

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarter ended March 31, 2000

[] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-7615

Kirby Corporation

(Exact name of registrant as specified in its charter)

Nevada

74-1884980

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

55 Waugh Drive, Suite 1000, Houston, TX

77007

(Address of principal executive offices)

(Zip Code)

(713) 435-1000

(Registrant's telephone number, including area code)

No Change

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No []

The number of shares outstanding of the registrant's Common Stock, \$.10 par value per share, on May 9, 2000 was 24,524,468.

PART 1 - FINANCIAL INFORMATION

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED BALANCE SHEETS (Unaudited)

ASSETS

March 31, 2000 and December 31, 1999

(\$ in thousands)

| | | |
|--|------------|------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 5,523 | \$ 3,571 |
| Available-for-sale securities | 10,957 | 13,091 |
| Accounts receivable: | | |
| Trade - less allowance for doubtful accounts | 76,144 | 71,755 |
| Insurance claims and other | 7,901 | 6,637 |
| Inventory - finished goods | 12,216 | 13,127 |
| Prepaid expenses | 8,650 | 9,684 |
| Deferred income taxes | 3,511 | 4,958 |
| | ----- | ----- |
| Total current assets | 124,902 | 122,823 |
| | ----- | ----- |
| Property and equipment | 694,784 | 688,555 |
| Less accumulated depreciation | 242,123 | 236,704 |
| | ----- | ----- |
| | 452,661 | 451,851 |
| | ----- | ----- |
| Investments in marine affiliates | 14,944 | 14,941 |
| Goodwill - less accumulated amortization | 160,577 | 161,095 |
| Other assets | 2,123 | 2,687 |
| | ----- | ----- |
| | \$ 755,207 | \$ 753,397 |
| | ===== | ===== |

See accompanying notes to condensed financial statements.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED BALANCE SHEETS
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---------------------------------------|-------------------|--------------|
| | March 31, | December 31, |
| | 2000 | 1999 |
| | ----- | ----- |
| | (\$ in thousands) | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 5,335 | \$ 5,335 |
| Income taxes payable | 4,334 | 517 |
| Accounts payable | 39,634 | 29,909 |
| Accrued liabilities | 49,550 | 51,731 |
| Deferred revenues | 1,487 | 4,073 |
| | ----- | ----- |
| Total current liabilities | 100,340 | 91,565 |
| | ----- | ----- |
| Long-term debt - less current portion | 305,188 | 316,272 |
| Deferred income taxes | 90,522 | 92,794 |
| Other long-term liabilities | 12,990 | 12,730 |

| | | |
|--|------------|------------|
| | 408,700 | 421,796 |
| 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 | 175,530 | 175,231 |
| Accumulated other comprehensive income | (216) | (317) |
| Retained earnings | 174,562 | 168,495 |
| | 352,967 | 346,500 |
| Less cost of 6,394,000 shares in treasury (6,383,000 at December 31, 1999) | 106,800 | 106,464 |
| | 246,167 | 240,036 |
| | \$ 755,207 | \$ 753,397 |

See accompanying notes to condensed financial statements.

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

| | Three months ended March 31, | |
|---|--|-----------|
| | 2000 | 1999 |
| | (\$ in thousands, except per share amounts) | |
| Revenues: | | |
| Marine transportation | \$ 107,502 | \$ 57,729 |
| Diesel engine services | 18,954 | 20,752 |
| | 126,456 | 78,481 |
| Costs and expenses: | | |
| Costs of sales and operating expenses | 81,533 | 52,938 |
| Selling, general and administrative | 15,171 | 9,239 |
| Taxes, other than on income | 2,575 | 1,725 |
| Depreciation and amortization | 11,761 | 6,680 |
| | 111,040 | 70,582 |
| Operating income | 15,416 | 7,899 |
| Equity in earnings of marine affiliates | 837 | 881 |
| Other (expense) income | (107) | 187 |
| Interest expense | (5,863) | (2,545) |
| | 10,283 | 6,422 |
| Earnings before taxes on income | (4,216) | (2,421) |
| Provision for taxes on income | | |
| Net earnings | \$ 6,067 | \$ 4,001 |
| Net earnings per share of common stock: | | |
| Basic | \$.25 | \$.20 |

Diluted

=====

\$.25

=====

=====

\$.20

=====

See accompanying notes to condensed financial statements.

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

| | Three months ended March 31, | |
|---|------------------------------|----------|
| | 2000 | 1999 |
| | ----- | |
| | ----- | |
| | (\$ in thousands) | |
| Cash flows from operating activities: | | |
| Net earnings | \$ 6,067 | \$ 4,001 |
| Adjustments to reconcile net earnings to net cash provided by operations: | | |
| Depreciation and amortization | 11,761 | 6,680 |
| Provision for deferred income taxes | 398 | 754 |
| Equity in earnings of marine affiliates, net of distributions and contributions | 38 | (195) |
| Other | 387 | (105) |
| Increase in cash flows resulting from changes in operating working capital | 5,628 | 13,292 |
| | ----- | ----- |
| Net cash provided by operating activities | 24,279 | 24,427 |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Proceeds from sale and maturities of investments | 2,277 | 500 |
| Purchase of investments | -- | (439) |
| Capital expenditures | (13,311) | (5,457) |
| Proceeds from disposition of assets | 1,869 | 636 |
| Other | (40) | -- |
| | ----- | ----- |
| Net cash used in investing activities | (9,205) | (4,760) |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Payments on bank revolving credit agreements, net | (11,000) | (8,500) |
| Payments on long-term debt | (84) | (83) |
| Purchase of treasury stock | (1,879) | (11,429) |
| Other | (159) | 130 |
| | ----- | ----- |
| Net cash used in financing activities | (13,122) | (19,882) |
| | ----- | ----- |
| Increase (decrease) in cash and cash equivalents | 1,952 | (215) |
| Cash and cash equivalents, beginning of year | 3,571 | 861 |
| | ----- | ----- |
| Cash and cash equivalents, end of period | \$ 5,523 | \$ 646 |
| | ===== | ===== |

Supplemental disclosures of cash flow information:

Cash paid during the period:

| | | |
|--------------|----------|--------|
| Interest | \$ 3,915 | \$ 343 |
| Income taxes | \$ 28 | \$ 879 |

See accompanying notes to condensed financial statements.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

In the opinion of management, the accompanying unaudited condensed financial statements of Kirby Corporation and consolidated subsidiaries (the "Company") contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31, 2000 and December 31, 1999, and the results of operations for the three months ended March 31, 2000 and 1999.

(1) BASIS FOR PREPARATION OF THE CONDENSED FINANCIAL STATEMENTS

The condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including significant accounting policies normally included in annual financial statements, have been condensed or omitted pursuant to such rules and regulations. It is suggested that these condensed financial statements be read in conjunction with the Company's latest Annual Report on Form 10-K.

(2) ACQUISITION

On October 12, 1999, the Company completed the acquisition of Hollywood Marine, Inc. ("Hollywood"), by means of a merger of Hollywood into Kirby Inland Marine, Inc., a wholly owned subsidiary of the Company. Pursuant to the Agreement and Plan of Merger, the Company acquired Hollywood 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'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 (88,178 shares at \$20.44 per share). The final total purchase consideration for the Hollywood acquisition was \$322,590,000. C. Berdon Lawrence was the principal shareholder of Hollywood. Hollywood's operations were included as part of the Company's operations effective October 12, 1999 in accordance with the purchase method of accounting. Goodwill is amortized over 30 years.

Hollywood, located in Houston, Texas, was engaged in the inland tank barge transportation of chemicals and petrochemicals, 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 operated a fleet of 270 inland tank barges, with 4.8 million barrels of capacity, and 104 inland towboats.

Financing for the cash portion of the transaction and the repayment of Hollywood's existing debt was through the Company's existing \$100,000,000 undrawn bank revolving credit agreement with Chase Bank of Texas, N.A. ("Chase") as agent bank and through a new \$200,000,000 credit facility with Bank of America, N.A. as syndication agent bank; Chase as administrative agent; and Bank

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS - (Continued)

(2) ACQUISITION - (Continued)

The following unaudited pro forma combined financial information for the three months ended March 31, 1999 is based on historical financial information of the Company and Hollywood. The financial information assumes the merger was completed as of the beginning of the year indicated. 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 the year indicated, nor is the information indicative of the future results of operations (in thousands, except per share amounts):

| | Three months ended March 31, 1999 |
|---|--------------------------------------|
| | ----- |
| Revenues | \$ 118,912 |
| Earnings before taxes on income | \$ 7,633 |
| Net earnings | \$ 4,340 |
| Net earnings per share of common stock -- diluted | \$.17 |

(3) ADOPTION OF ACCOUNTING STANDARDS

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS No. 133") issued in June 1998, establishes accounting and reporting standards for derivative instruments and hedging activities. This statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. With the issuance of SFAS No. 137, SFAS No. 133 is now effective for all quarters of fiscal years beginnings after June 15, 2000. SFAS No. 133 is effective for the Company's year ending December 31, 2001 and is not expected to have a material effect on the Company's financial position or results of operations.

(4) COMPREHENSIVE INCOME

The Company's total comprehensive income for the three months ended March 31, 2000 and 1999 were as follows (in thousands):

| | Three months ended March 31, | |
|---|------------------------------|----------|
| | 2000 | 1999 |
| | ----- | ----- |
| Net earnings | \$ 6,067 | \$ 4,001 |
| Other comprehensive income (loss), net of tax | 101 | (338) |
| | ----- | ----- |
| Total comprehensive income | \$ 6,168 | \$ 3,663 |
| | ===== | ===== |

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS - (Continued)

(5) SEGMENT INFORMATION

The following table sets forth the Company's revenues and profit (loss) by reportable segment for the three months ended March 31, 2000 and 1999 and total assets as of March 31, 2000 and December 31, 1999 (in thousands):

| | Three months ended March 31, | |
|------------------------|------------------------------|--------------|
| | 2000 | 1999 |
| Revenues: | | |
| Marine transportation | \$ 107,502 | \$ 57,729 |
| Diesel engine services | 18,954 | 20,752 |
| | ----- | ----- |
| | \$ 126,456 | \$ 78,481 |
| | ===== | ===== |
| Segment profit (loss): | | |
| Marine transportation | \$ 15,030 | \$ 6,903 |
| Diesel engine services | 2,037 | 2,117 |
| Other | (6,784) | (2,598) |
| | ----- | ----- |
| | \$ 10,283 | \$ 6,422 |
| | ===== | ===== |
| | March 31, | December 31, |
| | 2000 | 1999 |
| | ----- | ----- |
| Total assets: | | |
| Marine transportation | \$ 676,640 | \$ 673,882 |
| Diesel engine services | 36,865 | 32,890 |
| Other | 41,702 | 46,625 |
| | ----- | ----- |
| | \$ 755,207 | \$ 753,397 |
| | ===== | ===== |

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

| | Three months ended March 31, | |
|---|------------------------------|------------|
| | 2000 | 1999 |
| General corporate expenses | \$ (1,651) | \$ (1,121) |
| Interest expense | (5,863) | (2,545) |
| Equity in earnings of marine affiliates | 837 | 881 |
| Other (expense) income | (107) | 187 |
| | ----- | ----- |
| | \$ (6,784) | \$ (2,598) |
| | ===== | ===== |

NOTES TO CONDENSED FINANCIAL STATEMENTS - (Continued)

(5) SEGMENT INFORMATION - (Continued)

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

| | March 31, 2000 ----- | December 31, 1999 ----- |
|---------------------------|----------------------------|-------------------------------|
| General corporate assets | \$ 26,758 | \$ 31,684 |
| Investments in affiliates | 14,944 | 14,941 |
| | ----- | ----- |
| | \$ 41,702 | \$ 46,625 |
| | ===== | ===== |

(6) TAXES ON INCOME

Details of the provision for taxes on income for the three months ended March 31, 2000 and 1999 were as follows (in thousands):

| | Three months ended March 31, ----- | |
|--------------------------------|--|----------|
| | 2000 | 1999 |
| | ----- | ----- |
| Provision for taxes on income: | | |
| Current | \$ 3,503 | \$ 1,406 |
| Deferred | 423 | 754 |
| State and local | 290 | 261 |
| | ----- | ----- |
| | \$ 4,216 | \$ 2,421 |
| | ===== | ===== |

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS - (Continued)

(7) EARNINGS PER SHARE

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

| | Three months ended March 31, ----- | |
|--|---|----------|
| | 2000 | 1999 |
| | ----- | ----- |
| | (in thousands, except per share amounts) | |
| Net earnings | \$ 6,067 | \$ 4,001 |
| | ===== | ===== |
| Basic earnings per share: | | |
| Weighted average number of common shares outstanding | 24,493 | 20,341 |
| | ===== | ===== |

| | | |
|--|--------|--------|
| Basic earnings per share | \$.25 | \$.20 |
| | ===== | ===== |
| Diluted earnings per share: | | |
| Weighted average number of common shares outstanding | 24,493 | 20,341 |
| Dilutive shares applicable to stock options | 101 | 106 |
| | ----- | ----- |
| Shares applicable to diluted earnings | 24,594 | 20,447 |
| | ===== | ===== |
| Diluted earnings per share | \$.25 | \$.20 |
| | ===== | ===== |

Certain outstanding options to purchase approximately 1.0 million and 1.2 million shares of common stock were outstanding at March 31, 2000 and March 31, 1999, respectively. Such options were excluded in the computation of diluted earnings per share because they would have been antidilutive.

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KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Statements contained in this Form 10-Q 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-Q 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; 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.

The Company, through its subsidiaries, is a provider of marine transportation services, operating a fleet of 774 inland tank barges, with 14.0 million barrels of capacity, and 229 inland towing vessels, transporting industrial chemicals and petrochemicals, refined petroleum products, black oil and agricultural chemicals along the United States inland waterways. The Company's marine transportation operation also includes one offshore dry-bulk barge and tug unit. The Company serves as managing partner of a 35% owned offshore marine partnership, consisting of four dry-bulk barge and tug units. The Company also serves as the managing partner of a 50% owned offshore marine partnership, consisting of one dry-bulk barge and tug unit, which is currently in lay-up and is for sale. The partnerships are accounted for under the equity method of accounting.

The Company, through its subsidiaries, is also a provider of diesel engine services, engaged in the overhaul and servicing of large medium-speed diesel engines employed in marine, power generation and rail applications. The Company's diesel engine services operation is divided into three subsidiaries organized around the markets they serve: Marine Systems, an authorized dealer for EMD; Rail Systems, an exclusive EMD distributor of aftermarket parts to shortline and industrial railroads; and Engine Systems, an authorized EMD distributor for 17 eastern states and the Caribbean, and the exclusive worldwide distributor for EMD to the nuclear industry.

On October 12, 1999, the Company completed the acquisition of Hollywood by means of a merger of Hollywood into Kirby Inland Marine, Inc., a wholly owned subsidiary of the Company. Pursuant to the Agreement and Plan of Merger, the Company acquired Hollywood for an aggregate consideration of \$322,590,000, including post-closing adjustments. Hollywood's operations were included as part of the Company operations effective October 12, 1999 in accordance with the purchase method of accounting.

RESULTS OF OPERATIONS

The Company reported net earnings of \$6,067,000, or \$.25 per share, on revenues of \$126,456,000 for the 2000 first quarter, compared with net earnings of \$4,001,000, or \$.20 per share, on revenues of \$78,481,000 for the 1999 first quarter.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

RESULTS OF OPERATIONS - (CONTINUED)

For purposes of this Management's Discussion, all earnings per share are "Diluted earnings per share." The weighted average number of common shares for the 2000 and 1999 first quarter were 24,594,000 and 20,447,000, respectively. The increase in the weighted average number of common shares for the 2000 first quarter compared with the 1999 first quarter primarily reflected the issuance of common stock associated with the acquisition of Hollywood in October 1999.

The following table sets forth the Company's revenues and percentage of such revenues for the three months ended March 31, 2000 compared with the three months ended March 31, 1999 (dollars in thousands):

| | Three months ended March 31, | | | | | |
|------------------------|------------------------------|-------------|------------------|-------------|---------------------|------------|
| | 2000 | | 1999 | | Increase (decrease) | |
| | Amounts | % | Amounts | % | Amounts | % |
| Revenues: | | | | | | |
| Marine transportation | \$ 107,502 | 85% | \$ 57,729 | 74% | \$ 49,773 | 86% |
| Diesel engine services | 18,954 | 15 | 20,752 | 26 | (1,798) | (9) |
| | <u>\$ 126,456</u> | <u>100%</u> | <u>\$ 78,481</u> | <u>100%</u> | <u>\$ 47,975</u> | <u>61%</u> |

Revenues for the marine transportation segment increased 86% for the 2000 first quarter compared with the 1999 first quarter, primarily due to the acquisition of Hollywood in October 1999. In the 2000 first quarter, chemical, petrochemical and black oil movements were strong. Refined products and fertilizer movements to the Midwest were unseasonably strong, with the slower part of the season normally occurring during the first and fourth quarters. The strong refined products movements were the result of low Midwest inventory levels and favorable price differentials between the Gulf Coast and Chicago. The stronger than normal fertilizer movements were the result of low inventory levels in the Midwest terminals.

During the 2000 first quarter, revenues reflected a modest continual upward trend in spot market rates and contract renewals were generally at modestly higher rates. The marine transportation segment operates under long-term contracts, short-term contracts and spot transactions for movements of liquid products. During the 2000 first quarter, approximately 70% of movements were under term contracts and 30% were spot transactions, compared with the 1999 first quarter when approximately 75% of movements were under term contracts and 25% were spot transactions.

The 2000 first quarter was negatively impacted by weather, but, not to the degree as the first quarter of 1999. Low water conditions on the Mississippi, Ohio and Illinois Rivers through mid-February 2000 resulted in

longer transit times and restricted drafts for upriver movements, both of which negatively impacted revenues.

For the 1999 first quarter, chemical and petrochemical movements were strong, while refined product movements and fertilizer movements were seasonably soft. Spot market rates reflected modest

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

RESULTS OF OPERATIONS - (CONTINUED)

increases and contracts were generally renewed at modestly higher rates. However, the effect of the rate increases was offset by navigational delays (weather, locks and other restrictions), which lowered the 1999 first quarter's revenues due to increased transit times.

The diesel engine services segment's revenues for the 2000 first quarter decreased 9% compared with the segment's 1999 first quarter revenues, as the prior year first quarter included accelerated service demands from certain Midwest and East Coast customers. For the 2000 first quarter, the segment benefited from the slowly mending Gulf Coast oil and gas services sector, a strong inland river market and a strong nuclear market. During the 1999 first quarter, the Gulf Coast oil and gas services sector was weak, however, the Gulf Coast mechanics were dispatched to the Midwest and the East Coast to meet the accelerated service demands noted above.

The following table sets forth the costs and expenses and percentage of each for the three months ended March 31, 2000 compared with the three months ended March 31, 1999 (dollars in thousands):

| | Three months ended March 31, | | | | | |
|---------------------------------------|------------------------------|------|-----------|------|---------------------|-----|
| | 2000 | | 1999 | | Increase (decrease) | |
| | Amounts | % | Amounts | % | Amounts | % |
| Costs and expenses | | | | | | |
| Costs of sales and operating expenses | \$ 81,533 | 73% | \$ 52,938 | 75% | \$ 28,595 | 54% |
| Selling, general and administrative | 15,171 | 14 | 9,239 | 13 | 5,932 | 64 |
| Taxes, other than on income | 2,575 | 2 | 1,725 | 2 | 850 | 49 |
| Depreciation and amortization | 11,761 | 11 | 6,680 | 10 | 5,081 | 76 |
| | \$111,040 | 100% | \$ 70,582 | 100% | \$ 40,458 | 57% |

Total costs and expenses, excluding interest expense, for the 2000 first quarter increased 57% compared with the 1999 first quarter. The 2000 first quarter costs and expenses included the expenses of Hollywood. In addition, the 2000 first quarter reflected higher equipment costs, labor, health and welfare costs.

The 2000 first quarter costs and expenses also reflected higher fuel costs, with the average price per gallon consumed 36 cents higher than the average price per gallon consumed during the 1999 first quarter. As stated above, both the 2000 and the 1999 first quarters were negatively impacted by weather conditions, which decreased revenues and increased operating expenses. Ice conditions, and low and high water conditions require additional horsepower to complete movements, additional fuel and other variable expenses associated with longer transit times.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

RESULTS OF OPERATIONS - (CONTINUED)

The following tables set forth the operating income and operating margins by segment for the three months ended March 31, 2000 compared with the three months ended March 31, 1999 (dollars in thousands):

| | Three months ended March 31, | | | | Increase (decrease) | |
|------------------------|------------------------------|------------------|-------------------------|------------------|---------------------|------------|
| | 2000 | | 1999 | | Amounts | % |
| | Operating income (loss) | Operating margin | Operating income (loss) | Operating margin | | |
| Marine transportation | \$ 15,030 | 14.0% | \$ 6,903 | 12.0% | \$ 8,127 | 118% |
| Diesel engine services | 2,037 | 10.7% | 2,117 | 10.2% | (80) | (4)% |
| Corporate | (1,651) | | (1,121) | | (530) | (47)% |
| | <u>\$ 15,416</u> | | <u>\$ 7,899</u> | | <u>\$ 7,517</u> | <u>95%</u> |

The following table sets forth the equity in earnings of affiliates, other expense and income, and interest expense for the three months ended March 31, 2000 compared with the three months ended March 31, 1999 (dollars in thousands):

| | Three months ended March 31, | | Increase (decrease) | |
|---|------------------------------|------------|---------------------|--------|
| | 2000 | 1999 | Amount | % |
| | | | | |
| Equity in earnings of marine affiliates | \$ 837 | \$ 881 | \$ (44) | (5)% |
| Other (expense) income | \$ (107) | \$ 187 | \$ (294) | (157)% |
| Interest expense | \$ (5,863) | \$ (2,545) | \$ 3,318 | 130% |

Other expense of \$107,000 for the 2000 first quarter reflected investment income, a net gain on disposition of assets and the recording of minority interest from approximately 25 inland tank barges in partnerships acquired with the Hollywood acquisition. During the 2000 first quarter, the Company sold three inland towboats and six single-skin tank barges for a \$49,000 net gain, which generated \$1,869,000 of cash. Other income of \$187,000 for the 1999 first quarter was primarily from investment income.

The 130% increase in interest expense for the 2000 first quarter over the 1999 first quarter primarily reflected interest expense on the borrowings to finance the Hollywood acquisition. The average debt and average interest rate for the 2000 first quarter was \$316,359,000 and 7.33%, compared with \$135,800,000 and 7.23% for the 1999 first quarter, respectively.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

Balance Sheet

Total assets as of March 31, 2000 were \$755,207,000, compared with \$753,397,000 as of December 31, 1999. The following table sets forth the significant components of the balance sheet as of March 31, 2000 compared with December 31, 1999 (dollars in thousands):

| | March 31, 2000 | December 31, 1999 | Increase (decrease) | |
|--|-------------------|----------------------|---------------------|-------|
| | | | Amount | % |
| Assets: | | | | |
| Current assets | \$ 124,902 | \$ 122,823 | \$ 2,079 | 2% |
| Property and equipment, net | 452,661 | 451,851 | 810 | -- |
| Investments in marine affiliates | 14,944 | 14,941 | 3 | -- |
| Goodwill, net | 160,577 | 161,095 | (518) | -- |
| Other assets | 2,123 | 2,687 | (564) | (21) |
| | ----- | ----- | ----- | ----- |
| | \$ 755,207 | \$ 753,397 | \$ 1,810 | --% |
| | ===== | ===== | ===== | ===== |
| Liabilities and stockholders' equity: | | | | |
| Current liabilities | \$ 100,340 | \$ 91,565 | \$ 8,775 | 10% |
| Long-term debt | 305,188 | 316,272 | (11,084) | (4) |
| Deferred taxes | 90,522 | 92,794 | (2,272) | (2) |
| Other long-term liabilities | 12,990 | 12,730 | 260 | 2 |
| Stockholders' equity | 246,167 | 240,036 | 6,131 | 3 |
| | ----- | ----- | ----- | ----- |
| | \$ 755,207 | \$ 753,397 | \$ 1,810 | --% |
| | ===== | ===== | ===== | ===== |

Working capital as of March 31, 2000 totaled \$24,562,000 compared with \$31,258,000 as December 31, 1999. The decrease was primarily attributable to 33% increase in accounts payable, partially offset by a 6% increase in trade accounts receivable. The increase in accounts payable is primarily due to increased shipyard activity during the 2000 first quarter versus the 1999 fourth quarter. The increase in trade accounts receivable was driven by higher marine transportation and diesel engine services revenues in the 2000 first quarter versus the 1999 fourth quarter.

Long-term debt, less current portion, decreased 4% during the 2000 first quarter, reflecting the payment of \$11,084,000 of long-term debt, the result of the favorable cash flow provided by operating activities during the quarter, discussed below under Liquidity.

Stockholders' equity as of March 31, 2000 increased 3% during the 2000 first quarter, primarily reflecting the Company's net earnings of \$6,067,000, the issuance of \$1,802,000 of common stock as a final post-closing adjustment of the Hollywood acquisition and the repurchase of \$1,879,000 of common stock by the Company.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY - (CONTINUED)

Merger Related Charge - 1999

In connection with the acquisition of Hollywood, the Company recorded \$4,502,000 of pre-tax merger related charges to combine the acquired operations with those of the Company. The cash portion of the merger related charges totaled \$3,248,000. The components of the cash charge incurred, the actual cash payments made, and the accrued balances at March 31, 2000 are as follows (in thousands):

| | Total cash portion | Paid in 1999 | Paid in 2000 | Accrued at 3/31/00 |
|--|-----------------------|-----------------|-----------------|-----------------------|
| | ----- | ----- | ----- | ----- |
| Severance for Company employees | \$ 1,555 | \$ 13 | \$ 242 | \$ 1,300 |
| Exit of insurance mutual | 870 | -- | 870 | -- |
| Corporate headquarters lease abandonment | 823 | 106 | 117 | 600 |
| | ----- | ----- | ----- | ----- |
| | \$ 3,248 | \$ 119 | \$ 1,229 | \$ 1,900 |
| | ===== | ===== | ===== | ===== |

The Company expects that the accrued severance remaining will be paid by the end of 2000. The duplicate facilities reserve remaining is expected to be paid throughout the lease term which expires in August 2003.

Capital Expenditures

During the 2000 first quarter and the 1999 first quarter, the Company purchased no new or existing marine transportation equipment. The capital expenditures for the 2000 first quarter of \$13,311,000 and for the 1999 first quarter of \$5,457,000 were primarily for upgrading the Company's existing marine transportation fleet. As of March 31, 2000, the Company had no material commitments for capital expenditures.

Treasury Stock Purchases

During the 2000 first quarter, the Company purchased in the open market 103,000 shares of common stock at a total purchase price of \$1,879,000, for an average price of \$18.24 per share. As of May 9, 2000, the Company had 2,259,000 shares available under its repurchase authorization. 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, in future acquisitions for stock or for other appropriate corporate purposes.

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

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY - (CONTINUED)

Liquidity

The Company generated net cash provided by operating activities of \$24,279,000 and \$24,427,000 for the three months ended March 31, 2000 and 1999, respectively. Both comparable quarters were positively impacted by favorable cash flow from working capital, \$5,628,000 for the 2000 first quarter and \$13,292,000 for the 1999 first quarter.

Funds generated are available for acquisitions of core businesses, capital construction projects, treasury stock repurchases, repayment of borrowings associated with each of the above, and for other operating requirements. In addition to its net cash flow provided by operating activities, the Company also has available as of May 9, 2000, \$93,500,000 under its \$100,000,000 revolving credit agreement, \$5,000,000 under its \$200,000,000 senior credit facility and \$121,000,000 under its medium term note program. The Company's scheduled principal payments during the next 12 months are \$50,335,000. On June 1, 2000, \$45,000,000 of the Company's medium term notes mature. These notes were classified as long-term at March 31, 2000 and December 31, 1999, as the Company has the ability and the intent to refinance the notes on a long-term basis through available credit facilities.

During the last three months, 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. The repair portion of the diesel engine services segment is based on prevailing current market rates.

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.

Accounting Standards

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS No. 133") issued in June 1998, establishes accounting and reporting standards for derivative instruments and hedging activities. This statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. With the issuance of SFAS No. 137, SFAS No. 133 is now effective for all quarters of fiscal years beginnings after June 15, 2000. SFAS No. 133 is effective for the Company's year ending December 31, 2001 and is not expected to have a material effect on the Company's financial position or results of operations

YEAR 2000

During 1999, the Company initiated a program to prepare the Company's land-based and vessel-based computer systems for the "Year 2000 Issue." The Company designed and implemented an action plan to determine the likely exposure of the Company and its subsidiaries to the Year 2000 Issue and to take the necessary action to minimize the impact of those exposures. The Company's Year 2000 Issue action plan addressed both internal and external exposures. The Company incurred approximately \$100,000 of expenses related to the Year 2000 Issue. The Company did not encounter any critical system application or hardware failures during the date rollover to the Year 2000, and has not experienced any disruptions of business activities as a result of Year 2000 Issue failures encountered by customers, suppliers and service providers.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a detailed explanation of the material pending legal proceedings against the Company, please refer to the Form 10-K for the year ended December 31, 1999.

Item 4. Results of Votes of Security Holders

- (a) The Registrant held its Annual Meeting of Stockholders on April 18, 2000.
- (b) Proxies for the meeting were solicited pursuant to Regulation 14; there was no solicitation in opposition to management's nominees for directors as listed in the Proxy Statement, and all such nominees were elected.

Directors elected were Philip J. Burguieres, C. Sean Day, Bob G. Gower, William M. Lamont, Jr., C. Berdon Lawrence, George A. Peterkin, Jr., J. H. Pyne and Robert G. Stone, Jr. No other directors previously in office continued as a director or continued in office after the meeting.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits:
27.0 Financial Data Schedule.
- (b) Reports on Form 8-K:

There were no reports on Form 8-K filed for the three months ended March 31, 2000.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KIRBY CORPORATION
(Registrant)

By: /s/ G. STEPHEN HOLCOMB

G. Stephen Holcomb
Vice President and Controller

Dated: May 9, 2000

EXHIBIT INDEX

| Exhibit ----- | Description ----- |
|------------------|-------------------------|
| 27.0 | Financial Data Schedule |

<ARTICLE> 5

<LEGEND>

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

</LEGEND>

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