties or obtained stand-by letters of credit and performance bonds supporting performance by the Company and its subsidiaries of contractual or contingent legal obligations of the Company and its subsidiaries incurred in the ordinary course of business. The aggregate notional value of these instruments is $42,603,000 at December 31, 2001, $35,425,000 of which is a guarantee by the Company of performance of its statutory liability obligations in the event of oil or chemical spills, which is required in order to obtain mandatory Certificates of Financial Responsibility issued by the United States Coast Guard for the Company's vessels. Ninety-seven percent of these instruments have an expiration date within three years. All but $1,624,000 of these financial instruments relate to contingent legal obligations which are covered by the Company's liability insurance program in the event the obligations are incurred. The Company does not believe demand for payment under these instruments is likely and expects no material cash outlays to occur in connection with these instruments.

During the last three years, inflation has had a relatively minor effect on the financial results of the Company. The marine transportation segment has long-term contracts which generally contain cost escalation clauses whereby certain costs, including fuel, can be passed through to its customers; however, there is typically a 30 to 90 day delay before contracts are adjusted for fuel prices. The repair portion of the diesel engine services segment is based on prevailing current market rates.

ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142") were issued in July 2001. SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method of accounting and that certain acquired intangible assets in a business combination be recognized and reported as assets apart from goodwill. SFAS No. 142 requires that amortization of goodwill will cease and be replaced with periodic tests of the goodwill's impairment at least annually in accordance with the provisions of SFAS No. 142 and that intangible assets other than goodwill be amortized over their useful lives. The Company has adopted SFAS No. 141 and will adopt SFAS No. 142 during the first quarter of 2002.

Amortization expense related to goodwill for 2001, 2000, and 1999 was $6,111,000, $5,702,000 and $1,625,000, respectively. Amortization expense related to equity-method goodwill for 2001, 2000, and 1999 was $142,000, $142,000 and $35,000, respectively. Because of the extensive effort needed to comply with adopting SFAS No. 142, it is not practicable to reasonably estimate the impact of the adoption on the Company's financial statements at the date of this report, including whether any transitional impairment losses will be required to be recognized as a cumulative effect of a change in accounting principle.

In June 2001, Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143") was issued. SFAS

No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. SFAS No. 143 requires the fair value of a liability associated with an asset retirement be recognized in the period in which it is incurred if a reasonable estimate of fair value can be determined. The associated retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over the life of the asset. SFAS No. 143 is effective for the Company at the beginning of fiscal 2003. The Company has not completed its analysis of the impact, if any, of the adoption of SFAS No. 143 on its consolidated financial statements.

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144") was issued in August 2001. SFAS No. 144 addresses the accounting and reporting for the impairment or disposal of long-lived assets and supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121") and APB Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The objective of SFAS No. 144 is to establish one accounting model for long-lived assets to be disposed of by sale, as well as resolve implementation issues related to SFAS No. 121, while retaining many of its fundamental provisions. The Company will adopt SFAS No. 144 during the first quarter of 2002 and does not expect it to have a material effect on the Company's financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on certain of its outstanding debt and changes in fuel prices. The outstanding loan balance under the Company's bank credit facilities bear interest at variable rates based on prevailing short-term interest rates in the United States and Europe. Notes issued under the Company's medium term note program may bear fixed or variable interest rates, although the notes issued to date have all been fixed rate notes. A 10% change in variable interest rates would impact the 2002 interest expense by approximately $271,000, based on balances outstanding at December 31, 2001, and change the fair value of the Company's debt by less than 1%. The potential impact on the Company of fuel price increases is limited because most of its term contracts contain escalation clauses under which increases in fuel costs, among other, can be passed on to the customers, while its spot contract rates are set based on prevailing fuel prices. The Company does not presently use commodity derivative instruments to manage its fuel costs. The Company has no foreign exchange risk.

From time to time, the Company has utilized and expects to continue to utilize derivative financial instruments with respect to a portion of its interest rate risks to achieve a more predictable cash flow by reducing its exposure to interest rate fluctuations. These transactions generally are interest rate swap agreements and are entered into with major financial institutions. Derivative financial instruments related to the Company's interest rate risks are intended to reduce the Company's exposure to increases in the benchmark interest rates underlying the Company's variable rate bank credit facilities. The Company does not enter into derivative financial instrument transactions for speculative purposes.

In February and April 2001 the Company hedged a portion of its exposure to fluctuations in short-term interest rates by entering into interest rate swap agreements with bank counterparties. Five-year swap agreements with notional amounts totaling $100 million were executed in February 2001 and three-year swap agreements with notional amounts totaling $50 million were executed in April 2001. Under the swap agreements, the Company will pay to the bank counterparties a fixed rate of 4.96% on a notional amount of $50 million for three years, an average fixed rate of 5.64% on a notional amount of $100 million for five years, and will receive from the bank counterparties floating rate interest payments based on the LIBOR for United States dollar deposits. The interest rate swap agreements are designated as cash flow hedges, therefore, the changes in fair value, to the extent the swap agreements are effective, are recognized in other comprehensive income until the hedged interest expense is recognized in earnings. No gain or loss on ineffectiveness was required to be recognized in 2001. The fair value of the interest rate swap agreements was recorded as an other long-term liability of $5,176,000 at December 31, 2001. The Company has recorded, in interest expense, losses related to the interest rate swap agreements of $2,210,000 for the year ended December 31, 2001. Fair value amounts were determined as of December 31, 2001 based on quoted market values, the Company's portfolio of derivative instruments, and the Company's measurement of hedge effectiveness.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is submitted as a separate section of this report (see Item 14, page 65).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEMS 10 THROUGH 13.

The information for these items is incorporated by reference to the definitive proxy statement filed by the Company with the Commission pursuant to the Regulation 14A within 120 days of the close of the fiscal year ended December 31, 2001, except for the information regarding executive officers which is provided in a separate item, captioned "Executive Officers of the Registrant," and is included as an unnumbered item following Item 4 in Part I of this Form 10-K.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Kirby Corporation:

We have audited the accompanying consolidated balance sheets of Kirby Corporation and consolidated subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion of these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kirby Corporation and consolidated subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Houston, Texas
January 30, 2002

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001 AND 2000

	2001	2000
	($ IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,850	$ 4,658
Accounts receivable:		
Trade -- less allowance for doubtful accounts of $1,583,000 ($816,000 in 2000)	78,677	80,493
Insurance claims and other	5,420	6,910
Inventory -- finished goods, at lower of average cost or market	15,105	15,650
Prepaid expenses	9,082	7,034
Deferred income taxes	3,113	3,721
Total current assets	113,247	118,466
Property and equipment:		
Marine transportation equipment	714,397	666,254
Land, buildings and equipment	61,760	57,922
	776,157	724,176
Accumulated depreciation	309,918	270,369
	466,239	453,807
Investment in marine affiliates	13,439	12,784
Goodwill -- less accumulated amortization of $15,566,000 ($9,455,000 in 2000)	156,726	162,604
Other assets	4,820	1,607
	$754,471	$749,268
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 335	$ 5,335
Income taxes payable	2,997	3,393
Accounts payable	35,378	35,877
Accrued liabilities:		
Interest	1,526	1,238
Insurance premiums and claims	23,420	22,507
Bonus, pension and profit-sharing plans	15,963	13,848
Taxes -- other than on income	5,707	5,610
Other	7,481	5,916
Deferred revenues	4,250	3,313
Total current liabilities	97,057	97,037
Long-term debt -- less current portion	249,402	288,037
Deferred income taxes	89,542	89,138
Minority interests	2,819	3,308
Other long-term liabilities	14,629	9,099
	356,392	389,582
Contingencies and commitments	--	--
Stockholders' equity:		
Preferred stock, $1.00 par value per share. Authorized 20,000,000 shares	--	--
Common stock, $.10 par value per share. Authorized 60,000,000 shares, issued 30,907,000 shares	3,091	3,091
Additional paid-in capital	176,074	175,575
Accumulated other comprehensive income	(3,364)	--
Retained earnings	242,211	202,608
	418,012	381,274
Less cost of 6,892,000 shares in treasury (7,025,000 in 2000)		

116,990 118,625 -------- -------- 301,022 262,649 -----
--- -------- $754,471 $749,268 ======== ========

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	2001	2000	1999
	($ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Revenues:			
Marine transportation	$481,283	$443,203	$290,956
Diesel engine services	85,601	69,441	74,648
	566,884	512,644	365,604
Costs and expenses:			
Costs of sales and operating expenses	351,155	315,435	233,078
Selling, general and administrative	69,720	60,780	42,832
Taxes, other than on income	11,668	10,223	8,576
Depreciation and other amortization	44,133	42,502	29,653
Amortization of goodwill	6,111	5,702	1,625
Merger related charges	--	199	4,502
Gain on disposition of assets	(363)	(1,161)	(64)
	482,424	433,680	320,202
Operating income	84,460	78,964	45,402
Equity in earnings of marine affiliates	2,950	3,394	2,136
Investment income and other income (expense)	(540)	337	965
Minority interests	(706)	(966)	(273)
Interest expense	(19,038)	(23,917)	(12,838)
Earnings before taxes on income	67,126	57,812	35,392
Provision for taxes on income	27,523	23,699	13,951
Net earnings	$ 39,603	$ 34,113	$ 21,441
Net earnings per share of common stock:			
Basic	$ 1.65	$ 1.40	$ 1.01
Diluted	$ 1.63	$ 1.39	$ 1.01

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	2001	2000	1999
	($ IN THOUSANDS)		
Common stock: Balance at beginning and end of year	$ 3,091	$ 3,091	$ 3,091
Additional paid-in capital:			
Balance at beginning of year	$ 175,575	$ 175,231	$ 159,122
Deficit of cost of treasury stock sold over proceeds received upon exercise of stock options	(6)	(455)	(697)
Tax benefit realized from stock option plans	505	470	319
Adjustment for treasury stock reissued for acquisition	--	329	16,487
Balance at end of year	$ 176,074	$ 175,575	$ 175,231
Accumulated other comprehensive income:			
Balance at beginning of year	$ --	$ (317)	$ 338
Change in fair value of derivative financial instruments, net of tax	(3,364)	$ --	$ --
Unrealized net gain (loss) in value of available-for-sale securities, net of tax	--	317	(655)
Balance at end of year	$ (3,364)	$ --	$ (317)
Retained earnings:			
Balance at beginning of year	$ 202,608	$ 168,495	$ 147,054
Net earnings for the year	39,603	34,113	21,441
Balance at end of year	$ 242,211	$ 202,608	$ 168,495
Treasury stock:			
Balance at beginning of year	$(118,625)	$(106,464)	$(168,565)
Purchase of treasury stock (126,000 shares in 2001, 860,000 shares in 2000 and 713,000 shares in 1999)	(2,750)	(15,791)	(12,362)
Cost of treasury stock sold upon exercise of stock options (259,000 shares in 2001, 130,000 shares in 2000 and 83,000 shares in 1999)	4,385	2,157	1,364
Cost of treasury stock reissued for acquisition (88,000 shares in 2000 and 4,384,000 shares in 1999)	--	1,473	73,099
Balance at end of year	$(116,990)	$(118,625)	$(106,464)
Comprehensive income:			
Net earnings for the year	$ 39,603	$ 34,113	$ 21,441
Other comprehensive income (loss), net of tax	(3,364)	317	(655)
Total comprehensive income	$ 36,239	$ 34,430	$ 20,786

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	2001	2000	1999
	($ IN THOUSANDS)		
Cash flows from operating activities:			
Net earnings	$ 39,603	$ 34,113	$ 21,441
Adjustments to reconcile net earnings to net cash provided by operations:			
Depreciation and amortization	50,244	48,204	31,278
Provision (credit) for deferred income taxes	2,994	194	(511)
Gain on disposition of assets	(363)	(1,161)	(64)
Equity in earnings of marine affiliates, net of distributions and contributions	(656)	2,197	985
Merger related charges, net of cash expenditures	--	199	4,383
Deferred scheduled maintenance costs	307	370	301
Other	1,705	1,135	437
Increase (decrease) in cash flows resulting from changes in:			
Accounts receivable	2,260	(8,171)	15,114
Inventory	545	(955)	1,054
Other assets	(5,650)	2,944	(371)
Income taxes payable	122	3,249	2,074
Accounts payable	(528)	5,017	2,683
Accrued and other liabilities	6,357	(4,032)	(6,435)
Net cash provided by operating activities	96,940	83,303	72,369
Cash flows from investing activities:			
Proceeds from sale and maturities of investments	--	13,568	6,697
Capital expenditures	(59,159)	(47,683)	(12,719)
Acquisition of companies, net of cash acquired	--	(7,942)	(231,058)
Proceeds from disposition of assets	2,774	3,583	775
Other	10	(40)	--
Net cash used in investing activities	(56,375)	(38,514)	(236,305)
Cash flows from financing activities:			
Borrowings (payments) on bank credit facilities, net	(33,300)	22,100	(16,000)
Proceeds from senior credit facility	--	--	200,000
Payments on long-term debt	(10,335)	(50,355)	(5,333)
Purchase of treasury stock	(2,750)	(15,791)	(12,362)
Return of investment to minority interests	(1,195)	(996)	(326)
Proceeds from exercise of stock options	4,207	1,340	667
Net cash provided by (used in) financing activities	(43,373)	(43,702)	166,646
Increase (decrease) in cash and cash equivalents	(2,808)	1,087	2,710
Cash and cash equivalents, beginning of year	4,658	3,571	861
Cash and cash equivalents, end of year	$ 1,850	$ 4,658	$ 3,571
Supplemental disclosures of cash flow information:			
Cash paid during the year:			
Interest	$ 18,275	$ 24,538	$ 12,242
Income taxes	$ 24,591	$ 20,035	$ 10,329
Noncash investing and financing activity:			
Treasury stock reissued in acquisition	$ --	$ 1,802	$ 89,586
Cash acquired in acquisition	$ --	$ 140	$ 88
Debt assumed in acquisition	$ --	$ 20	$ 56

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. The consolidated financial statements include the accounts of Kirby Corporation and all majority-owned subsidiaries ("the Company"). One affiliated limited partnership in which the Company owns 50% of the voting common stock but has effective control and whose activities are an integral part of the operations of the Company is consolidated. All other investments in which the Company owns 20% to 50% and exercises significant influence over operating and financial policies are accounted for using the equity method. All material intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to reflect the current presentation of financial information.

Accounting Policies

Cash Equivalents. Cash equivalents consist of all short-term, highly liquid investments with maturities of three months or less at date of purchase.

Accounts Receivable. In the normal course of business, the Company extends credit to its customers. The Company regularly reviews the accounts and makes adequate provisions for probable uncollectible balances. It is the Company's opinion that the accounts have no impairment, other than that for which provisions have been made. Included in accounts receivable as of December 31, 2001 and 2000 were $7,066,000 and $5,778,000, respectively, of accruals for diesel engine services work in process which have not been invoiced as of the end of each year.

The Company's marine transportation and diesel engine services operations are subject to hazards associated with such businesses. The Company maintains insurance coverage against these hazards with mutual insurance and reinsurance companies. As of December 31, 2001 and 2000, the Company had receivables of $1,550,000 and $3,465,000, respectively, from the mutual insurance and reinsurance companies to cover claims over the Company's deductible.

Concentrations of Credit Risk. Financial instruments which potentially subject the Company to concentrations of credit risk are primarily trade accounts receivables. The Company's marine transportation customers include the major oil refining and petrochemical companies. The diesel engine services customers are offshore oil and gas service companies, inland and offshore marine transportation companies, commercial fishing companies, power generation companies, shortline, industrial, and certain transit and Class II railroads, and the United States government. Credit risk with respect to these trade receivables is generally considered minimal because of the financial strength of such companies as well as the Company's having procedures in effect to monitor the credit worthiness of customers.

Fair Value of Financial Instruments. Cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these financial instruments. The fair value of the Company's debt instruments is more fully described in Note 4, Long-Term Debt.

Property, Maintenance and Repairs. Property is recorded at cost. Improvements and betterments are capitalized as incurred. Depreciation is recorded on the straight-line method over the estimated useful lives of the individual assets as follows: marine transportation equipment, 6-37 years; buildings, 10-40 years; other equipment, 2-10 years; and leasehold improvements, term of lease. When property items are retired, sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts with any gain or loss on the disposition included in income. Routine maintenance and repairs are charged to operating expense as incurred on an annual basis. Scheduled major maintenance on ocean-going vessels is recognized as prepaid maintenance costs when incurred and charged to operating expense over the period between such scheduled maintenance, generally ranging from 23 to 34 months.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

Environmental Liabilities. The Company expenses costs related to environmental events as they are incurred or when a loss is considered probable and estimable.

Goodwill. The excess of the purchase price over the fair value of identifiable net assets acquired in transactions accounted for as a purchase are included in goodwill. The goodwill is amortized on the straight-line method over the lesser of its expected useful life or forty years. Management monitors the recoverability of the goodwill on an ongoing basis based on projections of the undiscounted future cash flows, excluding interest expense, of acquired assets. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's weighted average cost of capital. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142") were issued in July 2001. SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method of accounting and that certain acquired intangible assets in a business combination be recognized and reported as assets apart from goodwill. SFAS No. 142 requires that amortization of goodwill will cease and be replaced with periodic tests of the goodwill's impairment at least annually in accordance with the provisions of SFAS No. 142 and that intangible assets other than goodwill be amortized over their useful lives. The Company has adopted SFAS No. 141 and will adopt SFAS No. 142 during the first quarter of 2002.

Amortization expense related to goodwill for 2001, 2000, and 1999 was $6,111,000, $5,702,000 and $1,625,000, respectively. Amortization expense related to equity-method goodwill for 2001, 2000, and 1999 was $142,000, $142,000 and $35,000, respectively. Because of the extensive effort needed to comply with adopting SFAS No. 142, it is not practicable to reasonably estimate the impact of the adoption of the Company's financial statements at the date of this report, including whether any transitional impairment losses will be required to be recognized as a cumulative effect of a change in accounting principle.

Revenue Recognition. The majority of marine transportation revenue is derived from term contracts, ranging from one to 10 years, and the remainder is from spot market movements. The majority of the term contracts are for terms of one year. The Company is strictly a provider of marine transportation services for its customers and does not assume ownership of any of the products it transports. A term contract is an agreement with a specific customer to transport cargo from a designated origin to a designated destination at a set rate. The rate may or may not escalate during the term of the contract, however, the base rate generally remains constant and contracts often include escalation provisions to recover changes in specific costs such as fuel. Term contracts typically only set agreement as to rates and do not have volume requirements. A spot contract is an agreement with a customer to move cargo from a specific origin to a designated destination for a rate negotiated at the time the cargo movement takes place. Spot contract rates are at the current "market" rate. The Company uses a voyage accounting method of revenue recognition for its marine transportation revenues which allocates voyage revenue and expenses based on the percent of the voyage completed during the period. There is no difference in the recognition of revenue between a term contract and a spot contract.

Diesel engine service products and services are generally sold based upon purchase orders or preferential service agreements with the customer that include fixed or determinable prices and that do not include right of return or significant post delivery performance obligations. Diesel engine parts sales are recognized when title passes upon shipment to customers. Diesel overhauls and repairs revenue are reported on the percentage of completion method of accounting using measurements of progress towards completion appropriate for the work performed.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

Stock-Based Compensation. The intrinsic value method of accounting is used for stock-based employee compensation whereby no compensation expense is recorded when the stock option exercise price is equal to, or greater than, the market price of the Company's common stock on the date of the grant. Income tax benefits attributable to stock options exercised are credited to additional paid-in capital.

Taxes on Income. The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company files a consolidated federal income tax return with its domestic subsidiaries and its Bermudan subsidiary, Oceanic Insurance Limited ("Oceanic").

Accrued Insurance. Accrued insurance liabilities include estimates based on individual incurred claims outstanding and an estimated amount for losses incurred but not reported (IBNR) based on past experience. Insurance premiums, IBNR losses and incurred claims losses, up to the Company's deductible, for 2001, 2000 and 1999 were $14,109,000, $12,198,000 and $10,278,000, respectively.

Minority Interests. The Company has a majority interest in and is the general partner for the affiliated entities. In situations where losses applicable to the minority interest in the affiliated entities exceed the limited partners' equity capital, such excess and any further loss attributable to the minority interest is charged against the Company's interest in the affiliated entities. If future earnings materialize in the respective affiliated entities, the Company's interest would be credited to the extent of any losses previously absorbed.

Treasury Stock. The Company follows the average cost method of accounting for treasury stock transactions.

Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. The Company reviews long-lived assets and certain identifiable intangibles for impairment by vessel class whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of the assets, assuming the above asset groups, is measured by a comparison of the carrying amount of the assets to future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144") was issued in August 2001. SFAS No. 144 addresses the accounting and reporting for the impairment or disposal of long-lived assets and supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121") and APB Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The objective of SFAS No. 144 is to establish one accounting model for long-lived assets to be disposed of by sale, as well as to resolve implementation issues related to SFAS No. 121, while retaining many of the fundamental provisions of SFAS No. 121. The Company will adopt SFAS No. 144 during the first quarter of 2002 and does not expect it to have a material effect on the Company's financial position or results of operations.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

In December 1999, a marine partnership in which the Company owns a 50% interest, reduced the carrying value of an offshore dry-cargo barge by taking a $2,130,000 pre-tax impairment charge in accordance with the provisions of SFAS No. 121. The Company's portion of the charge was $1,065,000, and the after-tax effect of the charge to the Company was $692,000, or $.03 per share. The charge was reflected in equity in earnings of marine affiliates on the 1999 consolidated statements of earnings.

(2) ACQUISITIONS

On October 12, 2000, the Company completed the acquisition of the Powerway Division of Covington Detroit Diesel -- Allison, Inc. ("Powerway") for $1,428,000 in cash. With the acquisition of Powerway, the Company became the sole distributor of aftermarket parts and service for Alco diesel engines throughout the United States for marine, power generation and industrial applications. Goodwill was amortized over 10 years. On November 1, 2000, the Company completed the acquisition of West Kentucky Machine Shop, Inc. ("West Kentucky") for an aggregate consideration of $6,674,000, consisting of $6,629,000 in cash, the assumption of $20,000 of West Kentucky's existing debt and $25,000 of merger costs. The acquisition of West Kentucky provided the Company with increased distributorship capabilities with Falk Corporation, a reduction gear manufacturer used in marine and industrial applications. Goodwill was amortized over 15 years. The acquisitions were accounted for using the purchase method of accounting. Financing for the two acquisitions was through the Company's revolving credit facility.

On October 12, 1999, the Company completed the acquisition of Hollywood Marine, Inc. ("Hollywood Marine"), by means of a merger of Hollywood Marine into Kirby Inland Marine, LP, a wholly owned subsidiary of the Company. Pursuant to the Agreement and Plan of Merger, the Company acquired Hollywood Marine for an aggregate consideration (before post-closing adjustments) of $320,788,000, consisting of $89,586,000 in common stock (4,384,000 shares at $20.44 per share), $128,658,000 in cash, the assumption and refinancing of $99,185,000 of Hollywood Marine's existing debt and $3,359,000 of merger costs. A final post-closing working capital adjustment was completed on February 29, 2000 for an additional $1,802,000 in common stock (88,000 shares at $20.44 per share). The final total purchase consideration for the Hollywood Marine acquisition was $322,590,000. C. Berdon Lawrence was the principal shareholder of Hollywood Marine. Hollywood Marine's operations were included as part of the Company's operations effective October 12, in accordance with the purchase method of accounting. Goodwill was amortized over 30 years.

Hollywood Marine, located in Houston, Texas, was engaged in the inland tank barge transportation of petrochemicals and chemicals, refined petroleum products, pressurized products and black oil products primarily along the Gulf Intracoastal Waterway, the Houston Ship Channel and the lower Mississippi River. Hollywood Marine operated a fleet of 270 inland tank barges, with 4.8 million barrels of capacity, and 104 inland towboats.

(2) ACQUISITIONS -- (CONTINUED)

The components of the purchase price and allocation were as follows (in thousands):

Consideration and merger costs:	
Common stock (4,472 shares at $20.44 per share)	$ 91,388
Proceeds of bank debt issued for cash portion of purchase price and repayment of Hollywood Marine's existing debt	227,787
Debt assumed	56
Merger costs	3,359
	$322,590
Allocation of purchase price:	
Current assets	$ 25,522
Property	208,090
Goodwill	161,250
Other assets	5,949
Current liabilities	(24,707)
Deferred income taxes	(46,973)
Other liabilities	(6,541)
	$322,590

Financing for the cash portion of the transaction and the repayment of Hollywood Marine's existing debt was through the Company's existing bank revolving credit facility with JPMorgan Chase Bank ("JPMorgan Chase") as agent bank, and through a new $200,000,000 term loan credit facility with Bank of America, N.A. ("Bank of America") as syndication agent bank.

In connection with the acquisition of Hollywood Marine, the Company recorded $4,502,000 of pre-tax merger related charges ($2,912,000 after taxes, or $.14 per share) in the fourth quarter of 1999 to combine the acquired operations with those of the Company. Such charges were as follows (in thousands):

Severance for Company employees	$2,061
Exit of insurance mutual	870
Corporate headquarters lease abandonment	1,571
	$4,502

The cash portion of the merger related charges totaled $3,248,000. The non-cash portion of the charges consisted of $748,000 for the write-off of the Company's leasehold improvements of its former corporate headquarters and $506,000 for severance pay for changes in stock option terms.

In 2000, the Company recorded additional merger related charges of $199,000, consisting of a $482,000 ($313,000 after taxes, or $.01 per share) charge in June associated with the termination of the corporate headquarter's lease, and a $283,000 ($184,000 after taxes, or $.01 per share) credit in December to reduce the current estimates of remaining expenditures.

(2) ACQUISITIONS -- (CONTINUED)

The components of the cash charge incurred, the actual cash payments made and the accrued balances of December 31, 2001 were as follows (in thousands):

	1999 TOTAL CASH PORTION	PAID IN 1999	2000 TOTAL CASH PORTION	PAID IN 2000	ACCRUED AT DECEMBER 31, 2000	PAID IN 2001	ACCRUED AT DECEMBER 31, 2001
Severance for Company employees................	$1,555	$ 13	$(268)	$ 659	$615	$615	$ --
Exit of insurance mutual...	870	--	--	870	--	--	--
Corporate headquarters lease abandonment........	823	106	366	707	376	376	--
	$3,248	$119	$ 98	$2,236	$991	$991	$ --

The following unaudited pro forma combined financial information for the year ended December 31, 1999 was based on historical financial information of the Company and Hollywood Marine. The financial information assumes the merger was completed as of the beginning of 1999. The unaudited pro forma financial information is not necessarily indicative of the results of operations that would have occurred had the merger been consummated at the beginning of 1999, nor is the information indicative of the future results of operations (in thousands, except per share amounts):

	1999
Revenues..	$497,060
Earnings before taxes on income...........................	$ 38,465
Net earnings..	$ 21,782
Net earnings per share of common stock -- diluted...........	$ .85

Pro forma results of the Powerway and West Kentucky acquisitions made in 2000 have not been presented as the pro forma revenues, earnings before taxes on income, net earnings and net earnings per share would not be materially different from the Company's actual results.

(3) DERIVATIVE INSTRUMENTS

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). This statement establishes accounting and reporting standards requiring that derivative instruments (including certain derivative instruments embedded in other contracts) be recorded at fair value and included in the balance sheet as assets or liabilities. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation, which is established at the inception date of a derivative. Special accounting for derivatives qualifying as fair value hedges allows a derivative's gain and losses to offset related results on the hedged item in the statement of earnings. For derivative instruments designated as cash flow hedges, changes in fair value, to the extent the hedge is effective, are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is measured at least quarterly based on the relative cumulative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness, as defined by SFAS No. 133, is recognized immediately in earnings. At January 1, 2001, the Company did not hold any derivative financial instruments, therefore, the adoption of SFAS No. 133 had no effect on the Company's consolidated statement of earnings or balance sheet.

From time to time, the Company has utilized and expects to continue to utilize derivative financial instruments with respect to a portion of its interest rate risks to achieve a more predictable cash flow by reducing its exposure to interest rate fluctuations. These transactions generally are interest rate swap

(3) DERIVATIVE INSTRUMENTS -- (CONTINUED)

agreements and are entered into with major financial institutions. Derivative financial instruments related to the Company's interest rate risks are intended to reduce the Company's exposure to increases in the benchmark interest rates underlying the Company's variable rate bank credit facilities. Through December 31, 2000, gains and losses from the Company's interest rate derivative financial instruments have been recognized in interest expense in the periods for which the derivative financial instruments relate.

In February and April 2001 the Company hedged a portion of its exposure to fluctuations in short-term interest rates by entering into interest rate swap agreements with JPMorgan Chase and Bank of America ("bank counterparties"). Five-year swap agreements with notional amounts totaling $100 million were executed in February 2001 and three-year swap agreements with notional amounts totaling $50 million were executed in April 2001. Under the swap agreements, the Company will pay to the bank counterparties a fixed rate of 4.96% on a notional amount of $50 million for three years, an average fixed rate of 5.64% on a notional amount of $100 million for five years, and will receive from the bank counterparties floating rate interest payments based on London Interbank Offered Rate ("LIBOR") for United States dollar deposits. Under SFAS No. 133, the interest rate swap agreements are designated as cash flow hedges, therefore, the changes in fair value, to the extent the swap agreements are effective, are recognized in other comprehensive income until the hedged interest expense is recognized in earnings. No gain or loss on ineffectiveness was required to be recognized in 2001. The fair value of the interest rate swap agreements was recorded as an other long-term liability of $5,176,000 at December 31, 2001. The Company has recorded, in interest expense, losses related to the interest rate swap agreements of $2,210,000 for the year ended December 31, 2001. The Company anticipates $3,259,000 of net losses included in accumulated other comprehensive income will be transferred into earnings over the next twelve months based on current interest rates. Fair value amounts were determined as of December 31, 2001 based on quoted market values, the Company's portfolio of derivative instruments, and the Company's measurement of hedge effectiveness.

(4) LONG-TERM DEBT

Long-term debt at December 31, 2001 and 2000 consisted of the following (in thousands):

	2001	2000
Long-term debt, including current portion:		
Revolving credit facility due October 9, 2004	$ 13,000	$ 32,100
Term loan credit facility, maturing in varying amounts through October 9, 2004	184,000	200,000
Revolving credit facility due November 5, 2002	1,800	--
Medium term notes due January 29, 2002	50,000	50,000
8.22% senior notes	--	10,000
Other long-term debt	937	1,272
	$249,737	$293,372

(4) LONG-TERM DEBT -- (CONTINUED)

The aggregate payments due on the long-term debt in each of the next five years were as follows (in thousands):

2002	$ 64,636
2003	50,336
2004	134,725
2005	4
2006	4
Thereafter	32
	$249,737

The Company has an unsecured revolving credit facility (the "Revolving Credit Facility") with a syndicate of banks. On November 5, 2001, the Company amended the Revolving Credit Facility to increase the revolving credit amount from $100,000,000 to $150,000,000 and to extend the maturity date to October 9, 2004. Per the amendment, the revised syndicate of banks includes JPMorgan Chase as administrative agent, Bank of America as syndication agent, and First Union National Bank, Fleet National Bank and Wells Fargo Bank (Texas), N.A. as documentation agents. Borrowing options under the amended Revolving Credit Facility allow the Company to borrow at an interest rate equal to either the LIBOR plus a margin ranging from .75% to 1.50%, depending on the Company's senior debt rating; or an adjusted Certificate of Deposit ("CD") rate plus a margin ranging from .875% to 1.625%, also depending on the Company's senior debt rating; or the greater of prime rate, Federal Funds rate plus .50%, or the secondary market rate for three-month CD rate plus 1%. A commitment fee is charged on the unused portion of the Revolving Credit Facility at rates ranging from .20% to .40%, depending on the Company's senior debt rating, multiplied by the average unused portion of the Revolving Credit Facility, and is paid quarterly. A utilization fee equal to .125% to .25%, also depending on the Company's senior debt rating, of the average outstanding borrowings during periods in which the total borrowings exceed 33% of the total $150,000,000 commitment, is also paid quarterly. At December 31, 2001, the applicable interest rate spread over LIBOR was .875% and the commitment fee and utilization fee were .25% and .125%, respectively. The amended Revolving Credit Facility also included modifications to certain financial covenants, including an increase in the minimum net worth requirement, as defined, to $225,000,000. In addition to financial covenants, the Revolving Credit Facility contains covenants that, subject to exceptions, restrict debt incurrence, mergers and acquisitions, sales of assets, dividends and investments, liquidations and dissolutions, capital leases, transactions with affiliates, negative pledge clauses and changes in lines of business. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, the purchase of existing or new equipment, the purchase of the Company's common stock, or for business acquisitions. The Company was in compliance with all Revolving Credit Facility covenants as of December 31, 2001. As of December 31, 2001, $13,000,000 was outstanding under the Revolving Credit Facility and the average interest rate was 5.6%. The average borrowing under the Revolving Credit Facility during the 2001 year was $10,603,000, computed by using the daily balance, and the weighted average interest rate was 6.0%, computed by dividing the interest expense under the Revolving Credit Facility by the average Revolving Credit Facility borrowing. The Revolving Credit Facility includes a $10,000,000 commitment which may be used for standby letters of credit. Outstanding letters of credit under the Revolving Credit Facility totaled $703,000 as of December 31, 2001.

The Company has an unsecured term loan credit facility (the "Term Loan"), dated October 12, 1999, with Bank of America as syndication agent bank, JPMorgan Chase as administrative agent and Bank One, Texas, N.A. as documentation agent. Borrowing options under the Term Loan allow the Company to borrow at an interest rate equal to either LIBOR plus a margin ranging from .75% to 1.50%, depending on the

(4) LONG-TERM DEBT -- (CONTINUED)

Company's senior debt rating; or an adjusted CD rate plus a margin ranging from .875% to 1.625%, also depending on the Company's senior debt rating; or the greater of prime rate, Federal Funds rate plus .50% or the secondary market rate for three-month CD rate plus 1%. A utilization fee equal to .125% to .25%, depending on the Company's senior debt rating, of the average outstanding borrowings during periods in which the total borrowings exceed 33% of the original $200,000,000 commitment, is paid quarterly. At December 31, 2001, the applicable interest rate spread over LIBOR was .875% and the utilization fee was .125%. On November 5, 2001, the Term Loan was amended to conform existing financial covenants to the amended Revolving Credit Facility. In addition to financial covenants, the Term Loan contains covenants that, subject to exceptions, restrict debt incurrence, mergers and acquisitions, sales of assets, dividends and investments, liquidations and dissolutions, capital leases, transactions with affiliates, negative pledge clauses and changes in lines of business. The Company was in compliance with all Term Loan covenants as of December 31, 2001. At December 31, 2001, the amount borrowed under the Term Loan totaled $184,000,000 and the average interest rate was 2.9%. The average borrowing under the Term Loan during the 2001 year was $194,785,000, computed by using the daily balance, and the weighted average interest rate was 5.2%, computed by dividing the interest expense under the Term Loan by the average Term Loan borrowing. The Term Loan has quarterly principal payments of $12,500,000, plus interest, due beginning October 9, 2002, with the remaining principal due on October 9, 2004, the maturity date of the Term Loan. The $12,500,000 principal payment due October 9, 2002 was classified as long-term debt at December 31, 2001, as the Company has the ability and intent through the Revolving Credit Facility to refinance the loan on a long-term basis.

The Company has on file a shelf registration on Form S-3 with the Securities and Exchange Commission providing for the issue of up to $250,000,000 of medium term notes ("Medium Term Notes") at fixed or floating interest rates with maturities of nine months or longer. The $121,000,000 available balance, subject to mutual agreement to terms, as of December 31, 2001 may be used for future business and equipment acquisitions, working capital requirements and reductions of the Company's Revolving Credit Facility and Term Loan. Activities under the Medium Term Notes program have been as follows (dollars in thousands):

	OUTSTANDING BALANCE	INTEREST RATE	AVAILABLE BALANCE
Medium Term Notes program	$ --		$250,000
Issuance March 1995 (Maturity March 10, 1997)	34,000	7.77%	216,000
Issuance June 1995 (Maturity June 1, 2000)	45,000	7.25%	171,000
Outstanding December 31, 1995 and 1996	79,000		171,000
Issuance January 1997 (Maturity January 29, 2002)	50,000	7.05%	121,000
Payment March 1997	(34,000)		121,000
Outstanding December 31, 1997, 1998 and 1999	95,000		121,000
Payment June 2000	(45,000)		121,000
Outstanding December 31, 2000 and 2001	$ 50,000		121,000

The $50,000,000 of Medium Term Notes, which matured on January 29, 2002, was classified as long-term debt at December 31, 2001, as the Company refinanced the notes through the Revolving Credit Facility.

The Company has a $10,000,000 uncommitted and unsecured line of credit ("Credit Line") with Bank of America whereby Bank of America will consider short-term advances and the issuance of letters of credit. On November 6, 2001, the Credit Line was amended to extend the maturity date to November 5, 2002. Borrowings under the Credit Line allow the Company to borrow at an interest rate equal to either LIBOR plus a margin of 1%; or the higher of prime rate or the Federal Funds rate plus .50%. As of December 31, 2001,

(4) LONG-TERM DEBT -- (CONTINUED)

$1,800,000 was borrowed under the Credit Line and the average interest rate was 4.8%. Outstanding letters of credit under the Credit Line totaled $64,000 as of December 31, 2001. Amounts borrowed on the Credit Line were classified as long-term debt at December 31, 2001, as the Company has the ability and intent to refinance the Credit Line on a long-term basis through the Revolving Credit Facility.

In August 1992, the Company's principal marine transportation subsidiary entered into a $50,000,000 private placement of 8.22% senior notes ("Senior Notes") due June 30, 2002. Principal payments of $5,000,000, plus interest, were due annually through June 30, 2002. On December 31, 2001, the Senior Notes were prepaid, with a final principal payment of $5,000,000, plus interest, and a make-whole interest payment of $145,000.

The Company is of the opinion that the amounts included in the consolidated financial statements for outstanding debt materially represent the fair value of such debt at December 31, 2001 and 2000.

(5) TAXES ON INCOME

Earnings before taxes on income and details of the provision for taxes on income for the years ended December 31, 2001, 2000 and 1999 were as follows (in thousands):

	2001	2000	1999
Earnings before taxes on income -- United States	$67,126	$57,812	$35,392
Provision (credit) for taxes on income:			
Federal			
Current	$23,243	$22,022	$13,374
Deferred	3,094	294	(490)
State and local	1,186	1,383	1,067
	$27,523	$23,699	$13,951

During the three years ended December 31, 2001, 2000 and 1999, tax benefits related to the exercise of stock options that were allocated directly to additional paid-in capital totaled $505,000, $470,000 and $319,000, respectively.

The Company's provision for taxes on income varied from the statutory federal income tax rate for the years ended December 31, 2001, 2000 and 1999 due to the following:

	2001	2000	1999
United States income tax statutory rate	35.0%	35.0%	35.0%
State and local taxes, net of federal benefit	1.2	1.6	2.0
Non-deductible goodwill amortization	3.1	3.5	1.4
Other non-deductible items	1.7	.9	1.0
	41.0%	41.0%	39.4%

(5) TAXES ON INCOME -- (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the current deferred tax assets and non-current deferred tax assets and liabilities at December 31, 2001, 2000 and 1999 were as follows (in thousands):

	2001	2000	1999
Current deferred tax assets:			
Compensated absences	$ 1,011	$ 934	$ 744
Allowance for doubtful accounts	554	286	232
Insurance accruals	1,548	1,974	2,146
Merger charges	--	407	1,226
Other	--	120	610
	$ 3,113	$ 3,721	$ 4,958
Non-current deferred tax assets and liabilities:			
Deferred tax assets:			
Postretirement health care benefits	$ 2,471	$ 2,303	$ 2,101
Insurance accruals	3,446	2,130	1,974
Deferred compensation	984	1,004	1,275
Other	4,979	3,459	2,450
	11,880	8,896	7,800
Deferred tax liabilities:			
Property	(93,708)	(92,166)	(93,683)
Deferred state taxes	(5,164)	(5,265)	(5,579)
Other	(2,550)	(603)	(1,332)
	(101,422)	(98,034)	(100,594)
	$ (89,542)	$(89,138)	$ (92,794)

As of December 31, 2001, the Company has determined that it is more likely than not that the deferred tax assets will be realized and a valuation allowance for such assets is not required.

(6) LEASES

The Company and its subsidiaries currently lease various facilities and equipment under a number of cancelable and noncancelable operating leases. Lease agreements for tank barges have terms from two to twelve years expiring at various dates through 2008. All of the Company's towboat rental agreements provide

(6) LEASES -- (CONTINUED)

the Company with the option to terminate the agreements with notice ranging from seven to ninety days. Total rental expense for the years ended December 31, 2001, 2000 and 1999 were as follows (in thousands):

	2001	2000	1999
Rental expense:			
Marine equipment -- tank barges	$11,839	$ 5,289	$ 4,058
Marine equipment -- towboats	35,379	31,969	11,595
Other buildings and equipment	3,245	2,361	1,694
Sublease rental	(6)	(20)	(12)
Net rental expense	$50,457	$39,599	$17,335

Rental commitments under noncancelable leases as of December 31, 2001 were as follows (in thousands):

	LAND, BUILDINGS AND EQUIPMENT
2002	$14,381
2003	13,674
2004	8,681
2005	7,460
2006	4,331
Thereafter	1,937
	$50,464

(7) STOCK OPTION PLANS

The Company has four employee stock option plans which were adopted in 1989, 1994, 1996 and 2001 for selected officers and other key employees. The 1989 Employee Plan provided for the issuance until July 1999 of incentive and nonincentive stock options to purchase up to 600,000 shares of common stock. The 1994 Employee Plan provides for the issuance of incentive and non-qualified stock options to purchase up to 1,000,000 shares of common stock. The 1996 Employee Plan provides for the issuance of incentive and non-qualified stock options to purchase up to 900,000 shares of common stock. The 2001 Employee Plan provides for the issuance of incentive and nonincentive stock options to purchase up to 1,000,000 shares of common stock. The 1989 stock option plan authorized the granting of limited stock appreciation rights. Under the above plans, the exercise price for each option equals the fair market value per share of the Company's common stock on the date of grant. The terms of the options granted prior to February 10, 2000 are ten years and the options vest ratably over four years. Options granted after February 10, 2000 have terms of five years and vest ratably over three years. At December 31, 2001, 951,242 shares were available for future grants under the employee plans and no outstanding stock options under the employee plans were issued with stock appreciation rights.

(7) STOCK OPTION PLANS -- (CONTINUED)

The following is a summary of the stock option activity under the employee plans described above for the years ended December 31, 2001, 2000 and 1999:

	OUTSTANDING NON-QUALIFIED OR NONINCENTIVE STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding December 31, 1998	1,550,950	$17.35
Granted	195,500	$18.46
Exercised	(60,850)	$ 9.69
Canceled or expired	(875)	$16.31
Outstanding December 31, 1999	1,684,725	$17.75
Granted	389,000	$18.06
Exercised	(113,575)	$ 9.39
Canceled or expired	(4,000)	$18.13
Outstanding December 31, 2000	1,956,150	$18.30
Granted	439,500	$21.53
Exercised	(233,595)	$15.82
Canceled or expired	(231,167)	$19.70
Outstanding December 31, 2001	1,930,888	$19.17

The following table summarizes information about the Company's outstanding and exercisable stock options under the employee plans at December 31, 2001:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$12.94-$16.44	150,400	2.39	$14.82	150,400	$14.82

$17.28-$19.01
646,238 4.00
$18.14
316,630
$18.18
$19.50-$21.53
1,134,250
4.58 $20.33
36,250
$20.91 -----
---- -------
$12.94-$21.53
1,930,888
4.23 $19.17
503,280
$17.37
=========
=======

For the years ended December 31, 2001, 2000 and 1999, the number of options exercisable were 503,280, 582,650 and 626,725, respectively, and the weighted average exercise prices of those options were $17.37, $16.68 and $15.21, respectively.

The Company has three director stock option plans for nonemployee directors of the Company. The 1989 Director Plan, under which no additional options can be granted, provided for the issuance until July 1999 of nonincentive options to directors of the Company to purchase up to 150,000 shares of common stock. The 1994 Director Plan, which was superseded by the 2000 Director Plan adopted in September 2000, provided for the issuance of non-qualified options to directors of the Company, including advisory directors, to purchase up

(7) STOCK OPTION PLANS -- (CONTINUED)

to 100,000 shares of common stock. The 2000 Director Plan provides for the issuance of nonincentive options to directors of the Company to purchase up to 300,000 shares of common stock. The 2000 Director Plan provides for the automatic grants of stock options to nonemployee directors on the date of first election as a director and after each annual meeting of stockholders. In addition, the 2000 Director Plan provides for the issuance of stock options in lieu of cash for all or part of the annual director fee. The exercise price for all options granted under the 2000 Director Plan is equal to the fair market value per share of the Company's common stock on the date of grant. The terms of the options under the 2000 Director Plan are 10 years. The options granted when first elected as a director vest immediately. The options granted after each annual meeting of stockholders vest six months after the date of grant. Options granted in lieu of cash director fees vest in equal quarterly increments during the year to which they relate. At December 31, 2001, 246,009 shares were available for future grants under the 2000 Director Plan. The director stock option plans are intended as an incentive to attract and retain qualified and competent independent directors.

The following is a summary of the stock option activity under the director plans described above for the years ended December 31, 2001, 2000 and 1999:

	OUTSTANDING NON-QUALIFIED OR NONINCENTIVE STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding December 31, 1998	110,500	$16.25
Granted	10,500	$19.38
Exercised	(30,000)	$ 7.56
Outstanding December 31, 1999	91,000	$19.48
Granted	25,984	$19.70
Exercised	(19,500)	$17.79
Canceled or expired	(11,000)	$20.84
Outstanding December 31, 2000	86,484	$19.75
Granted	40,467	$20.83
Exercised	(16,500)	$17.86
Canceled or expired	(10,500)	$23.05
Outstanding December 31, 2001	99,951	$20.15

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(7) STOCK OPTION PLANS -- (CONTINUED)

The following table summarizes information about the Company's outstanding and exercisable stock options under the director plans at December 31, 2001:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$16.63-$19.88	41,484	6.41	$18.39	41,484	$18.39
$20.13-$25.50	58,467	8.16	$21.40	54,116	$21.46
$16.63-$25.50	99,951	7.42	$20.15	95,600	$20.13

For the years ended December 31, 2001, 2000 and 1999, the number of options exercisable were 95,600, 83,382 and 91,000, respectively, and the weighted average exercise prices of those options were $20.13, $19.79 and $19.48, respectively.

The Company also has a 1993 nonqualified stock option for 25,000 shares granted to Robert G. Stone, Jr., at an exercise price of $18.625, all of which are currently exercisable. The grant served as an incentive to retain the optionee as a member of the Board of Directors of the Company.

The following table summarizes pro forma net earnings and earnings per share for the years ended December 31, 2001, 2000 and 1999 assuming the Company had used the fair value method of accounting for its stock option plans (in thousands, except per share amounts):

	2001		2000		1999	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
Net earnings............	$39,603	$37,155	$34,113	$31,623	$21,441	$19,536
Net earnings per share:						
Basic.................	$ 1.65	$ 1.55	$ 1.40	$ 1.30	$ 1.01	$ .92
Diluted...............	$ 1.63	$ 1.53	$ 1.39	$ 1.29	$ 1.01	$ .92

The weighted average fair value of options granted during 2001, 2000 and 1999 was $12.88, $10.27 and $13.50, respectively. The fair value of each option was determined using the Black-Scholes option valuation model. The key input variables used in valuing the options were as follows: no dividend yield for any year; average risk-free interest rate based on five- and 10-year Treasury bonds -- 4.2% for 2001, 4.8% for 2000 and 5.2% for 1999; stock price volatility -- 71% for 2001, 70% for 2000 and 66% for 1999; and estimated option term -- four or nine years.

(8) RETIREMENT PLANS

The Company sponsors a defined benefit plan for vessel personnel. Shoreside personnel formerly employed by Hollywood Marine also are participants in the plan, but ceased to accrue additional benefits effective January 1, 2000. The plan benefits are based on an employee's years of service and compensation. The plan assets primarily consist of fixed income securities and corporate stocks. Funding of the plan is based on actuarial computations that are designed to satisfy minimum funding requirements of applicable regulations and to achieve adequate funding of projected benefit obligations.

The Company sponsors an unfunded defined benefit health care plan that provides limited postretirement medical benefits to employees who meet minimum age and service requirements, and to eligible dependents.

(8) RETIREMENT PLANS -- (CONTINUED)

The plan is contributory, with retiree contributions, adjusted annually. The Company also has an unfunded defined benefit executive retirement plan that it assumed in the Hollywood Marine acquisition. That plan ceased to accrue additional benefits effective January 1, 2000.

The following table presents the funded status and amounts recognized in the Company's consolidated balance sheet for the Company's defined benefit plans and postretirement benefit plans (dollars in thousands):

	PENSION BENEFITS		POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	
	2001	2000	2001	2000
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$41,092	$41,112	$ 6,968	$ 6,486
Service cost	1,915	1,751	520	513
Interest cost	3,383	3,021	650	535
Amendments	--	(2,210)	--	401
Actuarial (gain) loss	5,137	(905)	1,479	(507)
Benefits paid	(1,708)	(1,677)	(704)	(482)
Less partnerships' allocation	--	--	--	22
Benefit obligation at end of year	49,819	41,092	8,913	6,968
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	44,333	45,407	--	--
Actual return on plan assets	(2,377)	603	--	--
Employer contribution	6,500	--	704	482
Benefits paid	(1,708)	(1,677)	(704)	(482)
Fair value of plan assets at end of year	46,748	44,333	--	--
Funded status	(3,071)	3,241	(8,913)	(6,968)
Unrecognized net actuarial (gain) loss	9,002	(2,527)	222	(1,254)
Unrecognized prior service cost	(845)	(934)	404	436
Unrecognized net transition obligation	7	24	--	--
Other	--	--	60	41
Net amount recognized at end of year	$ 5,093	$ (196)	$(8,227)	$(7,745)
ACCUMULATED BENEFIT OBLIGATION AT END OF YEAR	$46,200	$37,979	$ 1,460	$ 1,266
WEIGHTED AVERAGE ASSUMPTIONS				
Discount rate	7.25%	7.75%	7.25%	7.75%
Expected return on plan assets	9.25%	9.25%	--	--
Average rate of compensation increase	4.00%	4.00%	--	--

(8) RETIREMENT PLANS -- (CONTINUED)

The components of net periodic benefit cost were as follows (in thousands):

	PENSION BENEFITS			POSTRETIREMENT BENEFITS OTHER THAN PENSIONS		
	2001	2000	1999	2001	2000	1999
Service cost	$ 1,915	$ 1,751	$ 1,442	$ 520	$ 513	$373
Interest cost	3,383	3,021	1,874	650	535	429
Expected return on assets	(4,016)	(4,130)	(2,358)	--	--	--
Amortization of transition obligation	17	17	17	--	--	--
Amortization of prior service cost	(89)	(89)	259	31	32	5
Amortization of actuarial (gain) loss	--	(146)	--	3	(49)	--
Less partnerships' allocation	(70)	(52)	(73)	--	22	(20)
Net periodic benefit cost	$ 1,140	$ 372	$ 1,161	$1,204	$1,053	$787

The Company's unfunded defined benefit health care plan, which provides limited postretirement medical benefits, limits cost increases in the Company's contribution to 4% per year, excluding grandfathered Hollywood Marine retirees. For measurement purposes, the assumed health care cost trend rate was 12% for 2001, declining gradually to 5% by 2006 and remaining at that level thereafter. Accordingly, a 1% increase in the health care cost trend rate assumption would have an immaterial effect on the amounts reported.

In addition to the defined benefit plan and postretirement medical benefit plan, the Company sponsors defined contribution plans for all shore-based employees and certain vessel personnel. Maximum contributions to these plans equal the lesser of 15% of the aggregate compensation paid to all participating employees or up to 20% of each subsidiary's earnings before federal income tax after certain adjustments for each fiscal year. The aggregate contributions to the plans were $6,504,000, $6,201,000 and $4,304,000 in 2001, 2000 and 1999, respectively.

(9) EARNINGS PER SHARE OF COMMON STOCK

The following table presents the components of basic and diluted earnings per share for the years ended December 31, 2001, 2000 and 1999 (in thousands, except per share amounts):

	2001	2000	1999
Net earnings	$39,603	$34,113	$21,441
Shares outstanding:			
Weighted average common stock outstanding	24,027	24,401	21,172
Effect of dilutive securities: Employee and director common stock options	243	165	121
	24,270	24,566	21,293
Basic earnings per share of common stock	$ 1.65	$ 1.40	$ 1.01
Diluted earnings per share of common stock	$ 1.63	$ 1.39	$ 1.01

Certain outstanding options to purchase approximately 1,103,000 and 1,030,000 shares of common stock were excluded in the computation of diluted earnings per share as of December 31, 2000 and 1999, respectively, as such stock options would have been antidilutive. No shares were excluded in the computation of diluted earnings per share as of December 31, 2001.

(10) QUARTERLY RESULTS (UNAUDITED)

The unaudited quarterly results for the year ended December 31, 2001 were as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED			
	MARCH 31, 2001	JUNE 30, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2001
Revenues	$133,128	$147,622	$141,797	$144,337
Costs and expenses	116,777	125,775	118,227	121,645
Operating income	16,351	21,847	23,570	22,692
Equity in earnings of marine affiliates	716	1,099	487	648
Investment income and other expense	(325)	(30)	(76)	(109)
Minority interests	(148)	(162)	(311)	(85)
Interest expense	(5,144)	(4,510)	(4,365)	(5,019)
Earnings before taxes on income	11,450	18,244	19,305	18,127
Provision for taxes on income	(4,695)	(7,480)	(7,916)	(7,432)
Net earnings	$ 6,755	$ 10,764	$ 11,389	$ 10,695
Net earnings per share of common stock:				
Basic	$ .28	$ .45	$ .47	$ .45
Diluted	$ .28	$ .44	$ .47	$ .44

The unaudited quarterly results for the year ended December 31, 2000 were as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED			
	MARCH 31, 2000	JUNE 30, 2000	SEPTEMBER 30, 2000	DECEMBER 31, 2000
Revenues	$126,456	$130,208	$129,108	$126,872
Costs and expenses	110,991	107,731	108,247	106,512
Merger related charges (credits)	--	482	--	(283)
Operating income	15,465	21,995	20,861	20,643
Equity in earnings of marine affiliates	837	804	821	932
Investment income and other income (expense)	187	114	75	(39)
Minority interests	(343)	(209)	(281)	(133)
Interest expense	(5,863)	(5,964)	(6,089)	(6,001)
Earnings before				

taxes on income...... 10,283 16,740
15,387 15,402 Provision for taxes on
income.......... (4,216) (6,860)
(6,309) (6,314) -------- -------- ----
---- -------- Net
earnings........................ $
6,067 $ 9,880 $ 9,078 $ 9,088 ========
======== ======== ======== Net
earnings per share of common stock:
Basic...............................
$ .25 $ .40 $ .37 $ .38 ========
======== ======== ========
Diluted.............................
$ .25 $ .40 $ .37 $ .38 ========
======== ======== ========

(10) QUARTERLY RESULTS (UNAUDITED) -- (CONTINUED)

Quarterly basic and diluted earnings per share of common stock may not total to the full year per share amounts, as the weighted average number of shares outstanding for each quarter fluctuates as a result of shares repurchased by the Company and the assumed exercise of stock options.

(11) CONTINGENCIES AND COMMITMENTS

In January 2001, the Environmental Protection Agency ("EPA"), in conjunction with other federal and state law enforcement agencies, initiated an investigation into possible violations of the Clean Water Act at a dry cargo barge cleaning facility in Houston operated by Western Towing Company ("Western"), a division of the Company. The Company has cooperated fully with the authorities in the investigation. The U.S. Attorney for the Southern District of Texas has extended an offer to settle the matter under a plea agreement in which Western would plead guilty to one violation of the Clean Water Act for discharging washwater from the facility in violation of the facility's permit. The maximum fine for such a violation is $500,000. The Company is discussing terms of such a plea agreement with the U.S. Attorney and has made an accrual for this matter which management believes is appropriate under present circumstances.

The Company and a group of approximately 45 other companies have been notified that they are Potentially Responsible Parties under Comprehensive Environmental Response, Compensation and Liability Act with respect to a potential Superfund site, the Palmer Barge Line Site ("Palmer"), located in Port Arthur, Texas. In prior years, Palmer had provided tank barge cleaning services to various subsidiaries of the Company. Based on information currently available, the Company is unable to ascertain the extent of its exposure, if any, in this matter.

In addition, there are various other suits and claims against the Company, none of which in the opinion of management will have a material effect on the Company's financial condition, results of operations or cash flows. Management has recorded necessary reserves and believes that it has adequate insurance coverage or has meritorious defenses for these other claims and contingencies.

Certain Significant Risks and Uncertainties. The Company's marine transportation segment is engaged in the inland marine transportation of petrochemical feedstocks, industrial chemicals, agricultural chemicals, refined petroleum products, pressurized products and black oil products by tank barge along the Mississippi River System, Gulf Intracoastal Waterway and Houston Ship Channel. In addition, the segment is engaged in the offshore marine transportation of dry-bulk cargo by barge. Such products are transported between United States ports, with an emphasis on the Gulf of Mexico and along the Atlantic Seaboard and Caribbean Basin ports, with occasional voyages to South American ports.

The Company's diesel engine services segment is engaged in the overhaul and repair of large medium-speed diesel engines and related parts sales in the marine, power generation and industrial, and railroad markets. The marine market serves vessels powered by large diesel engines utilized in the various inland and offshore marine industries. The power generation and industrial market serves users of diesel engines that provide standby, peak and base load power generation, users of industrial gears such as cement, paper and mining industries, and provides parts for the nuclear industry. The railroad market provides parts and service for diesel-electric locomotives used by shortline, industrial, and certain transit and Class II railroads.

As of December 31, 2001 and 2000, the marine transportation segment accounted for 90% of the Company's assets and the diesel engine services segment accounted for 6%. Of total consolidated revenues during the 2001 and 2000 years, the marine transportation segment generated 85% and 86%, respectively, and the diesel engine services segment generated 15% and 14%, respectively. Operating profits for the 2001 and 2000 years, excluding equity in earnings of affiliates and general corporate expenses, included a contribution of 91% and 92%, respectively, from the marine transportation segment and 9% and 8%, respectively, from the diesel engine services segment. The increased percentage by the marine transportation segment in each

(11) CONTINGENCIES AND COMMITMENTS -- (CONTINUED)

category for 2001 over 2000 was primarily due to the leasing of 94 inland tank barges from Dow Union Carbide.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. However, in the opinion of management, the amounts would be immaterial.

The customer base includes the major industrial petrochemical and chemical manufacturers, agricultural chemical manufacturers and refining companies in the United States. Approximately 70% of the movements of such products are under long-term contracts, ranging from one year to 10 years. While the manufacturing and refining companies have generally been customers of the Company for numerous years (some as long as 30 years) and management anticipates a continuing relationship, there is no assurance that any individual contract will be renewed. The Dow Chemical Company accounted for 12% of the Company's revenues in 2001, 10% in 2000 and 12% in 1999.

Major customers of the diesel engine services segment include the inland and offshore dry-bulk and tank barge operators, oil service companies, petrochemical companies, offshore fishing companies, other marine transportation entities, the United States Coast Guard and Navy, shortline railroads, industrial owners of locomotives, certain transit and Class II railroads, and power generation, nuclear and industrial companies. The segment operates as an authorized distributor in 17 eastern states and the Caribbean, and as non-exclusive authorized service centers for Electro-Motive Division of General Motors ("EMD") throughout the rest of the United States for marine power generation and industrial applications. The railroad portion of the segment serves as the exclusive distributorship of EMD aftermarket parts sales and services to the shortline and industrial railroad market. The Company also serves as the exclusive distributor of EMD parts to the nuclear industry. The results of the diesel engine services segment are largely tied to the industries it serves and, therefore, can be influenced by the cycles of such industries. The diesel engine services segment's relationship with EMD has been maintained for 36 years. No single customer of the diesel engine services segment accounted for more than 10% of the Company's revenues in 2001, 2000 and 1999.

Weather can be a major factor in the day-to-day operations of the marine transportation segment. Adverse weather conditions, such as fog in the winter and spring months, can impair the operating efficiencies of the fleet. Shipments of products can be significantly delayed or postponed by weather conditions, which are totally beyond the control of management. River conditions are also factors which impair the efficiency of the fleet and can result in delays, diversions and limitations on night passages, and dictate horsepower requirements and size of tows. Additionally, much of the inland waterway system is controlled by a series of locks and dams designed to provide flood control, maintain pool levels of water in certain areas of the country and facilitate navigation on the inland river system. Maintenance and operation of the navigable inland waterway infrastructure is a government function handled by the Corps of Engineers with costs shared by industry. Significant changes in governmental policies or appropriations with respect to maintenance and operation of the infrastructure could adversely affect the Company.

The Company's marine transportation segment is subject to regulation by the United States Coast Guard, federal laws, state laws and certain international conventions. The Company believes that additional safety, environmental and occupational health regulations may be imposed on the marine industry. There can be no assurance that any such new regulations or requirements, or any discharge of pollutants by the Company, will not have an adverse effect on the Company.

The Company's marine transportation segment competes principally in markets subject to the Jones Act, a federal cabotage law that restricts domestic marine transportation in the United States to vessels built and

(11) CONTINGENCIES AND COMMITMENTS -- (CONTINUED)

registered in the United States, and manned and owned by United States citizens. During the past several years, the Jones Act cabotage provisions have come under attack by interests seeking to facilitate foreign flag competition in trades reserved for domestic companies and vessels under the Jones Act. The efforts have been consistently defeated by large margins in the United States Congress. The Company believes that continued efforts will be made to modify or eliminate the cabotage provisions of the Jones Act. If such efforts are successful, certain elements could have an adverse effect on the Company.

The Company has issued guaranties or obtained stand-by letters of credit and performance bonds supporting performance by the Company and its subsidiaries of contractual or contingent legal obligations of the Company and its subsidiaries incurred in the ordinary course of business. The aggregate notional value of these instruments is $42,603,000 at December 31, 2001, $35,425,000 of which is a guarantee by the Company of performance of its statutory liability obligations in the event of oil or chemical spills, which is required in order to obtain mandatory Certificates of Financial Responsibility issued by the United States Coast Guard for the Company's vessels. Ninety-seven percent of these instruments have an expiration date within three years. All but $1,624,000 of these financial instruments relate to contingent legal obligations which are covered by the Company's liability insurance program in the event the obligations are incurred. The Company does not believe demand for payment under these instruments is likely and expects no material cash outlays to occur in connection with these instruments.

(12) SEGMENT DATA

The Company's operations are classified into two reportable business segments as follows:

Marine Transportation -- Marine transportation by United States flag vessels on the United States inland waterway system and in United States coastwise trade. The principal products transported on the United States inland waterway system include petrochemical feedstocks, industrial chemicals, agricultural chemicals, refined petroleum products, pressurized products and black oil products. The principal products transported in U.S. coastwise trade include coal, limestone, grain and sugar.

Diesel Engine Services -- Overhaul and repair of large medium-speed diesel engines, reduction gear repair, and sale of related parts and accessories for customers in the marine, power generation and industrial, and railroad industries.

The Company's two reportable business segments are managed separately based on fundamental differences in their operations. The Company's accounting policies for the business segments are the same as those described in Note 1, Summary of Significant Accounting Policies. The Company evaluates the performance of its segments based on the contributions to operating income of the respective segments, and before income taxes, interest, gains or losses on disposition of assets, other nonoperating income, minority interests, accounting changes, and nonrecurring items. Intersegment sales for 2001, 2000 and 1999 were not significant.

(12) SEGMENT DATA -- (CONTINUED)

The following table sets forth by reportable segment the revenues, profit or loss, total assets, depreciation and amortization, and capital expenditures attributable to the principal activities of the Company for the years ended December 31, 2001, 2000 and 1999 (in thousands):

	2001	2000	1999
Revenues:			
Marine transportation	$481,283	$443,203	$290,956
Diesel engine services	85,601	69,441	74,648
	$566,884	$512,644	$365,604
Segment profit (loss):			
Marine transportation	$ 83,074	$ 78,100	$ 47,525
Diesel engine services	8,111	6,955	7,129
Other	(24,059)	(27,243)	(19,262)
	$ 67,126	$ 57,812	$ 35,392
Total assets:			
Marine transportation	$681,976	$673,999	$673,882
Diesel engine services	48,288	45,344	32,890
Other	24,207	29,925	46,625
	$754,471	$749,268	$753,397
Depreciation and amortization:			
Marine transportation	$ 46,287	$ 45,321	$ 27,876
Diesel engine services	1,374	691	842
Other	2,583	2,192	2,560
	$ 50,244	$ 48,204	$ 31,278
Capital expenditures:			
Marine transportation	$ 56,008	$ 43,205	$ 11,735
Diesel engine services	1,755	351	533
Other	1,396	4,127	451
	$ 59,159	$ 47,683	$ 12,719

(12) SEGMENT DATA -- (CONTINUED)

The following table presents the details of "Other" segment profit (loss) for the years ended December 31, 2001, 2000 and 1999 (in thousands):

	2001	2000	1999
General corporate expenses	$ (7,088)	$ (7,053)	$ (4,814)
Interest expense	(19,038)	(23,917)	(12,838)
Equity in earnings of affiliates	2,950	3,394	2,136
Gain on disposition of assets	363	1,161	64
Minority interests	(706)	(966)	(273)
Merger related charges	--	(199)	(4,502)
Investment income and other income (expense)	(540)	337	965
	$(24,059)	$(27,243)	$(19,262)

The following table presents the details of "Other" total assets as of December 31, 2001, 2000 and 1999 (in thousands):

	2001	2000	1999
General corporate assets	$10,768	$17,141	$31,684
Investments in affiliates	13,439	12,784	14,941
	$24,207	$29,925	$46,625

(13) RELATED PARTY TRANSACTIONS

During 2001, the Company and its subsidiaries paid Knollwood, L.L.C. ("Knollwood"), a company owned by C. Berdon Lawrence, the Chairman of the Board of the Company, $323,000 for air transportation services provided by Knollwood. Such services were in the ordinary course of business of the Company.

The Company is a 25% member of The Hollywood Camp, L.L.C. ("Hollywood Camp") that owns a hunting facility used by the Company and two other members of the Hollywood Camp primarily for customer entertainment. Knollwood is a 25% member and acts as manager of the facility. The other 50% member is not affiliated with the Company. During 2001, the Company was billed $679,000 by the hunting facility for its share of the facility expenses.

Walter E. Johnson, a director of the Company, is a 25% limited partner in a limited partnership that owns one barge operated by a subsidiary of the Company, which owns the other 75% interest in the partnership. The partnership was entered into on October 1, 1974. In 2001, Mr. Johnson received $113,500 in proportionate distributions from the partnership, made in the ordinary course of business.

Southwest Bank of Texas has a 5% participation in the Company's Term Loan. As of December 31, 2001, the outstanding balance of the Term Loan was $184,000,000, of which Southwest Bank of Texas' participation was $9,200,000. Mr. Johnson is Chairman of the Board of Southwest Bank of Texas. Southwest Bank of Texas is one of 14 lenders under the Term Loan, which was consummated in the ordinary course of business of the Company, and before Mr. Johnson's appointment to the Company's board of directors.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

1. Financial Statements

Included in Part III of this report:

Report of KPMG LLP, Independent Accountants, on the financial statements of Kirby Corporation and Consolidated Subsidiaries for the years ended December 31, 2001, 2000 and 1999.

Consolidated Balance Sheets, December 31, 2001 and 2000.

Consolidated Statements of Earnings, for the years ended December 31, 2001, 2000 and 1999.

Consolidated Statements of Stockholders' Equity, for the years ended December 31, 2001, 2000 and 1999.

Consolidated Statements of Cash Flows, for the years ended December 31, 2001, 2000 and 1999.

Notes to Consolidated Financial Statements, for the years ended December 31, 2001, 2000 and 1999.

2. Financial Statement Schedules

All schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

3. Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended December 31, 2001.

4. Exhibits

EXHIBIT NUMBER DESCRIPTION OF EXHIBIT - ------- ---------------------- 3.1 -- Restated Articles of Incorporation of Kirby Exploration Company, Inc. (the "Company"), as amended (incorporated by reference to Exhibit 3.1 of the Registrant's 1989 Registration Statement on Form S-3 (Reg. No. 33-30832)). 3.2 -- Certificate of Amendment of Restated Articles of Incorporation of the Company filed with the Secretary of State of Nevada April 30, 1990 (incorporated by reference to Exhibit 3.2 of the

Registrant's Annual Report on Form 10-K for the year ended December 31, 1990). 3.3 -- Bylaws of the Company, as amended (incorporated by reference to Exhibit 2 of the Registrant's July 20, 2000 Registration Statement on Form 8A (Reg. No. 01-07615)). 4.1 -- Indenture, dated as of December 2, 1994, between the Company and Texas Commerce Bank National Association, Trustee, (incorporated by reference to Exhibit 4.3 of the Registrant's 1994 Registration Statement on Form S-3 (Reg. No. 33-56195)). 4.2 -- Rights Agreement, dated as of July 18, 2000, between Kirby Corporation and Fleet National Bank, a national bank association, which includes the Form of Resolutions Establishing Designations, Preference and Rights of Series A Junior Participating Preferred Stock of Kirby Corporation, the form of Rights Certificate and the Summary of Rights (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated July 18, 2000). 10.1+ -- 1982 Stock Option Plan for Kirby Exploration Company, and forms of option agreements provided for thereunder and related documents (incorporated by reference to Exhibit 10.5 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1982).

10.2+ -- Amendment to 1982 Stock Option Plan for Kirby Exploration Company (incorporated by reference to Exhibit 10.5 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1986).

10.3 -- Indemnification Agreement, dated April 29, 1986, between the Company and each of its Directors and certain key employees (incorporated by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1986).

EXHIBIT NUMBER DESCRIPTION OF EXHIBIT
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10.4+ -- 1989 Employee Stock Option Plan for the Company, as amended (incorporated by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1989).

10.5+ -- 1989 Director Stock Option Plan for the Company, as amended (incorporated by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1989).

10.6 -- Note Purchase Agreement, dated as of August 12, 1992, among Dixie Carriers, Inc., The Variable Annuity Life Insurance Company, Provident Mutual Life and Annuity Company of America, among others (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992).

10.7+ -- Deferred Compensation

Agreement dated August 12, 1985 between Dixie Carriers, Inc., and J. H. Pyne (incorporated by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992). 10.8 -- Agreement and Plan of Merger, dated April 1, 1993, among Kirby Corporation, AFRAM Carriers, Inc. and AFRAM Lines (USA) Co., Ltd. and the shareholders of AFRAM Lines (USA) Co., Ltd. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated May 3, 1993). 10.9+ -- 1994 Employee Stock Option Plan for Kirby Corporation (incorporated by reference to Exhibit 10.21 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993). 10.10+ -- 1994 Nonemployee Director Stock Option Plan for Kirby Corporation (incorporated by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993).

10.11+ -- 1993 Stock Option Plan of Kirby Corporation for Robert G. Stone, Jr. (incorporated by reference to Exhibit 10.23 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993).

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10.14 -- Distribution Agreement, dated December 2, 1994, by and among Kirby Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Brothers Inc, and Wertheim Schroder & Co. Incorporated (incorporated by reference to Exhibit 1.1 of the Registrant's Current Report on Form 8-K dated December 9, 1994).

10.15+ -- 1996 Employee Stock Option Plan for Kirby Corporation (incorporated by reference to Exhibit 10.24 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).

10.16+ -- Amendment No. 1 to the 1994 Employee Stock Option Plan for Kirby Corporation (incorporated by reference to Exhibit 10.25 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).

10.17 -- Credit Agreement, dated September 19, 1997, among Kirby Corporation, the Banks named therein, and Texas Commerce Bank National Association as Agent and Funds

Administrator (incorporated by reference to Exhibit 10.0 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

10.18 -- First Amendment to Credit Agreement, dated January 30, 1998, among Kirby Corporation, the Banks named therein, and Chase Bank of Texas, N.A. as Agent and Funds Administrator (incorporated by reference to Exhibit B2 of the Registrant's Tender Offer Statement on Schedule 13E-4 filed with the Securities and Exchange Commission on February 17, 1998).

EXHIBIT NUMBER DESCRIPTION OF EXHIBIT - ------- ----- ------------- ---- 10.19 -- Asset Purchase Agreement, dated January 28, 1998, by and between Hvide Marine Incorporated, Sabine Transportation Company (an Iowa corporation), Kirby Corporation, Sabine Transportation Company (a Delaware corporation) and Kirby Tankships, Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated March 25, 1998). 10.20 -- Second Amendment to Credit Agreement, dated November 30, 1998, among Kirby Corporation, the Banks named therein, and Chase Bank of Texas, N.A. as Agent and Funds Administrator (incorporated by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998). 10.21 -- Agreement and Plan of Merger, dated July 28, 1999, by and among Kirby Corporation, Kirby Inland Marine, Inc., Hollywood Marine, Inc., C. Berdon Lawrence, and Robert B. Egan and Eddy J. Rogers, Jr., as Co-Trustees under certain Berdon Lawrence Trusts (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated July 30, 1999). 10.22 -- Credit Facility, dated as of October 12, 1999, among Kirby Corporation, the Banks named therein, Chase Bank of Texas, National Association as Administrative Agent, Bank of America, N.A. as Syndication Agent, and Bank One, Texas, N.A. as Documentation Agent (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K dated October 14, 1999). 10.23+ -- 2001 Employee Stock Option Plan for Kirby Corporation (incorporated by reference to Exhibit 10.23 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000). 10.24 -- Third Amendment to Credit Agreement, dated November 5, 2001, among Kirby Corporation, the Banks named therein, and The Chase Manhattan Bank as Agent and Funds Administrator (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001). 10.25 -- First Amendment to Credit Agreement, dated November 5, 2001, among Kirby Corporation, the Banks named herein, The Chase Manhattan Bank as Administrative Agent, Bank of America N.A. as syndication Agent, and Bank One, Texas, N.A. as Documentation Agent (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001). 10.26*+ -- Nonemployee Director Compensation Program. 10.27*+ -- 2000 Nonemployee Director Stock Option Plan. 21.1* -- Principal Subsidiaries of the Registrant. 23.1* -- Consent of KPMG LLP.

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* Filed herewith

+ Management contract, compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KIRBY CORPORATION
(Registrant)

By: /s/ NORMAN W. NOLEN

Norman W. Nolen
Executive Vice President

Dated: March 6, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE CAPACITY DATE --------- ----- --- ---- /s/ C. BERDON LAWRENCE Chairman of the Board and Director March 6, 2002 ----- ---------- ---------- ---------- ---------- --- of the Company C. Berdon Lawrence /s/ J. H. PYNE President, Director of the Company March 6, 2002 ----- ---------- ---------- ---------- ---------- --- and Principal Executive Officer J. H. Pyne /s/ NORMAN W. NOLEN Executive Vice President, March 6, 2002 ----- ---------- ---------- ---------- ---------- --- Treasurer, Assistant Secretary of Norman W. Nolen the Company

and
Principal
Financial
Officer
/s/ G.
STEPHEN
HOLCOMB
Vice
President,
Controller,
March 6,
2002 -----

Assistant
Secretary
of the
Company G.
Stephen
Holcomb
and
Principal
Accounting
Officer
/s/ C.
SEAN DAY
Director
of the
Company
March 6,
2002 -----

--- C.
Sean Day
/s/ BOB G.
GOWER
Director
of the
Company
March 6,
2002 -----

--- Bob G.
Gower /s/
WALTER E.
JOHNSON
Director
of the
Company
March 6,
2002 -----

--- Walter
E. Johnson
/s/
WILLIAM M.
LAMONT,
JR.
Director
of the
Company
March 6,
2002 -----

William M.

Lamont, Jr. /s/ GEORGE A. PETERKIN, JR. Director of the Company March 6, 2002 -- George A. Peterkin, Jr. /s/ ROBERT G. STONE, JR. Director of the Company March 6, 2002 -- Robert G. Stone, Jr. /s/ RICHARD C. WEBB Director of the Company March 6, 2002 -- Richard C. Webb

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* Filed herewith

+ Management contract, compensatory plan or arrangement.

EXHIBIT 10.26

KIRBY CORPORATION

NONEMPLOYEE DIRECTOR COMPENSATION PROGRAM

Annual Fee

1. Each director will receive an annual fee of $20,000, payable in four equal quarterly payments to be made at the end of each calendar quarter, unless the director elects to receive a stock option for shares of Kirby common stock in lieu of all or part of the cash fee. The fee will be prorated for any director elected between annual stockholder meetings.

2. The election to receive a stock option in lieu of director fees will be made annually. Any director who elects to receive a stock option in lieu of all or part of the annual fee for the year following any annual meeting of stockholders must given written notice of that election to Kirby no later than the date of such annual meeting, except that a director elected between annual stockholder meetings must give written notice of that election to Kirby no later than the date of his or her election as a director. Directors who elect to receive a stock option in lieu of all or part of the unpaid portion of the annual fee for the year in which this program becomes effective must give written notice of that election to Kirby no later than September 29, 2000.

3. The stock option shall be issued on the following terms:

(a) The number of shares of stock subject to the option will be equal to (i) the portion of the annual fee that a director elects to receive in the form of a stock option divided by (ii) the fair market value of a share of stock on the date of grant multiplied by (iii) 3, with the result then rounded to the nearest whole share.

(b) The exercise price will be the fair market value on the date of grant. The fair market value of a share of stock means the mean of the high and low sales price on the New York Stock Exchange on the date of reference. The date of grant of an option granted in lieu of the annual fee means the date by which a director must make the election to receive the option in lieu of cash fees.

(c) The option will vest one-fourth on the first quarterly payment date, one-fourth on the second quarterly payment date, one-fourth on the third quarterly payment date and one-fourth on the fourth quarterly payment date or, in the case of a director elected between annual stockholder meetings or a director receiving an option for the year in which this program becomes effective, in equal parts on the remaining quarterly payment dates prior to the first anniversary of the most recent annual meeting of stockholders.

(d) The options will be subject to the terms of the plan under which they are issued, including without limitation provisions relating to vesting, exercise, termination and transferability.

4. The quarterly payment of cash fees and vesting of stock options are contingent on a director's continuing to serve in that capacity on each such quarterly payment or vesting date.

Meeting Fees

1. Each director will receive a fee of $1,000 for each board meeting attended in person or by telephone.

2. Each member of a committee of the board will receive a fee of $750 for each committee meeting attended in person or by telephone, unless the committee meeting is held on the same day and at the same place as a board meeting, in which case the fee shall be $500 for attending the committee meeting.

Automatic Stock Option Grants

1. Each director will receive an option for 5,000 shares of Kirby common stock upon his or her first election as a director.

2. Each director will receive an option for 3,000 shares of Kirby common stock immediately after each annual meeting of stockholders.

3. The option price in both cases will be the fair market value on the date of grant. The options will be subject to the terms of the plan under which they are issued, including without limitation provisions relating to vesting, exercise, termination and transferability.

General

1. This compensation program is effective September 26, 2000.

2. This compensation program may be amended, modified or terminated by the board at any time.

3. This compensation program applies only to directors of Kirby who are not employees of Kirby or any of its subsidiaries.

ADOPTED BY THE BOARD OF DIRECTORS: September 26, 2000

EXHIBIT 10.27

KIRBY CORPORATION

2000 NONEMPLOYEE DIRECTOR STOCK OPTION PLAN

1. Purpose. The purpose of this Plan is to advance the interests of Kirby Corporation, a Nevada corporation (the "Company"), by providing an additional incentive to attract and retain qualified and competent directors, upon whose efforts and judgment the success of the Company is largely dependent, through the encouragement of stock ownership in the Company by such persons.

2. Definitions. As used herein, the following terms shall have the meaning indicated:

(a) "Board" means the Board of Directors of the Company.

(b) "Change in Control" means the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes the beneficial owner, directly or indirectly, of voting securities representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding voting securities or, if a person is the beneficial owner, directly or indirectly, of voting securities representing thirty percent (30%) or more of the combined voting power of the Company's outstanding voting securities as of the date the particular Option is granted, such person becomes the beneficial owner, directly or indirectly, of additional voting securities representing ten percent (10%) or more of the combined voting power of the Company's then outstanding voting securities;

(ii) During any period of twelve (12) months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute a majority of the Directors unless the election, or the nomination for election by the Company's stockholders, of each new Director was approved by a vote of at least a majority of the Directors then still in office who were Directors at the beginning of the period;

(iii) The stockholders of the Company approve (A) any consolidation or merger of the Company or any Subsidiary that results in the holders of the Company's voting securities immediately prior to the consolidation or merger having (directly or indirectly) less than a majority ownership interest in the outstanding voting securities of the surviving entity immediately after the consolidation or merger, (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or (C) any plan or proposal for the liquidation or dissolution of the Company;

(iv) The stockholders of the Company accept a share exchange, with the result that stockholders of the Company immediately before such share exchange do not own, immediately following such share exchange, at least a majority of the voting securities of the entity resulting from such share exchange in substantially the same proportion as their ownership of the voting securities outstanding immediately before such share exchange; or

(v) Any tender or exchange offer is made to acquire thirty percent (30%) or more of the voting securities of the Company, other than an offer made by the Company, and shares are acquired pursuant to that offer.

For purposes of this definition, the term "voting securities" means equity securities, or securities that are convertible or exchangeable into equity securities, that have the right to vote generally in the election of Directors.

(c) "Committee" means the Compensation Committee, if any, appointed by the Board.

(d) "Compensation Plan" means the written plan or program in effect from time to time, as approved by the Board, which sets forth the compensation to be paid to Eligible Directors.

(e) "Date of Grant" means the date on which an Option is granted to an Eligible Director.

(f) "Director" means a member of the Board.

(g) "Eligible Director" means a Director who is not an employee of the Company or a Subsidiary.

(h) "Fair Market Value" of a Share means the mean of the high and low sales price on the New York Stock Exchange on the day of reference as quoted in any newspaper of general circulation or, if the Shares shall not have been traded on such exchange on such date, the mean of the high and low sales price on such exchange on the next day prior thereto on which the Shares were so traded, as quoted in any newspaper of general circulation. If the Shares are not listed for trading on the New York Stock Exchange, the Fair Market Value on the date of reference shall be determined by any fair and reasonable means prescribed by the Committee.

(i) "Nonincentive Stock Option" means an option that is not an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended.

(j) "Option" means any option granted under this Plan.

(k) "Optionee" means a person to whom a stock option is granted under this Plan or any successor to the rights of such person under this Plan by reason of the death of such person.

(l) "Payment Date" means the last day of a calendar quarter.

(m) "Plan" means this 2000 Nonemployee Director Stock Option Plan for Kirby Corporation.

(n) "Share" means a share of the common stock, par value ten cents ($0.10) per share, of the Company.

(o) "Subsidiary" means any corporation (other than the Company) in any unbroken chain of corporations beginning with the Company if, at the time of the granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. Total Shares. The maximum number of Shares to be issued pursuant to Options under this Plan shall be THREE HUNDRED THOUSAND (300,000) Shares from Shares held in the Company's treasury. If any Option granted under the Plan shall terminate, expire or be cancelled or surrendered as to any Shares, new Options may thereafter be granted covering such Shares.

4. Automatic Grant of Options. Options shall automatically be granted to Eligible Directors as provided in Sections 5, 6 and 7. All Options shall be Nonincentive Stock Options. Each Option shall be evidenced by an option agreement containing such terms deemed necessary or desirable by the Committee that are not inconsistent with the Plan or any applicable law. Neither the Plan nor any Option shall confer upon any person any right to continue to serve as a Director.

5. Automatic One-Time Grant. Each Eligible Director shall automatically be granted an Option for FIVE THOUSAND (5,000) Shares on the date of such Eligible Director's first election as a Director.

6. Automatic Annual Grants. Immediately after each annual meeting of stockholders of the Company, each Eligible Director shall automatically be granted an Option for THREE THOUSAND (3,000) Shares.

7. Election to Receive Options. If the Compensation Plan permits Eligible Directors to elect to receive an Option in lieu of all or part of Director fees otherwise payable in cash, each Eligible Director who has properly and timely made such election as provided in the Compensation Plan shall automatically be granted an Option for a number of Shares equal to (i) the amount of the fee such Eligible Director elects to receive in the form of an Option divided by (ii) the Fair Market Value of a Share on the Date of Grant multiplied by (iii) 3, with the result rounded to the nearest whole Share.

8. Option Price. The option price per Share for any Option shall be the Fair Market Value on the Date of Grant.

9. Date of Grant.

(a) The Date of Grant of an Option granted under Section 5 shall be the date of the Eligible Director's first election as a Director.

(b) The Date of Grant of an Option granted under Section 6 shall be the date of the annual meeting of stockholders of the Company.

(c) The Date of Grant of an Option granted under Section 7 shall be the date by which the Eligible Director must make an election pursuant to the Compensation Plan to receive the Option in lieu of cash fees.

10. Vesting.

(a) An Option granted under Section 5 shall be exercisable on or after the Date of Grant.

(b) An Option granted under Section 6 shall become exercisable six months after the Date of Grant.

(c) An Option granted under Section 7 shall become exercisable on the Payment Date(s) following the Date of Grant as provided in this Section 10(c). The number of Shares as to which an Option granted under Section 7 will become exercisable on each Payment Date after the Date of Grant shall equal the number of Shares subject to the Option divided by the number of Payment Dates occurring after the Date of Grant and before the first anniversary of the most recent annual meeting of stockholders of the Company.

(d) Notwithstanding the other provisions of this Section 10, (i) an Option shall only become exercisable as provided in this Section 10 if the Optionee is a Director at the time the Option would otherwise become exercisable and (ii) upon the occurrence of a Change in Control, all Options outstanding at the time of the Change in Control shall become immediately exercisable.

11. Term of Options. The portion of an Option that is exercisable shall automatically and without notice terminate upon the earlier of (a) one (1) year after the Optionee ceases to be a Director for any reason or (b) ten (10) years after the Date of Grant of the Option. The portion of an Option that is not exercisable shall automatically and without notice terminate at the time the Optionee ceases to be a Director for any reason.

12. Exercise of Options. Any Option may be exercised in whole or in part to the extent exercisable in accordance with Section 10. An Option shall be deemed exercised when (i) the Company has received written notice of such exercise in accordance with the terms of the Option and (ii) full payment of the aggregate option price of the Shares as to which the Option is exercised has been made. Unless further limited by the Committee in any Option, the option price of any Shares purchased shall be paid solely in cash, by certified or cashier's check, by money order, by personal check or with Shares owned by the Optionee for at least six months, or by a combination of the foregoing. If the option price is paid in whole or in part with Shares, the value of the Shares surrendered shall be their Fair Market Value on the date received by the Company.

13. Adjustment of Shares.

(a) If at any time while the Plan is in effect or unexercised Options are outstanding, there shall be any increase or decrease in the number of issued and outstanding Shares through the declaration of a stock dividend or through any recapitalization resulting in a stock split, combination or exchange of Shares, then and in such event:

(i) appropriate adjustment shall be made in the maximum number of Shares then subject to being optioned under the Plan, and the numbers of Options to be granted under Sections 5, 6 and 7, so that the same proportion of the Company's issued and outstanding Shares shall continue to be subject to being so optioned, and

(ii) appropriate adjustment shall be made in the number of Shares and the exercise price per Share thereof then subject to any outstanding Option, so that the same proportion of the Company's issued and outstanding Shares shall remain subject to purchase at the same aggregate exercise price.

(b) In the event of a merger, consolidation or other reorganization of the Company in which the Company is not the surviving entity, the Board or the Committee may provide for any or all of the following alternatives: (i) for Options to become immediately exercisable, (ii) for exercisable Options to be cancelled immediately prior to such transaction, (iii) for the assumption by the surviving entity of the Plan and the Options, with appropriate adjustments in the number and kind of shares and exercise prices or (iv) for payment in cash or stock in lieu of and in complete satisfaction of Options.

(c) Any fractional shares resulting from any adjustment under this Section 13 shall be disregarded and each Option shall cover only the number of full shares resulting from such adjustment.

(d) Except as otherwise expressly provided herein, the issuance by the Company of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of or exercise price of Shares then subject to outstanding Options granted under the Plan.

(e) Without limiting the generality of the foregoing, the existence of outstanding Options granted under the Plan shall not affect in any manner the right or power of the Company to make, authorize or consummate (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (ii) any merger or consolidation of the Company; (iii) any issue by the Company of debt securities, or preferred or preference stock that would rank above the Shares subject to outstanding Options; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer or assignment of all or any part of the assets or business of the Company; or (vi) any other corporate act or proceeding, whether of a similar character or otherwise.

14. Transferability of Options. Each Option shall provide that such Option shall not be transferable by the Optionee otherwise than by will or the laws of descent and distribution and that so long as an Optionee lives, only such Optionee or his guardian or legal representative shall have the right to exercise such Option.

15. Issuance of Shares. No person shall be, or have any of the rights or privileges of, a stockholder of the Company with respect to any of the Shares subject to any Option unless and until certificates representing such Shares shall have been issued and delivered to such person. As a condition of any transfer of the certificate for Shares, the Committee may obtain such agreements or undertakings, if any, as it may deem necessary or advisable to assure compliance with any provision of the Plan, any agreement or any law or regulation including, but not limited to, the following:

(a) a representation, warranty or agreement by the Optionee to the Company, at the time any Option is exercised, that the Optionee is acquiring the Shares for investment and not with a view to, or for sale in connection with, the distribution of any such Shares; and

(b) a representation, warranty or agreement to be bound by any legends that are, in the opinion of the Committee, necessary or appropriate to comply with the provisions of any securities law deemed by the Committee to be applicable to the issuance of the Shares and are endorsed upon the Share certificates.

16. Administration of the Plan. The Plan shall be administered by the Committee. The Committee shall have the authority to interpret the provisions of the Plan, to adopt such rules and regulations for carrying out the Plan as it may deem advisable, to decide conclusively all questions arising with respect to the Plan and to make all other determinations and take all other actions necessary or desirable for the administration of the Plan. All decisions and acts of the Committee shall be final and binding upon all affected Optionees. If there is no Committee, the Board shall administer the Plan and in such case all references to the Committee shall be deemed to be references to the Board.

17. Amendment. The Board may amend or modify the Plan in any respect at any time.

18. Duration and Termination. The Plan shall be of unlimited duration. The Board may suspend, discontinue or terminate the Plan at any time. Such action shall not impair any of the rights of any holder of any Option outstanding on the date of the Plan's suspension, discontinuance or termination without the holder's written consent.

19. Effective Date. The Plan shall be effective as of September 26, 2000.

ADOPTED BY THE BOARD: September 26, 2000

EXHIBIT 21.1

KIRBY CORPORATION

PRINCIPAL SUBSIDIARIES OF THE REGISTRANT

PLACE OF INCORPORATION ------------- KIRBY CORPORATION -- PARENT AND REGISTRANT .... Nevada SUBSIDIARIES OF THE PARENT AND REGISTRANT KIM Holdings, Inc.(1) .... Delaware General Energy Corporation(1) .... Delaware Kirby Exploration Company of Texas(1) .... Delaware Kirby Terminals, Inc.(1) .... Texas Sabine Transportation Company(1) .... Delaware AFRAM Carriers, Inc.(1) .... Delaware Kirby Engine Systems, Inc.(1) .... Delaware Kirby Tankships, Inc.(1) .... Delaware Dixie Offshore Transportation Company(1) .... Delaware Mariner Reinsurance Company Limited(1) .... Bermuda Oceanic Insurance Limited(1) .... Bermuda CONTROLLED CORPORATIONS Dixie Bulk Transport, Inc. (subsidiary of Dixie Offshore Transportation Company)(1) .... Delaware KIM Partners, LLC (Subsidiary of KIM Holdings, Inc.)(1) ...... Louisiana Kirby Inland Marine, LP (KIM Holdings, Inc. 1% General Partner, KIM Partners, LLC 99% Limited Partner)(1) .... Delaware Kirby Inland Marine, Inc. of Louisiana (subsidiary of Kirby Inland Marine, LP)(1) .... Delaware Kirby Inland Marine, Inc. of Texas (subsidiary of Kirby Inland Marine, LP)(1) .... Delaware Kirby Inland Marine, Inc. of Mississippi (subsidiary of Kirby Inland Marine, LP)(1) .... Delaware Dixie Carriers, Inc. (subsidiary of Kirby Inland Marine, LP)(1) .... Texas Marine Systems, Inc. (subsidiary of Kirby Engine Systems, Inc.)(1) .... Louisiana Rail Systems, Inc. (subsidiary of Kirby Engine Systems, Inc.)(1) .... Delaware Engine Systems, Inc. (subsidiary of Kirby Engine Systems, Inc.)(1) .... Delaware

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(1) Included in the consolidated financial statements.

EXHIBIT 23.1

INDEPENDENT AUDITORS CONSENT

We consent to the incorporation by reference in the Registration Statements (No. 33-62116), (No. 33-56195) on Form S-3 and (No. 33-681400), (No. 2-67954), (No. 2-84789), (No. 33-57621), (No. 33-57625), (No. 333-33913), (No. 333-72592) on Form S-8 of Kirby Corporation of our report dated January 30, 2002, relating to the consolidated balance sheets of Kirby Corporation and consolidated subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2001, which report appears in the December 31, 2001 Annual Report on Form 10-K of Kirby Corporation.

KPMG LLP

Houston, Texas
March 6, 2002