

# Kirby Corporation

2013 Annual Report





# 2013 QUARTERLY REVIEW

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

<b>First Quarter</b>	<b>2013</b>	2012	Change
Revenues	<b>\$ 558,785</b>	\$ 566,935	(1)%
Net earnings*	<b>\$ 56,578</b>	\$ 50,944	11%
Earnings per share*	<b>\$ 1.00</b>	\$ .91	10%
EBITDA	<b>\$ 139,946</b>	\$ 124,748	12%

- 🚩 Marine transportation inland fleet demand strong with utilization in the 90% to 95% range and favorable pricing trends
- 🚩 Marine transportation coastal fleet demand improved with utilization in the 90% range and favorable pricing trends
- 🚩 Diesel engine services land-based demand weak, while marine and power generation demand stable
- 🚩 Included a \$.05 per share credit to the fair value of United's contingent earnout liability compared with a \$.05 per share charge for the 2012 first quarter

<b>Second Quarter</b>	<b>2013</b>	2012	Change
Revenues	<b>\$ 563,908</b>	\$ 511,848	10%
Net earnings*	<b>\$ 63,093</b>	\$ 47,551	33%
Earnings per share*	<b>\$ 1.11</b>	\$ .85	31%
EBITDA	<b>\$ 148,925</b>	\$ 118,041	26%

- 🚩 Marine transportation inland fleet demand strong with utilization in the 90% to 95% range and favorable pricing trends
- 🚩 Included an estimated \$.03 per share negative impact from high water on inland waterways and lock closure delays
- 🚩 Marine transportation coastal fleet demand strong with utilization in the 90% range and favorable pricing trends
- 🚩 Diesel engine services land-based demand weak, while marine and power generation demand stable
- 🚩 Included a \$.07 per share credit to the fair value of United's contingent earnout liability

<b>Third Quarter</b>	<b>2013</b>	2012	Change
Revenues	<b>\$ 551,105</b>	\$ 521,324	6%
Net earnings*	<b>\$ 69,123</b>	\$ 53,055	30%
Earnings per share*	<b>\$ 1.21</b>	\$ .95	27%
EBITDA	<b>\$ 159,464</b>	\$ 127,634	25%

- 🚩 Marine transportation inland fleet demand strong with utilization in the 90% to 95% range and favorable pricing trends
- 🚩 Marine transportation coastal fleet demand strong with utilization in the 90% range and favorable pricing trends
- 🚩 Diesel engine services land-based demand weak, while marine and power generation demand stable
- 🚩 Included a \$.08 per share credit eliminating United's contingent earnout liability

<b>Fourth Quarter</b>	<b>2013</b>	2012	Change
Revenues	<b>\$ 568,397</b>	\$ 512,551	11%
Net earnings*	<b>\$ 64,267</b>	\$ 57,888	11%
Earnings per share*	<b>\$ 1.13</b>	\$ 1.03	10%
EBITDA	<b>\$ 149,414</b>	\$ 136,454	9%

- 🚩 Marine transportation inland fleet demand strong with utilization in the 90% to 95% range and favorable pricing trends
- 🚩 Marine transportation coastal fleet demand strong with utilization in the 90% range and favorable pricing trends
- 🚩 Diesel engine services land-based demand weak, while marine and power generation demand stable
- 🚩 2012 fourth quarter included a \$.09 per share credit to the fair value of United's contingent earnout liability

\* Net earnings represent net earnings attributable to Kirby and earnings per share represents diluted earnings per share attributable to Kirby common stockholders.

Statements made in this Annual Report with respect to the future are forward-looking statements. These statements reflect Management's reasonable judgment with respect to future events. Forward-looking statements involve risks and uncertainties. Actual results could differ materially from those anticipated as a result of various factors. Forward-looking statements are based on currently available information and Kirby assumes no obligation to update any such statements. A list of these factors can be found in Kirby's Annual Report on Form 10-K for the year ended December 31, 2013, included in this Annual Report and filed with the Securities and Exchange Commission.

# FINANCIAL HIGHLIGHTS

	For the years ended December 31,				
	2013	2012	2011	2010	2009
(In thousands, except per share amounts)					
Revenues:					
Marine transportation	\$ 1,713,167	\$ 1,408,893	\$ 1,194,607	\$ 915,046	\$ 881,298
Diesel engine services	529,028	703,765	655,810	194,511	200,860
	<b>\$ 2,242,195</b>	<b>\$ 2,112,658</b>	<b>\$ 1,850,417</b>	<b>\$ 1,109,557</b>	<b>\$ 1,082,158</b>
Net earnings attributable to Kirby	\$ 253,061	\$ 209,438	\$ 183,026	\$ 116,249	\$ 125,941
Net earnings per share attributable to Kirby common stockholders (diluted)	\$ 4.44	\$ 3.73	\$ 3.33	\$ 2.15	\$ 2.34
EBITDA—Earnings before interest, taxes, depreciation and amortization:*					
Net earnings attributable to Kirby	\$ 253,061	\$ 209,438	\$ 183,026	\$ 116,249	\$ 125,941
Interest expense	27,872	24,385	17,902	10,960	11,080
Provision for taxes on income	152,379	127,907	109,255	72,258	78,020
Depreciation and amortization	164,437	145,147	126,029	95,296	93,968
EBITDA*	\$ 597,749	\$ 506,877	\$ 436,212	\$ 294,763	\$ 309,009
Property and equipment, net	\$ 2,370,803	\$ 2,315,165	\$ 1,822,173	\$ 1,118,161	\$ 1,085,057
Total assets	\$ 3,682,517	\$ 3,653,128	\$ 2,960,411	\$ 1,794,937	\$ 1,635,963
Long-term debt, including current portion	\$ 749,150	\$ 1,135,110	\$ 802,005	\$ 200,134	\$ 200,239
Total equity	\$ 2,022,153	\$ 1,707,054	\$ 1,454,158	\$ 1,159,139	\$ 1,056,095

## Revenues

(In millions)



## Earnings Per Share

(In millions)

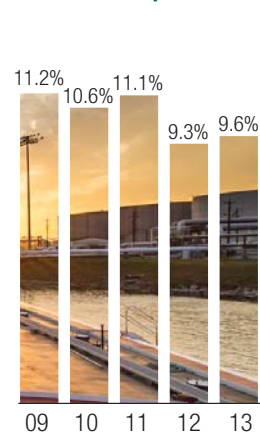


## EBITDA\*

(In millions)



## Return on Invested Capital\*\*



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

\*\* Return on invested capital is defined as net earnings attributable to Kirby plus interest expense (net of taxes) divided by total average invested capital (average equity plus average debt). For 2010, adjusted to reflect average debt levels net of cash and cash equivalents.

## TO OUR SHAREHOLDERS

Kirby Corporation has come a long way since it was principally an oil and gas exploration company in the 1970s and 1980s. I have had the honor to work for our shareholders and employees since joining Kirby in 1978. In 1988, Kirby transitioned from an oil and gas exploration company to the core business it is today. Many have contributed to Kirby's success through hard work and good strategic decisions.

Today, Kirby is the premier inland and coastal tank barge transportation company in the United States. Since 1988, the year we became a marine transportation company, our revenues have grown at an annualized rate of 16.0% a year and our stock price has increased in value at an annualized rate of approximately 19%. Kirby employs 4,575 marine transportation, diesel engine services and corporate employees compared with 800 in early 1989. We have the strongest balance sheet and are the only investment grade-rated company in our business. We have a stellar reputation for delivering safe and reliable marine transportation and diesel engine services to our customers, while continuing to create value for our shareholders. We have much for which to be thankful.

The 2013 year was another record-setting year for Kirby. Revenues were \$2.2 billion, net earnings \$253 million, and earnings per share \$4.44. Compared with 2012, our revenues were up 6%, net earnings up 21%, and earnings per share up 19%. Kirby's 2013 EBITDA was \$598 million compared with 2012's EBITDA of \$507 million, an increase of 18%.

Our inland tank barge operation continued its strong performance throughout 2013, with our petrochemical, black oil and refined products fleets' utilization rates consistently above 90% levels and with continued favorable pricing trends. The United States petrochemical industry benefited from a low-cost natural gas feedstock advantage, contributing strong volumes of products moved from Gulf Coast petrochemical plants for domestic consumers and to terminals for export destinations. Movements of crude oil and natural gas condensate from the shale formations and stable refinery output have kept the black oil fleet at close to full utilization. Refined products demand also remained firm throughout 2013, benefiting from increased exports of diesel fuel and fuel oils.

Our coastal tank barge fleet benefited from the Allied Transportation Company and Penn Maritime Inc. acquisitions in late 2012. Business levels in the coastal fleet started to improve during the 2012 second half and continued throughout 2013 with equipment utilization consistently in the 90% range. This improved demand was attributable to tighter industry capacity driven by

demand for the regional coastal transportation of crude oil and natural gas condensate, including the movement of Bakken crude oil along the West Coast beginning in the 2013 fourth quarter. In addition, we continued to expand our coastal business to inland customers with coastal requirements. The tighter coastal capacity led to improved pricing trends throughout 2013.

For 2013, marine transportation revenues were \$1.7 billion, up 22% from \$1.4 billion in 2012. Operating income was \$408 million, up 31% from \$312 million in 2012. The operating margin was 23.8% compared with 22.1% in 2012, driven by continued high inland tank barge utilization and pricing, and much improved coastal tank barge utilization and pricing.

We continued to reinvest in our marine transportation fleet during 2013, spending \$253 million on capital expenditures, including \$148 million for new inland tank barges, inland towboats and progress payments on the construction of two offshore dry-bulk barge and tugboat units completed in 2013. We also invested \$105 million primarily for upgrades to our existing inland and coastal fleets and diesel engine services facilities. The average age of our inland tank barge fleet at the beginning of 2014 was 16.2 years compared with 24.0 years in 2008. The average age of our coastal tank barges at the beginning of 2014 was 16.7 years, one of the younger fleets in the coastal tank barge industry.

In January 2014 we announced an expansion of our coastal fleet when we signed an agreement to construct a 185,000 barrel coastal tank barge and 10000 horsepower tugboat unit at a cost of \$75 to \$80 million. The unit is anticipated to be delivered in mid to late 2015. The unit will be chartered to a major customer for a four-year period with a one-year extension option.

Throughout 2013, our land-based diesel engine services market remained very challenging due to excess pressure pumping equipment. Today, an estimated 18 million horsepower or 8,200 pressure pumping units exist. Due to this excess capacity, the market for building pressure pumping units was weak, and the remanufacturing of older pressure pumping units was weaker than expected. We do believe the market for remanufacturing pressure pumping equipment will improve in 2014. We are well positioned to service this equipment, as well as build new oilfield equipment as the market dictates.

Our marine diesel engine services market saw stable demand throughout 2013 from inland and offshore marine customers for overhaul projects, service and parts sales, and was relatively consistent with 2012. The power

generation market was also similar to 2012 for engine-generator set upgrades and parts sales for both domestic and international customers.

Diesel engine services revenues were \$529 million in 2013, down 25% from \$704 million in 2012. Operating income was \$43 million in 2013, down 36% from \$66 million in 2012. The operating margin for 2013 was 8.1% compared with 9.4% for 2012. The 2013 and 2012 results included an \$18.3 million credit before taxes, or \$.20 per share, and a \$4.3 million credit before taxes, or \$.05 per share, respectively, reducing the fair value of the contingent earnout liability associated with the acquisition of United Holdings in April 2011. This liability was eliminated as of September 30, 2013, and the earnout period has expired.

Cash flow remained strong throughout 2013, with net cash provided by operating activities of \$601 million, significantly above our capital needs. This strong cash flow was used for capital expenditures of \$253 million and to reduce our outstanding debt by \$386 million. Our outstanding debt at the end of 2013 was \$749 million compared with \$1.14 billion at the beginning of 2013. Our debt-to-capitalization ratio was 27.0% at the end of 2013 compared with 39.9% at the beginning of the year.

As announced in April 2013, I will be stepping down in 2014 as Kirby's Chief Executive Officer but will continue to work as an active Executive Chairman of Kirby's Board of Directors. The Board has selected David Grzebinski as my successor. I look forward to working with David and Kirby's management team as we continue to grow and create value for our shareholders. David assumed the role of President and Chief Operating Officer in January 2014, having previously served since early 2010 as Kirby's Executive Vice President and Chief Financial Officer. Andy Smith has joined Kirby as Executive Vice President and Chief Financial Officer.

As we enter 2014, I want to thank the entire Kirby team for the contributions each of you made during 2013. To the dedicated vessel employees who work on our boats ensuring that our customers' products are delivered safely and efficiently, to our mechanics, machinists, engineers and manufacturing technicians, and to our shoreside and office staff who provide essential support and services, I extend my thanks for your outstanding effort and commitment last year.

I want to thank our Board of Directors for their steadfast commitment, expertise, direction and support. I want to give David Lemmon special thanks. Dave has been a Board Member since 2006 and will retire from the Board at our Annual Meeting in April. Dave's expertise, direction and support contributed significantly to the growth of Kirby.



*Joe Pyne*  
Chairman of the Board and Chief Executive Officer

I also want to extend a special thank you to George Peterkin, Jr., who is also retiring from the Kirby Board in April having served as a Kirby Director since 1969. George served as President of Kirby from 1973 to 1995, Chairman of the Board from 1995 to 1999 and Chairman Emeritus since 1999. During George's tenure as President, Chairman and later Chairman Emeritus, he helped guide Kirby's transition from a company primarily engaged in oil and gas exploration with a small barge line to the largest inland and coastal tank barge company in the United States.

I have had the unique pleasure and honor to work for you, the shareholders, employees and directors of Kirby, for over 35 years. In 1984, I became the President of Kirby's marine transportation subsidiary and in 1995 a Director and the Chief Executive Officer of Kirby. Along the way, I have had the pleasure of working with a number of outstanding Kirby Board Chairmen, Boards of Directors and a consistently great management team. Each has brought to Kirby some unique expertise, insight and leadership. It is my hope that I can continue to provide wisdom, insight and leadership as Kirby's current Chairman.

Respectfully submitted,

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

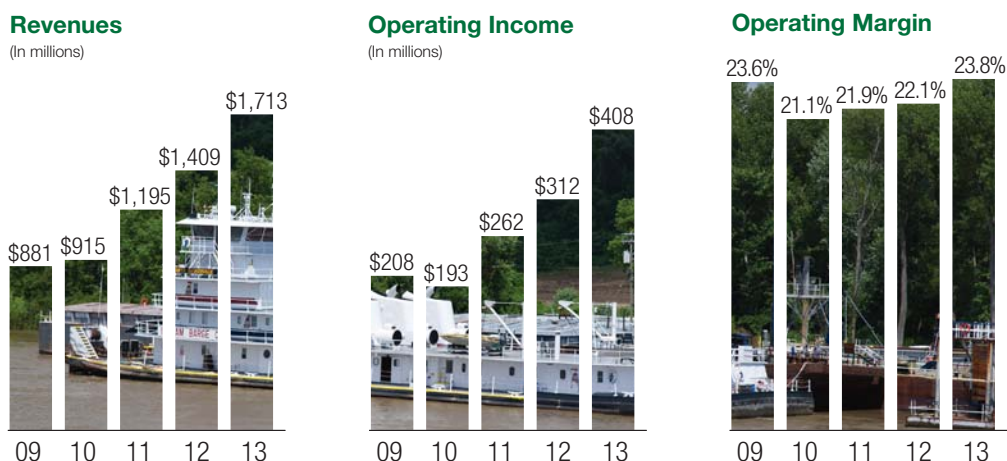
Houston, Texas  
March 7, 2014

## MARINE TRANSPORTATION

The United States' 12,000 miles of inland interconnected rivers, canals and intracoastal waterways and 12,500 miles of coastline with its numerous ports and harbors serve as one of the world's most efficient transportation systems, linking the United States' heartland and coastal states to the rest of the world. Inland and coastal marine transportation is the most energy-efficient and safest means of transporting bulk liquid commodities when compared with rail and truck.

The inland markets are served through Kirby Inland Marine, the United States' largest inland tank barge operator, transporting petrochemicals, black oil, refined petroleum products and agricultural chemicals.

The coastal markets are served through Kirby Offshore Marine, the United States' largest coastal tank barge operator in the 195,000 barrel or less category, transporting refined petroleum products, black oil and petrochemicals.



## 2013 RESULTS OF OPERATIONS

- Operating income was \$408 million, a 31% increase compared with \$312 million for 2012. Revenues totaled \$1.7 billion, a 22% increase compared with \$1.4 billion for 2012.
- Operating margin improved to 23.8% compared with 22.1% for 2012.
- Results include a full year of operations of Allied acquired in November 2012 and Penn acquired in December 2012.
- Approximately 70% of marine transportation revenue from inland transportation and 30% from coastal transportation.
- 47% of revenue from transportation of petrochemicals, 25% black oil, 24% refined petroleum products and 4% agricultural chemicals.
- Higher operating results reflected consistent and healthy demand across all markets with 90% to 95% inland equipment utilization rates and 90% coastal equipment utilization rates, with continued favorable pricing trends.
- For the inland markets, higher operating results reflected continued strong production volumes from petrochemical customers for both domestic and foreign destinations, steady refinery production levels aided by the export of refined petroleum products and heavy fuel oils, and transportation of Eagle Ford, Bakken and Utica shale formation and Canadian tar sands crude oil and natural gas condensate.
- For the coastal markets, higher operating results reflected the acquisitions of Allied and Penn, increased crude oil and natural gas condensate movements, and the continued expansion of the coastal customer base to inland customers with coastal requirements.





*The wheelhouse of the MV Niceville, an 1800 horsepower inland towboat built in 2009, with two pressure barges at a terminal in Pascagoula, Mississippi. The picture was taken by James Bates, a Pilot for Kirby Inland Marine.*



## KIRBY INLAND MARINE

Kirby Inland Marine is an integral part of the United States inland tank barge industry, a mixture of large integrated marine 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 throughout the Mississippi River System and along the Gulf Intracoastal Waterway. The use of marine transportation by the petrochemical and refining industries is a major reason for the location of United States petrochemical facilities and refineries on navigable inland waterways. Texas and Louisiana currently account for approximately 80% of the United States production of petrochemicals.

### SERVICES OFFERED

- Largest inland transporter of bulk liquid products by tank barge throughout the Mississippi River System, Gulf Intracoastal Waterway and Houston Ship Channel.
- Transports petrochemicals, black oil, including crude oil and natural gas condensate, refined petroleum products and agricultural chemicals for United States petrochemical and refining companies.

### STRENGTHS

- Kirby's inland fleet consists of 861 tank barges, comprising 17.3 million barrels of cargo capacity and representing approximately 25% of the total number of industry inland tank barges, and 253 towboats.
- Offers safe, dependable, cost-effective and environmentally sound transportation of bulk liquid products throughout the nation's inland waterways system.
- Fleet size, distribution system and communication system allow for economies of scale through the ability to match tank barges, towboats, products and destinations to meet customers' needs.
- Towboats are operated by highly trained crews and supported by experienced shoreside staff and state-of-the-art communication and training systems and facilities.
- Approximately 75% of revenues under term contracts, of which 58% are under time charters, and 25% of revenues under spot contracts.

### MARKETS

- **Petrochemicals:** Products transported include benzene, styrene, methanol, acrylonitrile, xylene, caustic soda, butadiene, propylene, butane and propane. Driver is the manufacture of consumer nondurable goods (70%) and consumer durable goods (30%).

- **Black Oil:** Products transported include residual fuel oil, coker feedstock, vacuum gas oil, asphalt, carbon black feedstock, crude oil, natural gas condensate and ship bunkers. Drivers are fuel for power plants and ships, feedstock for refineries, certain durable goods and road construction.
- **Refined Petroleum Products:** Products transported include various blends of finished gasoline, gasoline blendstocks, No. 2 oil, jet fuel, heating oil, diesel fuel, naphtha and ethanol. Drivers are vehicle usage, air travel, weather conditions and refinery utilization.
- **Agricultural Chemicals:** Products transported include anhydrous ammonia, nitrogen-based liquid fertilizer and industrial ammonia. Drivers are corn, cotton and wheat production, and chemical feedstock usage.

#### TANK BARGE FLEET

Petrochemicals/refined products	670
Black oil	118
Pressure	58
Anhydrous ammonia	10
Specialty	5
<b>Total</b>	<b>861</b>
<b>Total Barrel Capacity</b>	<b>17.3 MM</b>

#### TOWBOAT FLEET

800–1300 hp	96
1400–1900 hp	84
2000–2400 hp	43
2500–3200 hp	15
3300–4800 hp	12
5000 hp and greater	2
Spot charters	1
<b>Total</b>	<b>253</b>





A Kirby Inland Marine tow with two loaded 30,000 barrel tank barges transits the lower Mississippi River. Kirby transports a wide variety of petrochemicals, black oil, refined petroleum products and agricultural chemicals. The principal distribution system encompasses the Gulf Intracoastal Waterway, the Mississippi River System and the Houston Ship Channel. This photo was taken by James Bates, a Pilot for Kirby Inland Marine.

## KIRBY OFFSHORE MARINE

Kirby Offshore Marine is an integral part of the United States coastal tank barge industry, composed mainly of large integrated marine transportation companies and small operators. The coastal tank barge industry distributes refined petroleum products from regional refineries and pipeline terminals to regional terminals along the East, Gulf and West Coasts and in Alaska and Hawaii. Crude oil and natural gas condensate are distributed regionally from terminals to coastal refineries on the East, Gulf and West Coasts. Petrochemicals are primarily distributed from Gulf Coast petrochemical plants to customers along the Gulf and East Coasts.

### SERVICES OFFERED

- United States' largest coastal transporter of bulk liquid cargoes by tank barge in the 195,000 barrels or less category, operating along the East, Gulf and West Coasts and in Alaska and Hawaii.
- Transports refined petroleum products, black oil, including crude oil and natural gas condensate, and petrochemicals for United States refining and petrochemical companies.

### STRENGTHS

- Kirby's coastal fleet consists of 72 tank barges (71 of which are double hull), comprising 6.0 million barrels of cargo capacity and representing approximately 27% of the total number of industry coastal tank barges in the 195,000 barrels or less category, and 76 tugboats.
- Widest geographic presence in the coastal tank barge industry with operations along the East, Gulf and West Coasts and in Alaska and Hawaii.
- Single-source provider to large refining and petrochemical companies that require broad geographic coverage.
- Approximately 75% of revenues under term contracts, of which 90% are under time charters, and 25% of revenues under spot contracts.
- In January 2014, announced the signing of an agreement to construct an articulated 185,000 barrel coastal tank barge and 10000 horsepower tugboat unit for \$75 to \$80 million for delivery in mid to late 2015. The unit will be chartered to a major customer for a four-year period with a one-year extension option.

### MARKETS

- **Refined Petroleum Products:** Products transported include various blends of finished gasoline, gasoline blendstocks, No. 2 oil, jet fuel, heating oil, diesel fuel, naphtha and ethanol. Drivers are vehicle usage, air travel, weather conditions and refinery utilization.
- **Black Oil:** Products transported include residual fuel oil, coker feedstock, vacuum gas oil, asphalt, carbon black feedstock, crude oil, natural gas condensate and ship bunkers. Drivers are fuel for power plants and ships, feedstock for refineries, certain durable goods and road construction.
- **Petrochemicals:** Products transported include cumene, phenol, acetone, cyclohexane and caustic soda. Driver is the manufacture of consumer nondurable goods (70%) and consumer durable goods (30%).

#### TANK BARGE FLEET

Refined products/petrochemicals	46
Black oil	26
<b>Total</b>	<b>72</b>
<b>Total Barrel Capacity</b>	<b>6.0 MM</b>

#### TUGBOAT FLEET

1000–1900 hp	8
2000–2900 hp	8
3000–3900 hp	16
4000–4900 hp	23
5000–6900 hp	11
Greater than 7000 hp	10
<b>Total</b>	<b>76</b>





*The MN Java Sea and the DBL 78 operate as an articulated tugboat and tank barge unit ("ATB"). ATBs are designed to combine the economics of tugboat and barge operation with the speed and weather reliability of a ship.*

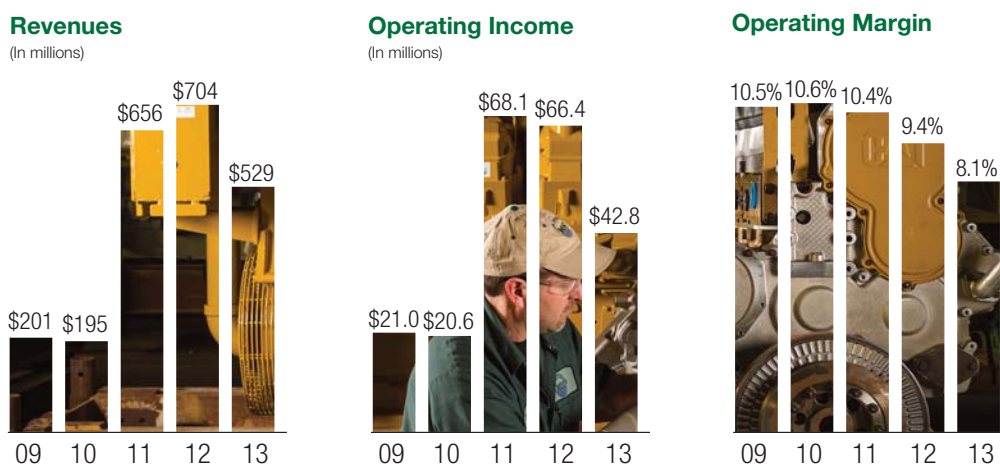


## DIESEL ENGINE SERVICES

High-speed and medium-speed diesel engines provide the main propulsion for United States inland towboats, offshore tugboats, offshore oil service vessels, commercial fishing vessels, United States military vessels and other marine applications. Medium-speed diesel engines are used by the power generation industry for standby, peak and base-load power generation. High-speed diesel engines are used by the United States oil and gas industry to power its oil service equipment, including pressure pumping units.

The marine and power generation markets are served through Kirby Engine Systems, providing aftermarket service for medium-speed and high-speed diesel engines, reduction gears and other ancillary products.

The land-based markets are served through United Holdings, providing service and distribution of high-speed diesel engines, transmissions, pumps and compression products, and manufacture and remanufacture of customized oilfield service equipment, including pressure pumping units. There is approximately 18 million horsepower, or 8,200 pressure pumping units, operating in the United States oil services market.



## 2013 RESULTS OF OPERATIONS

- Operating income was \$43 million, a 36% decrease compared with \$66 million for 2012. Revenues totaled \$529 million, a 25% decrease compared with \$704 million for 2012.
- Operating margin was 8.1% compared with 9.4% for 2012.
- 2013 and 2012 results included an \$18.3 million credit before taxes, or \$.20 per share, and a \$4.3 million credit before taxes, or \$.05 per share, respectively, reducing the fair value of the contingent earnout liability associated with the acquisition of United in April 2011. The United contingent earnout liability was eliminated as of September 30, 2013.
- Approximately 60% of diesel engine services revenue from land-based operations and 40% from marine and power generation.
- The marine market saw stable demand for service and parts sales to inland and offshore marine customers and consistent demand for service and parts sales to Gulf of Mexico offshore supply and drilling industry customers. The power generation market saw consistent generator set upgrades and parts sales for both domestic and international customers.
- The land-based market remained challenging with lower demand for the manufacturing of pressure pumping units and oilfield service equipment, as well as sales and service of land-based diesel engines, transmissions and parts. In addition, the market for the remanufacturing of older pressure pumping units remained relatively stable, but at lower levels.





*Walton Russ works on a gear damper for an EMD medium-speed diesel engine at Kirby Engine Systems' Houma, Louisiana, facility. Kirby Engine Systems and United employ over 600 factory-trained and authorized project engineers, mechanics, machinists and manufacturing technicians providing in-house service and parts through 33 facilities, as well as field service nationwide and worldwide.*

# KIRBY ENGINE SYSTEMS

Kirby Engine Systems is the leading United States marine and power generation service and OEM replacement parts provider for medium-speed and high-speed diesel engines, as well as ancillary products provider for reduction gears, transmissions, starters, governors and marine clutches. Through long-standing customer relationships and key distributorships, dealerships and contract service center relationships, Kirby provides an essential service to support the day-to-day operations of its marine and power generation domestic and international customers.

## SERVICES OFFERED

- Provides factory-trained and authorized project engineers, mechanics and machinists to overhaul and repair medium-speed and high-speed diesel engines and ancillary products, sells OEM replacement parts, maintain facilities to rebuild component parts, entire diesel engines and ancillary products, and sells new engines.
- Offers preferential service agreements with large operators of diesel-powered marine equipment, providing such operators with one source of support and service for all of their requirements at pre-negotiated prices.

## STRENGTHS

- Long-term distributorships, dealerships and contract service center relationships with major manufacturers of medium-speed and high-speed diesel engines, reduction gears and ancillary equipment.
- Operates the largest service area of any United States marine and power generation diesel engine services provider through 13 strategically located service and parts facilities along the Gulf Coast, East Coast, and West Coast, and in the Midwest.

## MARKETS

- **Marine:** Medium-speed and high-speed diesel engines and ancillary products on inland towboats and coastal tugboats, harbor docking tugs, offshore oilfield service vessels, offshore oil and gas drilling rigs, coastal ferries, commercial fishing vessels, inland dredging vessels, Great Lakes carriers and United States government vessels. Market drivers are the activity levels of the industries served and cycles of such industries.

- **Power Generation:** Medium-speed diesel engines and safety-related products used in standby, peak and base-load power generation and generator set upgrades. Markets are domestic and international utilities and worldwide nuclear power industry.

## SERVICE LOCATIONS

### Medium-Speed Diesel Engines

Houma, LA  
Paducah, KY  
Rocky Mount, NC  
Chesapeake, VA  
Seattle, WA  
Tampa, FL

### High-Speed Diesel Engines

Houma, LA  
Baton Rouge, LA  
Belle Chasse, LA  
New Iberia, LA  
Mobile, AL  
Thorofare, NJ  
Houston, TX

## MANUFACTURER RELATIONSHIPS

### Medium-Speed Diesel Engines

Electro-Motive Diesel, Inc.  
Cooper-Bessemer  
Nordberg

### High-Speed Diesel Engines

Caterpillar  
Cummins  
MTU Detroit Diesel  
John Deere

### Ancillary Products

Allison Transmission (transmissions)  
Falk Corporation (reduction gears)  
Ingersoll-Rand (starters)  
Woodward (governors)  
Oil States Industries (marine clutches)  
Alfa Laval (heat exchangers/separators)



# UNITED HOLDINGS

United Holdings is a major United States participant in the remanufacturing and manufacturing of oilfield service equipment, including pressure pumping units used in the hydraulic fracturing of the ever-expanding North American shale formations. The boom in North American fracturing of shale formations has increased the installed base of diesel engine horsepower employed in fracturing from an estimated seven million horsepower in 2008 to an estimated 18 million horsepower today. The heavy duty cycle associated with hydraulic fracturing is creating an annuity for remanufacturing and servicing of these pressure pumping units.

## SERVICES OFFERED

- ▶ Manufactures customized oilfield service equipment, including pressure pumping units, nitrogen pumping units, cementers, mud pumpers, blenders and hydration units, as well as customized compression systems.
- ▶ Provides factory-trained and authorized mechanics to overhaul, service and repair high-speed diesel engines, pumps and transmissions, providing in-house and in-field service capabilities.
- ▶ Distributes new engines and transmissions, and sells OEM replacement parts for on- and off-highway use.

## STRENGTHS

- ▶ An estimated 18 million horsepower of pressure pumping units (estimated 8,200 units) operate in North America.
- ▶ United's principal oilfield service remanufacturing, manufacturing, distribution and service facilities are located in Oklahoma. Oilfield service equipment, including pressure pumping units, is transported by tractor-trailer truck. Most major North American shale oil and natural gas producing regions are within a one-day drive of United's Oklahoma facilities.
- ▶ Long-standing distribution relationships with MTU Detroit Diesel and Allison Transmission.
- ▶ United has long-standing customer relationships with large and mid-cap oilfield service providers, oil and gas operators and producers, natural gas transmission companies and public utilities.

## MARKETS

- ▶ **Service and Distribution:** Facilities centered in the United States shale production regions and transportation corridors. Market drivers are overhaul, service and repair of existing oilfield service equipment, including pressure pumping units, engines, transmissions and compression systems used by United's customers in the development of shale formations, in the power generation, agricultural and construction industries, and in municipalities.
- ▶ **Manufacturing:** Manufacture of oilfield service equipment, including pressure pumping units. Market drivers are the ever-expanding exploration of North American shale formations as well as the manufacture of customized compression systems for the production, storage and pipeline transportation of natural gas.

## LOCATIONS

<b>Manufacturing</b>	Shreveport, LA
Oklahoma City, OK (5 locations)	Billings, MT
Henderson, CO	Amarillo, TX
	Austin, TX
<b>Service and Distribution</b>	Houston, TX
Oklahoma City, OK	Laredo, TX
Tulsa, OK	Lubbock, TX
Little Rock, AR	Pharr, TX
Van Buren, AR	San Antonio, TX
	Casper, WY

## MANUFACTURER RELATIONSHIPS

MTU Detroit Diesel	Dresser-Rand
Allison Transmission	Waukesha
Daimler Trucks NA	FS-Elliott
Isuzu	Gardner Denver
Heil	GM Powertrain
Tymco	Thermo King
Cameron	

## BOARD OF DIRECTORS

**Richard J. Alario**<sup>2</sup>  
Chairman, President and CEO of  
Key Energy Services, Inc.  
Director since 2011

**C. Sean Day**<sup>3,4</sup>  
Chairman of Teekay Corporation  
Director since 1996

**Bob G. Gower**<sup>1,2,3</sup>  
Retired Chairman of Lyondell  
Petrochemical Company  
Director since 1998

**William M. Lamont, Jr.**<sup>1,3,4</sup>  
Private Investor  
Director since 1979

**David L. Lemmon**<sup>2</sup>  
Retired President and CEO of  
Colonial Pipeline Company  
Director since 2006

**Monte J. Miller**<sup>3,4</sup>  
Retired Executive Vice President,  
Chemicals, of Flint Hills Resources, LP  
Director since 2006

**George A. Peterkin, Jr.**<sup>1</sup>  
Chairman Emeritus of Kirby  
Director since 1969

**Joseph H. Pyne**<sup>1</sup>  
Chairman of the Board and  
Chief Executive Officer of Kirby  
Director since 1988

**Richard R. Stewart**<sup>2</sup>  
Retired President and CEO of  
GE Aero Energy  
Director since 2008

**William M. Waterman**  
Retired President and CEO of  
Penn Maritime Inc.  
Director since 2012

<sup>1</sup> Executive Committee

<sup>2</sup> Audit Committee

<sup>3</sup> Compensation Committee

<sup>4</sup> Governance Committee

## OFFICERS

### Kirby Corporation

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

**David W. Grzebinski**  
President and  
Chief Operating Officer

**C. Andrew Smith**  
Executive Vice President and  
Chief Financial Officer

**William G. Ivey**  
President—  
Marine Transportation Group

**Ronald A. Dragg**  
Vice President and Controller

**G. Stephen Holcomb**  
Vice President—Investor Relations

**Amy D. Husted**  
Vice President—Legal

**David R. Mosley**  
Vice President and  
Chief Information Officer

**Christian G. O'Neil**  
Vice President—Human Resources

**Joseph H. Reniers**  
Vice President—Supply Chain

**Renato A. Castro**  
Treasurer

**Thomas G. Adler**  
Secretary

### Marine Transportation Group

#### Kirby Inland Marine, LP

**William G. Ivey**  
President

**Mel R. Jodeit**  
Executive Vice President—  
Marketing

**James C. Guidry**  
Senior Vice President—Vessel  
Operations

**John E. Russell**  
Senior Vice President—Sales

**John W. Sansing, Jr.**  
Senior Vice President—  
Maintenance

**William M. Withers**  
Senior Vice President—Sales

**Stephen C. Butts**  
Vice President—Sales

**Robert D. Goolsby**  
Vice President—Facility Operations

**Patrick C. Kelly**  
Vice President—Sales

**Richard C. Northcutt**  
Vice President—Sales and  
Horsepower Management

**Lester A. Parker**  
Vice President—River Vessel  
Operations

**Cliff R. Stanich**  
Vice President—Sales

**Thomas H. Whitehead**  
Vice President—Sales

**Carl R. Whitlatch**  
Vice President and Controller

#### Kirby Offshore Marine, LLC

**James F. Farley**  
President

**John W. Sansing, Jr.**  
Senior Vice President—  
Maintenance

**William M. Withers**  
Senior Vice President—Sales

**Charles R. Ferrer, Jr.**  
Vice President—Sales

**William L. Oppenheimer**  
Vice President—Maintenance

**C. Linn Peterson**  
Vice President—Vessel Operations

**Carl R. Whitlatch**  
Vice President and Controller

#### Kirby Ocean Transport Company

**Joseph H. Pyne**  
President

**William M. Withers**  
Vice President

#### Osprey Line, L.L.C.

**John T. Hallmark**  
President

**Charles J. Duet**  
Vice President

### Diesel Engine Services Group

#### Kirby Engine Systems, Inc.

**Dorman Lynn Strahan**  
President

**Mia C. Cradeur**  
Vice President and Controller

**John A. Manno**  
Vice President—Business  
Development

#### Engine Systems, Inc.

**John A. Manno**  
Vice President

**P. Scott Mangan**  
Vice President—East Coast

#### Marine Systems, Inc.

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

**Thomas W. Bottoms**  
Vice President—Midwest

**Troy A. Bourgeois**  
Vice President—Sales

#### United Holdings LLC

**Michael W. Coulter**  
President

**David W. Grage**  
Chief Financial Officer

**Kirk K. Waite**  
Chief Accounting Officer

#### United Engines

**David L. Tonne**  
Vice President—Aftermarket

#### UE Manufacturing

**Christopher J. Rinehart**  
Vice President—Engineered  
Products

**Ronnie E. Stover**  
Vice President—Sales

#### UE Compression

**G. Keith Kern**  
Vice President

#### Thermo King of Houston

**Jason K. Robison**  
Vice President



## SHAREHOLDER INFORMATION

### Annual Meeting

The 2014 Annual Meeting of Stockholders will be held at Kirby's Houston office, 55 Waugh Drive, 9th Floor, Houston, Texas 77007, at 10:00 a.m. (CDT), Tuesday, April 29, 2014.

### Corporate Headquarters

#### Executive Office:

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

#### Mailing Address:

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

### Inquiries Regarding Stock Holdings

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

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

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

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

### Web Site

For more investor information, as well as information about Kirby, visit Kirby's web site at [www.kirbycorp.com](http://www.kirbycorp.com).

### Independent Registered Accountants

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

### Common Stock Information

Stock trading symbol—KEX  
The New York Stock Exchange is the principal market for Kirby's common stock. As of March 3, 2014, there were 56,933,000 common shares outstanding held by approximately 775 registered shareholders. The number of registered shareholders does not reflect the number of beneficial owners of common stock.

### Common Stock Market Price

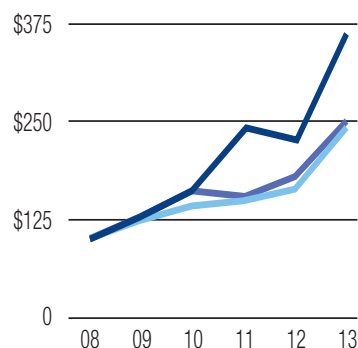
	Sales Price	
	High	Low
<b>2014</b>		
First Quarter (through March 3, 2014)	\$104.91	\$92.86
<b>2013</b>		
First Quarter	\$ 78.04	\$61.41
Second Quarter	\$ 82.84	\$71.44
Third Quarter	\$ 89.19	\$79.15
Fourth Quarter	\$ 99.41	\$82.16
<b>2012</b>		
First Quarter	\$ 70.61	\$61.20
Second Quarter	\$ 67.36	\$42.78
Third Quarter	\$ 58.83	\$45.72
Fourth Quarter	\$ 61.89	\$53.60

### Financial and Investor Relations

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

### Comparison of 5 Year Cumulative Total Return

Return on \$100 invested on December 31, 2008, in stock or index, including reinvestment of dividends. Fiscal year ended December 31.



	12/08	12/09	12/10	12/11	12/12	12/13
Kirby Corporation	100.00	127.30	161.00	240.64	226.21	362.76
Russell 2000	100.00	127.17	161.32	154.59	179.86	249.69
Dow Jones US Marine Transportation	100.00	124.15	141.92	148.05	163.17	242.76

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



Kirby Corporation

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

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

Web site: [www.kirbycorp.com](http://www.kirbycorp.com)