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 and Exchange Act of 1934

For the quarter ended September 30, 1998

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities and 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.)
1775 St. James Place, Suite 200, Houston, TX	77056-3453
(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 November 6, 1998 was 20,914,794.

PART I - FINANCIAL INFORMATION

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED BALANCE SHEETS
(Unaudited)

ASSETS

	September 30, 1998	December 31, 1997
	($ in thousands)	
Current assets:		
Cash and cash equivalents	$ 712	$ 2,043
Available-for-sale securities	21,135	21,773
Receivables:		
Trade, net of allowance for doubtful accounts	51,649	70,137
Insurance claims and other	50,645	14,458
Inventories	14,332	14,875
Prepaid expenses and other current assets	6,403	7,359
Deferred income taxes	1,709	1,468
Property held for sale	5,868	--
Current assets of discontinued operations	--	3,684
Total current assets	152,453	135,797
Property and equipment, at cost	469,268	471,019
Less accumulated depreciation	206,684	198,635
	262,584	272,384
Investments in affiliates:		
Insurance affiliate	--	45,320
Marine affiliates	15,614	16,256
	15,614	61,576
Excess cost of consolidated subsidiaries, net of accumulated amortization	5,497	6,652
Sundry	3,757	4,562
Long-term assets of discontinued operations	--	36,988
	$439,905	$517,959

See accompanying notes to condensed financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED BALANCE SHEETS
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 1998	December 31, 1997
	($ in thousands)	
Current liabilities:		
Current portion of long-term debt	$ 5,333	$ 5,333
Income taxes payable	8,139	4,319
Accounts payable	14,654	26,712
Accrued liabilities	47,091	54,193
Deferred revenues	2,338	5,046
Total current liabilities	77,555	95,603
Long-term debt, less current portion	173,635	149,485
Deferred income taxes	43,324	48,409
Other long-term liabilities	6,423	6,193
	223,382	204,087
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	158,369	159,016
Accumulated other comprehensive income	573	572
Retained earnings	142,089	136,945
	304,122	299,624
Less cost of 9,971,000 shares in treasury (6,619,000 at December 31, 1997)	165,154	81,355
	138,968	218,269
	$439,905	$517,959

See accompanying notes to condensed financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	1998	1997	1998	1997
	($ in thousands, except per share amounts)			
Revenues:				
Marine transportation	$ 62,700	$65,007	$184,955	$192,622
Diesel repair	19,627	18,878	63,951	59,828
Investment income and other	564	322	1,373	831
Gain (loss) on disposition of assets	(138)	12	106	170
	82,753	84,219	250,385	253,451
Costs and expenses:				
Costs of sales and operating expenses	53,055	54,012	161,730	166,433
Selling, general and administrative	10,039	9,904	29,345	29,990
Taxes, other than on income	1,938	1,927	5,897	5,647
Depreciation and amortization	6,800	6,940	20,459	21,208
Impairment of long-lived asset	8,333	--	8,333	--
	80,165	72,783	225,764	223,278
Operating income	2,588	11,436	24,621	30,173
Equity in earnings of insurance affiliate	418	422	1,325	3,734
Loss on sale of insurance affiliate	(10,536)	--	(10,536)	--
Equity in earnings of marine affiliates	1,034	778	2,899	2,172
Interest expense	(3,236)	(3,293)	(9,235)	(10,117)
Earnings (loss) from continuing operations before taxes on income	(9,732)	9,343	9,074	25,962
(Provision) benefit for taxes on income	3,161	(3,470)	(3,930)	(9,776)
Net earnings (loss) from continuing operations	(6,571)	5,873	5,144	16,186
Earnings from discontinued operations, net of taxes on income	--	76	--	2,607
Net earnings (loss)	$ (6,571)	$ 5,949	$ 5,144	$ 18,793

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

	Three months ended September 30,		Nine months ended September 30,	
	1998	1997	1998	1997
	($ in thousands, except per share amounts)			
Net earnings (loss) per share of common stock:				
Basic:				
Continuing operations	$ (.31)	$ .24	$ .23	$ .66
Discontinued operations	--	--	--	.11
Net earnings (loss)	$ (.31)	$ .24	$ .23	$ .77
Diluted:				
Continuing operations	$ (.31)	$ .24	$ .23	$ .66
Discontinued operations	--	--	--	.10
Net earnings (loss)	$ (.31)	$ .24	$ .23	$ .76

See accompanying notes to condensed financial statements.

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

	Nine months ended September 30, 1998	Nine months ended September 30, 1997
	($ in thousands)	
Cash flows from operating activities:		
Net earnings	$ 5,144	$ 18,793
Adjustments to reconcile net earnings to net cash provided by continuing operations:		
Earnings from discontinued operations	--	(2,607)
Depreciation and amortization	20,459	21,208
Provision (credit) for deferred income taxes	(3,987)	857
Gain on disposition of assets	(106)	(170)
Deferred scheduled maintenance costs	(340)	2,247
Loss on sale of insurance affiliate	10,536	--
Equity in earnings of insurance affiliate, net of redemption	(1,325)	766
Equity in earnings of marine affiliates, net of distributions and contributions	643	(2,708)
Impairment of long-lived asset	8,333	--
Other	68	3
Increase (decrease) in cash flows resulting from changes in operating working capital	980	(8,740)
Net cash provided by operating activities of continuing operations	40,405	29,649
Net cash provided by (used in) operating activities of discontinued operations	(494)	11,964
Net cash provided by operating activities	39,911	41,613
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	1,200	1,935
Purchase of investments	(18)	(4,678)
Capital expenditures	(24,043)	(16,847)
Proceeds from disposition of assets	2,200	2,284
Proceeds from disposition of businesses	39,989	--
Investing activities of discontinued operations	(275)	(1,633)
Net cash provided by (used in) investing activities	19,053	(18,939)

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

	Nine months ended September 30, 1998	1997
	($ in thousands)	
Cash flows from financing activities:		
Borrowings (payments) on bank revolving credit agreements, net	29,400	(22,400)
Increase in long-term debt	--	50,000
Payments on long-term debt	(5,250)	(39,249)
Purchase of treasury stock	(87,254)	(10,887)
Proceeds from exercise of stock options	2,809	1,423
Net cash used in financing activities	(60,295)	(21,113)
Increase (decrease) in cash and cash equivalents	(1,331)	1,561
Cash and cash equivalents, beginning of year	2,043	1,544
Cash and cash equivalents, end of period	$ 712	$ 3,105
Supplemental disclosures of cash flow information:		
Cash paid during the period:		
Interest	$ 6,905	$ 7,203
Income taxes	$ 5,534	$ 8,311

See accompanying notes to condensed financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS

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 September 30, 1998 and December 31, 1997, and the results of operations for the three months and nine months ended September 30, 1998 and 1997.

(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) ADOPTION OF ACCOUNTING STANDARDS

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components in a full set of financial statements. Comprehensive income includes all changes in a company's equity (except those resulting from investments by and distributions to owners), including, among other things, foreign currency translation adjustments and unrealized gains (losses) on marketable securities classified as available-for-sale. The Company's total comprehensive earnings for the three months and nine months ended September 30, 1998 and 1997 were as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	1998	1997	1998	1997
Net earnings (loss) from continuing operations	$(6,571)	$5,873	$5,144	$16,186
Net earnings from discontinued operations	--	76	--	2,607
Net earnings (loss)	(6,571)	5,949	5,144	18,793
Unrealized gain (loss) on marketable securities	(255)	602	1	375
Total comprehensive earnings (loss)	$(6,826)	$6,551	$5,145	$19,168

(2) ADOPTION OF ACCOUNTING STANDARDS, Continued

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), issued in June 1997, establishes standards for reporting information about operating segments in annual financial statements and requires that enterprises report selected information about operating segments in interim reports issued to shareholders. SFAS No. 131 will be adopted by the Company in 1998. The adoption of SFAS No. 131 is not expected to have a material impact on the Company's financial condition or results of operations.

SFAS No. 132, "Employers' Disclosures about Pensions and other Postretirement Benefits" ("SFAS No. 132"), issued in February 1998, revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. The statement standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures. Restatement of disclosures for earlier periods is required. SFAS No. 132 will be adopted by the Company in 1998.

(3) DISCONTINUED OPERATIONS

On March 16, 1998, the Company announced the completion of the sale of its U.S. flag product tanker and harbor service operations for $38,600,000 in cash. Under the terms of a purchase agreement dated January 28, 1998, Kirby sold two offshore tankers and its harbor service operations to Hvide Marine Incorporated and five offshore tankers were sold to August Trading Company, Inc.

The offshore tanker and harbor service operations' financial results were accounted for as discontinued operations as of December 31, 1997, and previously reported financial statements were restated to reflect the discontinuation of the operations. The Company recorded an estimated net loss of $3,966,000 as of December 31, 1997 from the sale of the tanker and harbor service operations, and such results included a provision for operations during the phase-out period, January 1, 1998 through the date of sale.

NOTES TO CONDENSED FINANCIAL STATEMENTS - (Continued)

(4) TAXES ON INCOME

Earnings from continuing operations before taxes on income and details of the provision for taxes on income from continuing operations for United States and Puerto Rico operations for the three and nine months ended September 30, 1998 and 1997 were as follows (in thousands):

NOTES TO CONDENSED FINANCIAL STATEMENTS - (Continued)

(4) TAXES ON INCOME, Continued

Earnings from discontinued operations before taxes on income and details of the provision for taxes on income from United States discontinued operations for the three and nine months ended September 30, 1997 were as follows (in thousands):

	Three months ended September 30, 1997	Nine months ended September 30, 1997
Earnings before taxes on income	$ 148	$4,065
Provision (benefit) for taxes on income:		
United States:		
Current	$(902)	$ 620
Deferred	974	848
State and local	--	(10)
	$ 72	$1,458

(5) IMPAIRMENT OF LONG-LIVED ASSETS

Effective September 30, 1998, the carrying value of one of the Company's two remaining offshore liquid tank barge/tug units was reduced by $8,333,000 in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121") and was reclassified as property held for sale on the condensed balance sheet. The pre-tax non-recurring charge was taken in anticipation of the unit being sold in the 1998 fourth quarter for a price approximating the revised carrying value of the unit. The unit was sold on October 30, 1998 for a price approximating the revised carrying value of the unit. No pre-tax gain or loss will be recognized from the sale of the unit.

On October 1, 1998, the Company sold its other unit for a pre-tax gain of approximately $3,900,000. The gain will be recorded in the 1998 fourth quarter. The sale of the two units completes the Company's exit from the offshore liquid transportation business.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS - (Continued)

(6) SALE OF REMAINING INTEREST IN UNIVERSAL INSURANCE COMPANY

Effective September 30, 1998, the Company sold its remaining 45% voting common stock interest and its non-voting preferred stock interest in Universal Insurance Company ("Universal") for $36,000,000 in cash. Universal, a property and casualty insurance company in the Commonwealth of Puerto Rico, was formed by Kirby in 1972. In September 1992, the Company merged Universal with Eastern America Insurance Company ("Eastern America"), a subsidiary of Eastern America Insurance Group, Inc. ("Eastern America Group"). In accordance with a shareholders' agreement between the Company, Universal and Eastern America Group, through redemption rights, Universal had the obligation to purchase the Company's entire interest in Universal gradually, over a 15 year period. The Company closed the sale on October 7, 1998 and the cash proceeds were used to reduce the Company's revolving line of credit.

Under an anticipated redemption schedule, the Company would have received a stream of cash payments between now and the year 2008 totaling $62,000,000. The $36,000,000 received represented the present value of the payment stream. Including prior redemptions and the final sale, the Company received total payments of $58,000,000 for its interest in Universal.

The Company recognized, during the 1998 third quarter, a pre-tax loss for book purposes of $10,536,000 on the Universal transaction. The Company's investment in Universal, accounted for under the equity method of accounting, was based on the estimated receipt of $62,000,000 of redemption payments to the Company over the next eleven years, and the recording of the remaining built-in gain on the sale.

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.

In March 1998, the Company completed the sale of its offshore tanker and harbor service operations. In accordance with a definitive purchase agreement dated January 28, 1998, the Company sold two tankers and its harbor service operation to Hvide Marine Incorporated and five tankers to August Trading Company, Inc., for a combined purchase price of $38,600,000 in cash. The offshore tanker and harbor service operations' financial results have been accounted for as discontinued operations as of December 31, 1997, and previously reported financial statements have been restated to reflect the discontinuation of the operations. Such financial results as of December 31, 1997 included a provision for operations during the phase-out period, January 1, 1998 through the date of sale.

The Company is a provider of marine transportation services, operating a fleet of 527 inland tank barges and 123 inland towing vessels, transporting industrial chemicals and petrochemicals, refined petroleum products and agricultural chemicals along the United States inland waterways. The Company's marine transportation operation also includes one dry bulk barge and tug unit. The Company also serves as managing partner of a 35% owned offshore marine partnership, consisting of four dry bulk barge and tug units, and as managing partner of a 50% owned offshore marine partnership, consisting of one dry bulk barge and tug unit. The partnerships are accounted for under the equity method of accounting.

The Company is engaged through its diesel repair segment in the overhaul and servicing of large medium-speed diesel engines employed in marine, power generation and rail applications.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

RESULTS OF CONTINUING OPERATIONS

The Company reported a net loss of $6,571,000, or $.31 per share, on revenues of $82,753,000 for the 1998 third quarter, compared with net earnings from continuing operations of $5,873,000, or $.24 per share, on revenues of $84,219,000 for the 1997 third quarter. Net earnings for the nine months ended September 30, 1998 were $5,144,000, or $.23 per share, on revenues of $250,385,000, compared with net earnings from continuing operations of $16,186,000, or $.66 per share, on revenues of $253,451,000 for the 1997 first nine months. For comparative purposes, net earnings for the 1997 third quarter were $5,949,000, or $.24 per share, including net earnings from discontinued operations of $76,000, on revenues of $15,116,000. Net earnings for the 1997 first nine months were $18,793,000, or $.76 per share, including net earnings from discontinued operations of $2,607,000, or $.10 per share, on revenues of $49,517,000. For purposes of this Management's Discussion, all earnings per share amounts presented are "Diluted Earnings Per Share." The weighted average number of common shares applicable to diluted earnings (loss) for the third quarter of 1998 and 1997 were 21,175,000 and 24,536,000, respectively, and for the 1998 and 1997 first nine months were 22,487,000 and 24,616,000, respectively. The reduction in common shares for the 1998 periods compared with the applicable 1997 periods primarily reflects the acquisition of treasury stock under the Company's Dutch Auction self-tender offer and through open market share repurchases, more fully discussed below.

The following table sets forth the Company's revenues and percentage of such revenues for the three months and nine months ended September 30, 1998 compared with the three months and nine months ended September 30, 1997 (dollars in thousands):

	Three months ended September 30, 1998		1997		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Revenues:						
Marine transportation	$62,700	76%	$65,007	77%	$(2,307)	(4)%
Diesel repair	19,627	24	18,878	23	749	4
Other income	426	--	334	--	92	28
	$82,753	100%	$84,219	100%	$(1,466)	(2)%

RESULTS OF CONTINUING OPERATIONS, Continued

	Nine months ended September 30,					
	1998		1997		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Revenues:						
Marine transportation	$184,955	74%	$192,622	76%	$(7,667)	(4)%
Diesel repair	63,951	26	59,828	24	4,123	7
Other income	1,479	--	1,001	--	478	48
	$250,385	100%	$253,451	100%	$(3,066)	(1)%

Revenue from the marine transportation segment declined 4% for the 1998 third quarter and 4% for the 1998 first nine months compared with the 1997 corresponding periods. The 1997 third quarter and first nine months included $2,203,000 and $6,959,000, respectively, of revenue from AFRAM Carriers, Inc. ("AFRAM"), the Company's U.S. flag offshore break-bulk freighter subsidiary, which ceased operations in September and October 1997 with the scrappage of AFRAM's last two freighters.

During the 1998 third quarter and first nine months, chemical and petrochemical volumes remained strong. Refined product volumes, more seasonal in nature, were firm with the summer driving season. Fertilizer movements, seasonal with the spring and fall fertilizer seasons, improved in September in anticipation of a normal fall season. Spot market rates, which historically decline during the summer months due to fleet efficiencies and planned summer plant maintenance programs, held firm. Contracts generally continued to be renewed with modest increases.

During the month of September 1998, the Company's marine transportation segment was negatively impacted by three Gulf of Mexico storm events, two hurricanes and one tropical storm, which significantly reduced fleet efficiency during September. The Company estimated its 1998 third quarter was negatively impacted by the loss of approximately $600,000 of revenues and incurred approximately $400,000 of additional expenses due to the storm events. The effects of the three storm events reduced the Company's net operating earnings by an estimated $.02 to $.03 per share.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

RESULTS OF CONTINUING OPERATIONS, Continued

The Company's 1997 first nine months were negatively impacted by flooding in the Mississippi River System during the months of February through April. The upper Mississippi River and Ohio River experienced flooding during the majority of the first quarter, and the lower Mississippi River and Ohio River experienced severe high water during March and April. The Company estimated a loss of revenues of approximately $3,450,000 for the months of February through April. The flooding reduced the Company's net earnings by an estimated $.10 per share for the 1997 first nine months.

The diesel repair segment's revenues for the 1998 third quarter reflected a 4% increase compared with the 1997 third quarter and increased 7% for the 1998 first nine months compared with the 1997 first nine months. The segment continued to benefit from a strong nationwide engine overhaul and direct parts market. The Gulf Coast market, which had in recent quarters been enhanced by active drilling and related oil service activities in the Gulf of Mexico, did experience a modest decline in the 1998 third quarter as drilling activities declined. The East Coast, Midwest and West Coast markets continued favorable. The diesel repair segment's 1997 first nine months' revenues were negatively impacted by the flooding in the Mississippi River System, as many Midwest inland towing customers deferred engine maintenance and overhauls.

The following table sets forth the costs and expenses and percentage of each for the three months and nine months ended September 30, 1998 compared with the three months and nine months ended September 30, 1997 (dollars in thousands):

	Three months ended September 30 1998		1997		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Costs and expenses:						
Costs of sales and operating expenses	$53,055	66%	$54,012	74%	$ (957)	(2)%
Selling, general and administrative	10,039	13	9,904	14	135	1
Taxes, other than on income	1,938	2	1,927	2	11	--
Depreciation and amortization	6,800	9	6,940	10	(140)	(2)
Impairment of long-lived assets	8,333	10	--	--	8,333	100
	$80,165	100%	$72,783	100%	$7,382	10 %

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

RESULTS OF CONTINUING OPERATIONS, Continued

	Nine months ended September 30, 1998 Amounts	%	1997 Amounts	%	Increase (decrease) Amounts	%
Costs and expenses:						
Costs of sales and operating expenses	$161,730	71%	$166,433	74%	$(4,703)	(3)%
Selling, general and administrative	29,345	13	29,990	14	(645)	(2)
Taxes, other than on income	5,897	3	5,647	2	250	4
Depreciation and amortization	20,459	9	21,208	10	(749)	(4)
Impairment of long-lived assets	8,333	4	--	--	8,333	100
	$225,764	100%	$223,278	100%	$ 2,486	1 %

Costs of sales and operating expenses for the 1998 third quarter and the 1998 first nine months reflected 10% and 1% increases, respectively, when compared with the corresponding periods of 1997. The 1998 third quarter and first nine months included an impairment of a long-lived asset of $8,333,000. The carrying value of an offshore liquid tank barge/tug unit was reduced in accordance with SFAS No. 121. The unit was sold on October 30, 1998 for a price approximating the revised carrying value of the unit. The 1997 third quarter and first nine months included $2,073,000 and $6,816,000, respectively, of costs and expenses associated with the revenues generated by AFRAM, whose vessels were scrapped in September and October 1997. In addition, the 1997 first nine months included higher costs and expenses associated with the flooding on the Mississippi River System.

RESULTS OF CONTINUING OPERATIONS, Continued

The 1998 third quarter and first nine months marine transportation costs and expenses reflected higher vessel labor and maintenance costs when compared with the 1997 comparable periods. During 1998, in order to retain, as well as attract, vessel employees into the marine lifestyle, the Company increased vessel manpower compensation. Both 1998 periods also reflected higher maintenance costs, as the Company competed for shipyard space with companies participating in the oil and gas drilling activities in the Gulf of Mexico. During the 1998 third quarter, competition for shipyard space did diminish due to a decline in drilling activities. The 1998 third quarter and first nine months' diesel repair costs and expenses also increased, reflecting higher expenses associated with the 4% improvement in revenues for the 1998 third quarter and 7% improvement for the 1998 first nine months compared with the corresponding 1997 periods.

Selling, general and administrative expenses increased 1% in the 1998 third quarter and decreased 2% for the 1998 first nine months compared with the corresponding periods of 1997. The 1998 third quarter increase included non-recurring expenses totaling $450,000 for executive severance pay, search firm fees and consulting fees for the implementation of a value based management system tied to a new incentive compensation plan. The decrease for the 1998 first nine months reflected savings in administrative expenses in the Company's diesel repair segment due to reorganization efforts and the elimination of unprofitable business lines. The results also reflect the savings from the Company's costs reduction program implemented in late 1996 and is ongoing. The program was designed to reduce administrative costs and improve operating efficiencies.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

RESULTS OF CONTINUING OPERATIONS, Continued

The following table sets forth the operating income and operating margins by segment for the three months and nine months ended September 30, 1998 compared with the three months and nine months ended September 30, 1997 (dollars in thousands):

	Three months ended September 30,					
	1998		1997		Increase (decrease)	
	Operating income (loss)	Operating margin	Operating income (loss)	Operating margin	Amounts	%
Marine transportation	$10,210	16.3%	$10,837	16.7%	$ (627)	(6)%
Diesel repair	1,999	10.2%	1,500	7.9%	499	33
Corporate	(1,714)		(1,236)		(478)	(39)
Impairment of assets	(8,333)		--		(8,333)	(100)
	$ 2,162		$11,101		$(8,939)	(81)%

	Nine months ended September 30,					
	1998		1997		Increase (decrease)	
	Operating income (loss)	Operating margin	Operating income (loss)	Operating margin	Amounts	%
Marine transportation	$29,029	15.7%	$28,289	14.7%	$ 740	3 %
Diesel repair	6,527	10.2%	4,714	7.9%	1,813	38
Corporate	(4,081)		(3,831)		(250)	(7)
Impairment of assets	(8,333)		--		(8,333)	(100)
	$23,142		$29,172		$(6,030)	(21)%

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

RESULTS OF CONTINUING OPERATIONS, Continued

The following table sets forth the equity in earnings of affiliates, loss on the sale of the insurance affiliate and interest expense for the three months and nine months ended September 30, 1998 compared with the three months and nine months ended September 30, 1997 (dollars in thousands):

	Three months ended September 30,		Increase (decrease)	
	1998	1997	Amount	%
Equity in earnings of insurance affiliate	$ 418	$ 422	$ (4)	(1)%
Loss on sale of insurance affiliate	$(10,536)	--	$10,536	100 %
Equity in earnings of marine affiliates	$ 1,034	$ 778	$ 256	33 %
Interest expense	$ (3,236)	$(3,293)	$ (57)	(2)%

	Nine months ended September 30,		Increase (decrease)	
	1998	1997	Amount	%
Equity in earnings of insurance affiliate	$ 1,325	$ 3,734	$(2,409)	(65)%
Loss on sale of insurance affiliate	$(10,536)	--	$10,536	100 %
Equity in earnings of marine affiliates	$ 2,899	$ 2,172	$ 727	33 %
Interest expense	$ (9,235)	$(10,117)	$ (882)	(9)%

Effective September 30, 1998, the Company sold its remaining 45% voting common stock interest and its non-voting preferred stock interest in Universal for $36,000,000 in cash. Universal, a property and casualty insurance company in the Commonwealth of Puerto Rico, was formed by Kirby in 1972. In September 1992, the Company merged Universal with Eastern America, a subsidiary of Eastern America Group. In accordance with a shareholders' agreement between the Company, Universal and Eastern America Group, through redemption rights, Universal had the obligation to purchase the Company's entire interest in Universal gradually, over a 15 year period. The Company closed the sale on October 7, 1998 and the cash proceeds were used to reduce the Company's revolving line of credit.

RESULTS OF CONTINUING OPERATIONS, Continued

Under an anticipated redemption schedule, the Company would have received a stream of cash payments between now and the year 2008 totaling $62,000,000. The $36,000,000 received represented the present value of the payment stream. Including prior redemptions and the final sale, the Company received total payments of $58,000,000 for its interest in Universal.

The Company recognized, during the 1998 third quarter, a pre-tax loss for book purposes of $10,536,000 on the Universal transaction. The Company's investment in Universal, accounted for under the equity method of accounting, was based on the estimated receipt of $62,000,000 of redemption payments to the Company over the next eleven years, and the recording of the remaining built-in gain on the sale.

During the 1997 second quarter, the Company recognized as equity in earnings of insurance affiliate, $2,500,000 of cash received from Universal as a result of a resolution of a previously reserved Universal contingency for outstanding litigation. The litigation was fully reserved on Universal's records and was set aside as part of the merger in 1992 of Universal with Eastern America Insurance.

Equity in earnings of marine affiliates reflected a 33% increase for the 1998 third quarter compared with the third quarter of 1997, and a 33% increase for the 1998 first nine months compared with the first nine months of 1997. During the 1998 third quarter, and for the majority of the 1998 first nine months, the partnership's five offshore barge/tug units were fully employed. Results for the 1997 third quarter and first nine months were negatively impacted by additional scheduled maintenance on the partnership's vessels and by lower coal volume requirements than the 1998 comparable periods.

Interest expense reflected a 2% decrease for the 1998 third quarter compared with the third quarter of 1997, and a 9% decrease for the 1998 first nine months compared with the first nine months of 1997. The decrease for both 1998 periods reflects the excess cash flow from operations and $38,600,000 in cash proceeds from the sale of the offshore tanker and harbor service operations, both of which were used to pay down the Company's $100,000,000 revolving credit agreement (the "Credit Agreement") with Chase Bank of Texas N.A., as agent bank. In addition, the Company benefited from lower interest rates on its Credit Agreement. Partially offsetting the cash payments and lower interest rates on the Company's Credit Agreement was interest on the Company's borrowings through the Credit Agreement to finance the Dutch Auction self-tender offer and open market share repurchases, both of which are discussed below.

FINANCIAL CONDITIONS, CAPITAL RESOURCES AND LIQUIDITY

BALANCE SHEET

Total assets as of September 30, 1998 were $439,905,000, a decrease of 15% compared with $517,959,000 as of December 31, 1997. The following table sets forth the significant components of the balance sheet as of September 30, 1998 compared with December 31, 1997 (dollars in thousands):

	September 30, 1998	December 31, 1997	Increase (decrease) Amount	Increase (decrease) %
Assets:				
Current assets	$152,453	$135,797	$ 16,656	12 %
Property and equipment, net	262,584	272,384	(9,800)	(4)
Investments in affiliates	15,614	61,576	(45,962)	(75)
Long-term assets of discontinued operations	--	36,988	(36,988)	(100)
Other assets	9,254	11,214	(1,960)	(17)
	$439,905	$517,959	$(78,054)	(15)%
Liabilities and stockholders' equity:				
Current liabilities	$ 77,555	$ 95,603	$(18,048)	(19)%
Long-term debt	173,635	149,485	24,150	16
Deferred taxes	43,324	48,409	(5,085)	(11)
Other long-term liabilities	6,423	6,193	230	4
Stockholders' equity	138,968	218,269	(79,301)	(36)
	$439,905	$517,959	$(78,054)	(15)%

As of September 30, 1998, working capital increased to $74,898,000, an 86% increase compared with $40,194,000 at December 31, 1997. The increase was primarily attributable to the recording of a $36,000,000 receivable from the sale of Universal, effective September 30, 1998, partially offset by the sale of the discontinued offshore tanker and harbor service property and equipment in March 1998. Trade accounts receivable decreased 26%, reflecting the sale of the offshore operations and the Company's emphasis on collection of receivables. Property held for sale reflects the two offshore liquid tank barge/tug units sold in October 1998. Accounts payable decreased 45%, primarily reflecting the sale of the offshore operations. Accrued liabilities decreased 13%, also reflecting the sale of the offshore operations.

The available-for-sale securities of $21,135,000 at September 30, 1998 and $21,773,000 at December 31, 1997 were investments of Oceanic Insurance Limited, the Company's wholly owned captive insurance subsidiary.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY, Continued

Long-term debt, less current portion, increased 16% to $173,635,000 as of September 30, 1998 compared with $149,485,000 at December 31, 1997. The increase mainly reflected the borrowing to finance the Company's Dutch Auction self-tender offer to purchase 3,066,922 shares of its common stock at a total purchase price of $75,705,000 and open market stock repurchases totaling 537,720 shares of common stock at a total purchase price of $11,549,000, both of which are more fully described below. Long-term debt was decreased by $38,600,000 of cash received from the sale of the offshore tanker and harbor service operations and repayments on long-term debt from excess cash flow.

Stockholders' equity as of September 30, 1998 decreased 36% during the 1998 first nine months, reflecting the Company's purchase of its common stock under the Dutch Auction self-tender offer and open market repurchases, more fully described below. As of September 30, 1998, the Company had 9,971,000 shares of common stock in its treasury.

LONG-TERM FINANCING

The Company has a $100,000,000 Credit Agreement with Chase Bank of Texas, N.A., as agent bank. Effective January 30, 1998, the Credit Agreement was amended to provide a one-time allowance for the disposition of assets at the subsidiary level. The amendment also modified the minimum net worth covenant and fixed charge calculation. Proceeds under the Credit Agreement may be used for general corporate purposes, the purchase of existing or new equipment, the purchase of the Company's common stock, or for possible business acquisitions. As of September 30, 1998, $62,000,000 was outstanding under the Credit Agreement.

TREASURY STOCK PURCHASES

On March 23, 1998, the Company purchased 3,066,922 shares of its common stock under a Dutch Auction self-tender offer at a price of $24.50 per share. The Company announced the self-tender offer on February 17, 1998, expressing its intentions to purchase up to 3,000,000 shares of its common stock at a purchase price ranging from $21.00 to $24.50 per share. The tender offer expired on March 16, 1998.

The Company elected to increase the size of the 3,000,000 share tender offer and to accept all shares tendered at a price of $24.50 per share. The 3,066,922 shares purchased represented approximately 12.6% of the Company's common stock outstanding immediately prior to the offer. Funding of the tender offer was from the Company's Credit Agreement.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY, Continued

From July 31, 1998 through October 31, 1998, the Company purchased 593,700 shares of its common stock at a total purchase price of $12,670,000, for an average price of $21.34 per share. The Company, as of October 30, 1998, has 1,220,000 shares available under its Board of Directors' 6,250,000 total open market stock repurchase authorization. The treasury stock purchases were financed by borrowings under the Company's Credit Agreement. 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 in the open market, 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.

LIQUIDITY

The Company generated net cash provided by operating activities of continuing operations of $40,405,000 and $29,649,000 for the nine months ended September 30, 1998 and 1997, respectively. The 1998 first nine months were positively impacted by a $980,000 increase in cash flow as a result of a decrease in operating working capital, compared with a $8,740,000 decrease in cash flow for the first nine months of 1997. The Company accounted for its ownership in Universal and accounts for its ownership in its marine partnerships under the equity method of accounting. It recognized cash flow from Universal only upon receipt of an actual distribution or redemption and recognizes cash flow from the marine partnerships upon the receipt or disbursement of cash from the partnerships. During the 1997 first nine months, the Company received a $2,000,000 redemption of Universal's common stock and $2,500,000 as a result of the Universal lawsuit ruling. No redemptions of Universal's common stock were received during 1998 prior to the Company selling its remaining 45% common stock interest and preferred stock interest effective September 30, 1998. For the 1998 first nine months, the Company received net cash from the marine partnerships of $3,541,000 and contributed to the partnerships $535,000 during the 1997 first nine months.

Funds generated are available for capital construction projects, treasury stock repurchases, asset acquisitions, repayment of borrowings associated with treasury stock acquisitions or asset acquisitions and for other operating requirements. In addition to its net cash flow provided by operating activities, the Company also has available as of November 5, 1998, $75,500,000 under its Credit Agreement and $121,000,000 available under its medium term note program. The Company's scheduled principal payments during the next 12 months are $5,333,000.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY, Continued

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, while the transportation assets acquired and accounted for using the purchase method of accounting were adjusted to a fair market value and, therefore, the cumulative long-term effect of inflation was reduced. The repair portion of the diesel repair segment is based on prevailing current market rates. The Company does not presently use financial derivatives, but uses a mix of floating and fixed rate debt. The Company has no foreign exchange risks.

The Company has no present plan to pay dividends on its common stock.

YEAR 2000

The Company has a Year 2000 project team in place to address the potential impact on the Company of the issue of computer software and embedded computer chips being unable to distinguish the year 2000 from the year 1900. In 1997, the Company began to investigate the impact of the Year 2000 issues and associated problems on the Company's computer environment. The Year 2000 project team was formed to determine the extent of the issue and to make recommendations for remediation of such issues. In addition, to validate the extent of the issues and the project team remediation efforts, the Company engaged an outside consulting firm to review the project team's findings and make additional recommendations.

The project team, with the assistance of the consulting firm, completed a detailed list of all of the Company's systems which may be impacted by the Year 2000 issue. The key areas were all of the Company's network components, core corporate applications, personal computers and telephone switches. The Company's major network components, personal computers and telephone switches are currently Year 2000 compliant. Core corporate applications include OASIS, the Company's internally developed vessel management system which includes a billing, sales and traffic system, and prepackaged vendor-based products. The principal vendor-based products are Oracle Financial, the Company's marine transportation segment's financial accounting system, JIT, the diesel repair segment's financial accounting system, and Ross Payroll, the system used by all of the Company's operations to compensate their employees. A letter was sent to each supplier of the affected system inquiring into the readiness of the specific system, model or release.

Based on the information received from the various suppliers, the project team (1) assigned priorities to identified systems based on a materiality factor to the Company; (2) repaired or replaced certain material items that were determined not to be Year 2000 compliant; (3) tested material items; (4) continues to communicate with certain material suppliers who have not to date brought their systems to Year 2000 compliance; (5) continues to review and communicate with suppliers of electronic devices used by the Company that use a timing routine to function; and (6) continues to develop a contingency and business continuation plan with a target date for completion of March 31, 1999.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY, Continued

As of September 30, 1998, based on the information received to date from the suppliers and through validation and testing, the majority of the Company's systems, including OASIS and Oracle Financial, are in Year 2000 compliance. By December 31, 1998, the Company anticipates that, based on ongoing communications with the suppliers of the Ross Payroll system, modification to bring that system to Year 2000 compliance should be complete. A major enhancement of the Company's JIT system was initiated in March 1997. A portion of the enhancement is to bring the whole application to Year 2000 status. The project is anticipated to be completed by March 31, 1999.

The total costs associated with required modifications to bring the Company into Year 2000 compliance is not expected to be material to the Company's financial position. The total amount expended on the project through September 30, 1998 is less than $100,000.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain marine transportation and diesel repair operating activities. Such a failure could materially and adversely affect the Company's results of operations, liquidity and overall financial condition. The Company is unable at the present time to determine whether a Year 2000 non-compliance of one or more of the Company's major systems would materially impact the Company's results of operations, liquidity or financial condition. The Company is currently reasonably confident of its Year 2000 compliance with its systems developed in-house, as well as certain of its pre-packaged vendor based products; however, the Company is dependent on third-party suppliers to bring its Year 2000 compliance project to a closure.

The completion of the Year 2000 project is expected to significantly reduce the Company's level of uncertainty related to its third-party reliance for Year 2000 compliance, and will reduce the possibility of significant interruptions of normal business operations. The dates on which the Company believes the project team will bring closure to the Year 2000 issues are based on the Company's best estimates, at the present time. However, there can be no guarantee that these estimates can be achieved, or that there will not be delays in, or increased costs associated with, the implementation of the Year 2000 systems, primarily due to the Company's reliance on third parties and suppliers. The Company cannot ensure its ability to timely and cost-effectively resolve problems associated with the Year 2000 issue that may affect its operation and business, or expose the Company to third-party liability.

The Company cautions that forward-looking statements contained in the Year 2000 discussion should be read in conjunction with the Company's disclosure in the opening paragraph of this Management's Discussion and Analysis.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY, Continued

ACCOUNTING STANDARDS

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," issued in June 1997, establishes standards for reporting information about operating segments in annual financial statements and requires that enterprises report selected information about operating segments in interim reports issued to shareholders. SFAS No. 131 will be adopted in 1998. The adoption of SFAS No. 131 is not expected to have a material impact on the Company's financial condition or results of operations.

SFAS No. 132, "Employers' Disclosures about Pensions and other Postretirement Benefits," issued in February 1998, revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. The statement standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures. Restatement of disclosures for earlier periods is required. SFAS No. 132 will be adopted by the Company in 1998.

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, 1997.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

11.0 Computation of Earnings per Common Share.

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 September 30, 1998.

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: November 6, 1998

EXHIBIT 11.0

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE

	Three months ended September 30, 1998	Three months ended September 30, 1997	Nine months ended September 30, 1998	Nine months ended September 30, 1997
	(in thousands, except per share amounts)			
Net earnings (loss) from continuing operations	$(6,571)	$ 5,873	$ 5,144	$16,186
Net earnings from discontinued operations	--	76	--	2,607
Net earnings (loss)	$(6,571)	$ 5,949	$ 5,144	$18,793
Basic earnings per share:				
Weighted average number of common shares outstanding	21,175	24,313	22,181	24,405
Basic earnings (loss) per share from continuing operations	$ (.31)	$ .24	$ .23	$ .66
Basic earnings per share from discontinued operations	--	--	--	.11
Basic earnings (loss) per share	$ (.31)	$ .24	$ .23	$ .77
Diluted earnings per share:				
Weighted average number of common shares outstanding	21,175	24,313	22,181	24,405
Dilutive shares applicable to stock options	--	223	306	211
Shares applicable to diluted earnings	21,175	24,536	22,487	24,616
Diluted earnings (loss) per share from continuing operations	$ (.31)	$ .24	$ .23	$ .66
Diluted earnings per share from discontinued operations	--	--	--	.10
Diluted earnings (loss) per share	$ (.31)	$ .24	$ .23	$ .76

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.

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9-MOS
DEC-31-1998
SEP-30-1998
712
21,135
103,136
842
14,332
152,453
469,268
206,684
439,905
77,555
173,635
0
0
3,091
135,877
439,905
49,701
250,385
35,971
161,730
64,034
68
9,235
9,074
3,930
5,144
0
0
0
5,144
.23
.23