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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 1999

or

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

For the transition period from to

Commission File Number 0-22303

GULF ISLAND FABRICATION, INC.
(Exact name of registrant as specified in its charter)

Louisiana (State or other jurisdiction of incorporation or organization)	72-1147390 (I.R.S. Employer Identification Number)
583 Thompson Road, Houma, Louisiana (Address of principal executive offices)	70363 (zip code)
(504) 872-2100 (Registrant's telephone number, including area code)	

Securities registered pursuant to Section 12(g) of the Act: Common Stock, no par value per share.

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 [_]

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant at March 2, 2000 was approximately $92,338,438.

The number of shares of the Registrant's common stock, no par value per share, outstanding at March 2, 2000 was 11,638,400.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement prepared for use in connection with the registrant's 2000 Annual Meeting of Shareholders to be held April 27, 2000 have been incorporated by reference into Part III of this Form 10-K.

GULF ISLAND FABRICATION, INC.
ANNUAL REPORT ON FORM 10-K FOR
THE FISCAL YEAR ENDED DECEMBER 31, 1999

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PART I

Items 1 and 2. Business and Properties

Certain technical terms are defined in the "Glossary of Certain Technical Terms" appearing at the end of this Report.

General

Gulf Island Fabrication, Inc. (the "Company") together with its subsidiaries, is a leading fabricator of offshore drilling and production platforms and other specialized structures used in the development and production of offshore oil and gas reserves. Structures and equipment fabricated by the Company include jackets and deck sections of fixed production platforms; hull and deck sections of floating production platforms (such as tension leg platforms ("TLPs")); piles, wellhead protectors, subsea templates and various production, compressor and utility modules; and offshore living quarters. Services provided by the Company include offshore interconnect pipe hook-up; inshore marine construction; manufacture and repair of pressure vessels; and steel warehousing and sales.

The Company was founded in 1985 by a group of investors, including Alden J. "Doc" Laborde and Huey J. Wilson, and began operations at its fabrication yard on the Houma Navigation Canal in Southern Louisiana, approximately 30 miles from the Gulf of Mexico. The Company's primary facilities are located on 608 acres, of which 261 are currently developed for fabrication activities with 347 acres available for future expansion. These facilities allow the Company to build jackets for installation in water depth of up to 800 feet and deck sections for fixed or floating production platforms for use in unlimited water depth. In addition, the Company is able to build certain hull sections of floating production platforms, typically for use in water depth greater than 1,000 feet.

On January 2, 1997, Gulf Island Fabrication, Inc. acquired Dolphin Services, Inc. and two related companies (collectively, "Dolphin Services"), which perform offshore and inshore fabrication and construction services (the "Dolphin Acquisition"), and in April 1997, completed the initial public offering (the "Initial Public Offering") of its common stock, no par value per share (the "Common Stock"). Effective January 1, 1998, the Company acquired all of the outstanding shares of Southport, Inc. and its wholly owned subsidiary Southport International, Inc. (collectively "Southport"). Southport specializes in the fabrication of living quarters for offshore platforms. The purchase price was $6.0 million cash, plus contingent payments of up to an additional $5.0 million based on Southport's net income over a four-year period ending December 31, 2001.

In April, 1998, the Company, formed a limited liability company called MinDOC, L.L.C., to patent, design and market a deepwater floating drilling and

production concept. The Company currently owns a one-third interest in the LLC and the balance is owned by four engineering companies. Design and marketing of the project was pursued during the remainder of 1998. Although there have been no sales to date, the group anticipates that as the design progresses, the concept can be successfully marketed to the oil industry for development of deepwater offshore oil and gas fields.

In November, 1999 the Company announced that it had formed a wholly owned subsidiary to develop and market deepwater oil and gas production structures, including MinDOC, the deepwater floating production concept that the Company has a proprietary interest in. The subsidiary will be headquartered in Houston, Texas.

Effective as of January 1, 2000, all of the operating assets, buildings and properties owned directly by the Company were placed in Gulf Island, L.L.C., a wholly owned subsidiary formed to conduct all of the fabrication and other operations previously conducted directly by the Company. As a result, the existing Gulf Island Fabrication, Inc. now serves as a holding company and conducts all of its operations through its subsidiaries.

Description of Operations

The Company's primary activity is the fabrication of offshore drilling and production platforms, including jackets and deck sections of fixed production platforms, hull and deck sections of floating production platforms (such as TLPs), piles, wellhead protectors, subsea templates and various production, compressor and utility modules. The Company also has the ability to produce and repair pressure vessels used in the oil and gas industry, refurbish existing platforms and fabricate various other types of steel structures. With its acquisition of Southport, the Company has also increased its presence in the market for the fabrication of living quarters for installation on such platforms.

The Company uses the latest welding and fabrication technology available, and all of the Company's products are manufactured in accordance with industry standards and specifications, including those published by the American Petroleum Institute, the American Welding Society and the American Society of Mechanical Engineers. Gulf Island Fabrication is certified as an ISO 9002 fabricator for its quality assurance programs. See "--Safety and Quality Assurance."

Fabrication of Offshore Platforms. The Company fabricates structural components of fixed platforms for use in the offshore development and production of oil and gas. A fixed platform is the traditional type of platform used for the offshore development and production of oil and gas, although recently there has been an increase in the use of floating production platforms and TLPs as a result of increased drilling and production activities in deeper waters. Most fixed platforms built today can accommodate both drilling and production operations. These combination platforms are large and generally more costly than single-purpose structures. However, because directional drilling techniques permit a number of wells to be drilled from a single platform and because drilling and production can take place simultaneously, combination platforms are often more cost effective.

The most common type of fixed platform consists of a jacket (a tubular steel, braced structure extending from the mudline on the seabed to a point above the water surface) which is supported on tubular pilings driven deep into the seabed and supports the deck structure located above the level of storm waves. The deck structure, extending above the surface of the water and attached to the top end of the jacket, is designed to accommodate multiple functions, including drilling, production, separating, gathering, piping, compression, well support and crew quartering. Platforms can be joined by bridges to form complexes of platforms for very large developments or to improve safety by dividing functions among specialized platforms. Jacket-type platforms are generally the most viable solution for water depths of 1,000 feet or less. Although there is no height limit to the size of the jackets that can be fabricated at the Company's facilities, the dimensions of the Houma Navigation Canal prevent the transportation to the Gulf of Mexico of most jackets designed for water depths exceeding 800 feet. The Company can, however, build decks, piping and equipment modules, living quarters, piles and other components of platforms for installation in any water depth. Often, customers split projects among fabricators, contracting with different companies for the fabrication of the jacket, deck sections, living quarters and piles for the same platform. Through the construction of these components the Company participates in the construction of platforms requiring jackets that are larger than those the Company can transport through the Houma Navigation Canal.

Most of the steel used in the Company's operations arrives at the Company's fabrication yards as steel plate. The plate is cut and rolled into tubular sections at rolling mills in the fabrication yards. The tubular sections (which vary in diameter, up to 12 feet) are welded together in long straight tubes to become legs or into shorter tubes to become part of the network of

bracing that supports the legs. Various cuts and welds in the fabrication process are made by computer-controlled equipment that operates from data developed during the design of the structure. The Company's ability to fabricate and assemble the large tubular sections needed for jackets built for use in water depths over 300 feet distinguish the Company from all but two of its domestic competitors.

Jackets are built on skidways (which are long parallel rails along which the jacket will slide when it is transferred to a barge for towing out to sea) and are generally built in sections so that, to the extent possible, much of their fabrication is done on the ground. As each section of legs and bracing is complete, large crawler

cranes pick up an entire side and "roll up" the section, which is then joined to another uprighted section. When a jacket is complete and ready for launch, it is pulled along the skidway onto a launch barge, which is gradually deballasted to compensate for the weight of the structure as more of it moves aboard the barge. Using ocean-going tugs, the barge and jacket are transported to the offshore installation site.

Decks are built either as single structures or in sections and are installed on location by marine construction contractors. The composition and quantity of petroleum in the well stream generally determine the makeup of the production deck on a processing platform. Typical deck equipment includes crude oil pumps, gas and oil separators and gas compressors. Unlike large jackets, which are transported in a horizontal position, decks are transported upright and, as a result, are not subject to the width restrictions of the Houma Navigation Canal. Therefore, the only limitation on the Company's ability to fabricate decks is the weight capacity of the barges that transport the decks from the Company's yard, to the installation site. Barges currently exist that have the weight capacity and other characteristics required to transport even the largest of the decks currently installed in the Gulf of Mexico, and management believes that currently there are no decks installed in the Gulf of Mexico that could not have been constructed at the Company's facilities. While larger deck structures to be built in the future could exceed the capacities of currently existing barges, management does not believe that this will materially affect its share of the market for deck construction.

The Company can also fabricate sections of, and structures used in connection with, TLPs. TLPs consist of a deck that sits atop one or more column-shaped hulls, which are positioned on site with vertical tendons running from the hulls to the seabed. The tendons hold the hulls partially submerged and are highly tensioned using the buoyancy of the hulls. This system develops a restoring force against wave, wind and current actions in proportion to the lateral displacement of the vessel. Wells for a TLP are often pre-drilled through a subsea template. Long, flexible production risers, which carry the petroleum to the deck of the TLP, are supported in tension by mechanical tensioner machines on the platform's deck and are directly subject to wave, wind and current forces. TLPs can be used in any water depth and are generally better suited than fixed platforms for water depth greater than 1,000 feet.

The size of a TLP depends on a number of factors, including the intended scope of production of the platform, the length of the production risers connected to the platform, the size of the deck to be installed on the platform and the water depth for which the platform is designed. The Company can fabricate deck sections for use with TLPs of any size. The constraints of the Houma Navigation Canal, however, limit the Company's ability to deliver certain hulls for use with TLPs, depending on the size and weight of the hull sections. In July 1998, the Company completed the fabrication of the deck section and floating hull of a TLP designed for installation in 1,800 feet of water. In August the Company completed the construction of a similar hull that was installed in 3,200 feet of water. To the Company's knowledge, these are the first two TLPs of this size to be constructed entirely in the United States. With TLP's and other floating concepts as the alternative of choice for deepwater drilling and production platforms, and the Company's participation in this arena firmly established, the Company will participate in the continued expansion into the deepwater areas.

The Company has fabricated subsea templates for use in connection with TLPs, which are structures that are installed on the seabed before development drilling begins. As exploration and drilling move into the deepwater of the Gulf of Mexico, the Company believes that there will be increased opportunities to fabricate subsea templates, as well as decks and other structures, for use in connection with TLPs.

The Company also fabricates piles and other rolled goods, templates, bridges for connecting offshore platforms, wellhead protectors, various production, compressor and utility modules and other structures used in offshore oil and gas production and development activities. All of the Company's products are installed by marine construction contractors.

Through Dolphin Services, the Company also provides interconnect piping services on offshore platforms, inshore steel and wood structure construction, fabrication of pressure vessels and large and small packaged skid units, and steel warehousing and sales. Interconnect piping services involve sending employee crews to offshore

platforms that have been installed in the Gulf of Mexico in order to perform welding and other activities required to connect production equipment, service modules and other equipment to a platform prior to its becoming operational. Dolphin Services also contracts with oil and gas companies that have platforms and other structures located in the inland lakes and bays throughout the Southeast for various on-site construction and maintenance activities. At its existing facility, a quarter of a mile from the Company's main yard, Dolphin Services can fabricate jackets up to 100 feet tall along with decks and other steel structures. Dolphin Services has also been active in the refurbishment of existing platforms. Platform operators occasionally remove platforms previously installed in the Gulf of Mexico and return the platforms to a fabricator for refurbishment, which usually consists of general repairs, maintenance work and modification.

Through Southport, the Company fabricates living quarters, primarily for offshore platforms, ranging in size from 4 to 250 beds.

Facilities and Equipment

Facilities. The Company's corporate headquarters and main fabrication yard are located on the east bank of the Houma Navigation Canal at Houma, Louisiana, approximately 30 miles from the Gulf of Mexico. That facility includes approximately 140 acres with approximately 100 acres developed for fabrication, one 13,200 square foot building that houses administrative staff, approximately 180,000 square feet of covered fabrication area, and over 17,000 square feet of warehouse storage area and 8,000 square feet of training and medical facilities. The main yard also has approximately 2,800 linear feet of water frontage, of which 1,500 feet is steel bulkhead which permits outloading of heavy structures.

On the east bank of the Houma Navigation Canal across Thompson Road from the main fabrication yard, the Company owns a 11.3 acre facility that includes a two-story 5,000 square feet administration building with an attached 5,300 square foot warehouse. Also located on the property in an additional two-story 2,100 square foot administration building. The property has approximately 570 linear feet of water frontage, of which 380 linear feet is steel bulkhead which permits docking of large ocean going vessels and the outloading of heavy loads.

The Company's west yard is located across the Houma Navigation Canal from the main yard and includes 437 acres, with 130 acres developed for fabrication and over 300 acres of unimproved land, which could be used for expansion. The west yard, which has approximately 72,000 square feet of covered fabrication area and 3,500 square feet of warehouse storage area, spans 6,750 linear feet of the Houma Navigation Canal, of which 2,350 feet is steel bulkhead.

Dolphin Services operates from a 20-acre site located approximately a quarter of a mile from the Company's main yard on a channel adjacent to the Houma Navigation Canal. The facility includes a 8,400 square foot building that houses administrative staff, approximately 14,000 square feet of covered fabrication area, 1,500 square feet of warehouse storage area, a 10,000 square foot blasting and coating facility and 600 linear feet of steel bulkhead. Dolphin Services also operates a commercial steel sales division and a pressure vessel shop. The steel sales division, which recently moved to a new three acre facility adjacent to the Company's main yard, has expanded its product lines to include pressure vessel plates and other products that utilize Gulf Island , L.L.C.'s capability to process the steel by cutting, shaping, forming and painting.

The vessel shop can manufacture pressure vessels up to eleven feet in diameter and eight inches in thickness. The shop is equipped with a Cypress Circle Cutter and auto core flux and submerged arc welding equipment. The vessel shop can also accommodate the construction of a 50 ton skid unit inside the facility.

Southport is located on a 13-acre site located in Harvey, Louisiana, a suburb of New Orleans, on the Harvey Canal, which has access to the Gulf of Mexico through the Intracoastal Canal. The facility includes 7,550 square feet of administrative offices, 22,300 square feet of covered fabrication area and 1,450 linear feet of steel bulkhead.

The Company owns all of the foregoing properties.

Equipment. The Company's main yard houses its Model 34 and Model 20 plate bending rolls, a Frye Wheelabrator grit blast system, a hydraulic plate shear,

a hydraulic press brake and various other equipment needed to build offshore structures and fabricate steel components. The Company's west yard has a Bertsch Model 38 plate bending roll, a computerized Vernon brace coping machine used for cutting steel in complex geometric sections and various other equipment used in the Company's fabrication business. The Company also currently uses 14 crawler cranes, which range in tonnage capacity from 150 to 300 tons and service both of the Company's yards. The Company owns these cranes which can thus avoid having to rent cranes on a monthly basis except in times of very high activity levels. The Company has a plasma-arc cutting system that cuts steel up to one inch thick at a rate of two hundred inches per minute. The Company performs routine repairs and maintenance on all of its equipment.

The Company's plate bending rolls allow it to roll and weld into tubular pipe sections approximately 50,000 tons of plate per year. By having such capacity at its fabrication facility, the Company is able to coordinate all aspects of platform construction, which can reduce the risk of cost overruns, delays in project completion, and labor costs. In addition, these facilities allow the Company to participate as subcontractor on projects awarded to other contractors. In January 1999 the Company commissioned a state of the art, fully enclosed, and environmentally friendly blast and coating facility. The facility is automated and provides blasting and coating activities in support of the Company's fabrication projects. The design output of the facility also allows the Company to provide blast and paint services to the local shipbuilding industry. The use of this equipment provides the company a competitive advantage by reducing labor costs and signifies the Company's commitment to being a good neighbor to our community and our environment.

For use in connection with its inshore construction activities, Dolphin Services owns three spud barges. Dolphin Services also leases three barges for use with inshore construction activities. Each barge is equipped with a crane with a lifting capacity of 60 to 100 tons. Dolphin Services also owns two Manitowoc 4100 cranes with lifting capacities of 200 to 230 tons and five smaller crawler cranes ranging from 60 to 100 tons lifting capacity. Southport rents one crawler crane with lifting capacity of 125 tons.

Materials and Supplies

The principal materials and supplies used by the Company in its fabrication business, standard steel shapes, steel plate, welding gases, fuel oil, gasoline and paint, are currently available in adequate supply from many sources. The Company does not depend upon any single supplier or source.

Safety and Quality Assurance

Management is concerned with the safety and health of the Company's employees and maintains a stringent safety assurance program to reduce the possibility of costly accidents. The Company's safety department establishes guidelines to ensure compliance with all applicable state and federal safety regulations and provides training and safety education through orientations for new employees and subcontractors, daily crew safety meetings and first aid and CPR training. The Company also employs two in-house medical personnel. The Company has a comprehensive drug program and conducts periodic employee health screenings. A safety committee, whose members consist of management representatives and peer-elected field representatives, meet monthly to discuss safety concerns and suggestions that could prevent accidents. The Company also rewards its employees with safety awards every three months if the actual workmen's compensation recordable case rate is less than a pre-determined benchmark case rate for the three month period.

The Company fabricates to the standards of the American Petroleum Institute, the American Welding Society, the American Society of Mechanical Engineers and specific customer specifications. The Company uses welding and fabrication procedures in accordance with the latest technology and industry requirements. Training programs have been instituted to upgrade skilled personnel and maintain high quality standards. In addition, the Company maintains on-site facilities for the non-destructive testing of all welds, which process is performed by an independent contractor.

Gulf Island Fabrication is certified as an ISO 9002 fabricator. ISO 9002 is an internationally recognized verification system for quality management overseen by the International Standard Organization based in Geneva, Switzerland. The certification is based on a review of the Company's programs and procedures designed to maintain and enhance quality production and is subject to annual review and recertification. Dolphin Services and Southport are evaluating procedures to begin the process of applying for ISO 9002 certification.

Customers and Contracting

The Company's customers are primarily major and independent oil and gas companies. Over the past five years, sales of structures used in the Gulf of Mexico by oil and gas companies accounted for approximately 80% of the

Company's revenue. The balance of its revenue was derived from the fabrication of structures installed outside the Gulf of Mexico, including offshore West Africa and Latin America.

A large portion of the Company's revenue has historically been generated by a few customers, although not necessarily the same customers from year-to-year. For example, the Company's largest customers (those which individually accounted for more than 10% of revenue in a given year) collectively accounted for 33% (Texaco, Inc., and Global Industries), 38% (Texaco, Inc. and Atlantia Corporation), and 58% (Texaco, Inc., Atlantia Corporation and British Petroleum Company) of revenue for fiscal 1999, 1998 and 1997, respectively. In addition, at December 31, 1999, 40% of the Company's backlog was attributable to two projects. Because the level of fabrication that the Company may provide to any particular customer depends, among other things, on the size of that customer's capital expenditure budget devoted to platform construction plans in a particular year and the Company's ability to meet the customer's delivery schedule, customers that account for a significant portion of revenue in one fiscal year may represent an immaterial portion of revenue in subsequent years.

Most of the Company's projects are awarded on a fixed-price or alliance/partnering basis, and while customers may consider other factors, including the availability, capability, reputation and safety record of a contractor, price and the ability to meet a customer's delivery schedule are the principal factors on which the Company is awarded contracts. The Company's contracts generally vary in length from one month to twenty-four months depending on the size and complexity of the project. Generally, the Company's contracts and projects are subject to termination at any time prior to completion, at the option of the customer. Upon termination, however, the customer is generally required to pay the Company for work performed and materials purchased through the date of termination and, in some instances, cancellation fees.

Under fixed price contracts, the Company receives the price fixed in the contract, subject to adjustment only for change orders approved by the customer. As a result, the Company retains all cost savings but is also responsible for all cost overruns. Under typical alliance/partnering arrangements, the Company and the customer agree in advance to a target price that includes specified levels of labor and material costs and profit margins. If the project is completed at less cost than those targeted in the contract, the contract price is reduced by a portion of the savings. If the cost of completion is greater than those targeted in the contract, the contract price is increased, but generally to the target price plus the actual incremental cost of materials and direct labor costs. Accordingly, under alliance/partnering arrangements, the Company has some protection from cost overruns but also shares a portion of any cost savings with the customer. Under cost-plus arrangements, the Company receives a specified fee in excess of its direct labor and material cost and so is protected against cost overruns but does not benefit directly from cost savings. Because the Company generally prices materials as pass-through items on its contracts, the cost and productivity of the Company's labor force are the primary factors affecting the Company's operating costs. Consequently, it is essential that the Company control the cost and productivity of the direct labor hours worked on the Company's projects. As an aid to achieving this control, the Company places a single project manager in charge of the production operations related to each project and gives significant discretion to the project manager, with oversight by the Company's Vice President of Operations. As an incentive to reduce cost and increase productivity, the Company gives bonuses to its employees totaling up to 5% of the Company's income before taxes.

Seasonality

Although high activity levels in the oil and gas industry and capacity limitations can somewhat diminish the seasonality of the Company's operations, the Company's operations have historically been subject to seasonal variations in weather conditions and daylight hours. Since most of the Company's construction activities take place outdoors, the number of direct labor hours worked generally declines during the winter months due to an increase in rainy and cold conditions and a decrease in daylight hours. In addition, the Company's customers often schedule the completion of their projects during the summer months in order to take advantage of the milder weather during such months for the installation of their platforms. As a result, a disproportionate portion of the Company's income has historically been earned during the second and third quarters of the year, and the Company has occasionally incurred losses during the first and fourth quarters of its fiscal year.

The table below indicates for each quarter of the Company's last three fiscal years the percentage of the annual revenue, gross profit and net income, and the number of direct labor hours worked.

<TABLE>
<CAPTION>

	1999				1998				1997			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue................	25%	23%	24%	28%	24%	26%	28%	22%	21%	26%	27%	26%
Gross profit...........	29%	28%	25%	18%	23%	27%	27%	23%	20%	26%	29%	25%
Net income.............	29%	29%	26%	16%	22%	27%	29%	22%	19%	27%	30%	24%
Direct labor hours (in 000's)................	500	459	459	433	642	697	670	606	497	542	588	523

</TABLE>

Because of this seasonality, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters. Reductions in industry activity levels may tend to increase the seasonality of the Company's operations.

Competition

The offshore platform fabrication industry is highly competitive and influenced by events largely outside of the control of offshore platform fabrication companies. Platform fabrication companies compete intensely for available projects, which are generally awarded on a competitive bid basis with customers usually requesting bids on projects one to three months prior to commencement. The Company's marketing staff contacts oil and gas companies believed to have fabrication projects scheduled to allow the Company an opportunity to bid for the projects. Although price and the contractor's ability to meet a customer's delivery schedule are the principal factors in determining which qualified fabricator is awarded a contract for a project, customers also consider, among other things, the availability of technically capable personnel and facility space, a fabricator's efficiency, condition of equipment, reputation, safety record and customer relations.

The Company currently has two primary competitors, Aker Gulf Marine and J. Ray McDermott, S.A., for the fabrication of platform jackets to be installed in the Gulf of Mexico in water depths greater than 300 feet. In addition to these two companies, the Company primarily competes with five other fabricators for platform jackets for intermediate water depths from 150 feet to 300 feet. A number of other companies compete for projects designed for shallower waters as well as for the projects typically performed by Southport. Certain of the Company's competitors have greater financial and other resources than the Company.

Management believes that, while new competitors can enter the market for smaller structures relatively easily, it is more difficult for several reasons to enter the market for jackets designed for use in water depths greater than 300 feet, including the substantial investment required to establish an adequate facility, the difficulty of locating a facility adjacent to an adequate waterway due to environmental and wetland regulations, and the limited availability of experienced supervisory and management personnel.

Management believes that the Company's competitive pricing, expertise in fabricating offshore structures and its certification as an ISO 9002 fabricator will enable it to continue to compete effectively for projects

destined for international waters. The Company recognizes, however, that foreign governments often use subsidies and incentives to create jobs where oil and gas production is being developed. In addition, the additional transportation costs that are incurred when exporting structures from the U.S. to foreign locations may hinder the Company's ability to successfully bid for projects against foreign competitors. Because of subsidies, import duties and fees, taxes on foreign operators and lower wage rates in foreign countries along with fluctuations in the value of the U.S. dollar and other factors, the Company may not be able to remain competitive with foreign contractors for projects designed for use in international waters as well as those designed for use in the Gulf of Mexico.

Backlog

As of December 31, 1999 the Company's backlog was $38.9 million, all of which management expects to be performed during 2000. Of the $38.9 million backlog at December 31, 1999, approximately 40% was attributable to two projects.

The Company's backlog is based on management's estimate of the direct labor hours required to complete, and the remaining revenue to be recognized with respect to, those projects as to which a customer has authorized the Company to begin work or purchase materials pursuant to written contracts, letters of intent or other forms of authorization received by our company. Often, however, management's estimates are based on incomplete engineering and design specifications. As engineering and design plans are finalized or changes to existing plans are made, management's estimate of the direct labor hours

required to complete and price at completion for such projects is likely to change. In addition, all projects currently included in the Company's backlog are subject to termination at the option of the customer, although the customer in that case is generally required to pay the Company for work performed and materials purchased through the date of termination and, in some instances, pay the Company cancellation fees.

Government and Environmental Regulation

Many aspects of the Company's operations and properties are materially affected by federal, state and local regulation, as well as certain international conventions and private industry organizations. The exploration and development of oil and gas properties located on the outer continental shelf of the United States is regulated primarily by the Minerals Management Service (United States Department of the Interior) ("MMS"). The MMS has promulgated federal regulations under the Outer Continental Shelf Lands Act requiring the construction of offshore platforms located on the outer continental shelf to meet stringent engineering and construction specifications. Violations of these regulations and related laws can result in substantial civil and criminal penalties as well as injunctions curtailing operations. The Company believes that its operations are in compliance with these and all other regulations affecting the fabrication of platforms for delivery to the outer continental shelf of the United States. In addition, the Company depends on the demand for its services from the oil and gas industry and, therefore, can be affected by changes in taxes, price controls and other laws and regulations relating to the oil and gas industry. Offshore construction and drilling in certain areas has also been opposed by environmental groups and, in certain areas, has been restricted. To the extent laws are enacted or other governmental actions are taken that prohibit or restrict offshore construction and drilling or impose environmental protection requirements that result in increased costs to the oil and gas industry in general and the offshore construction industry in particular, the business and prospects of the Company could be adversely affected, although such restrictions in the areas of the Gulf of Mexico where the Company's products are used have not been substantial. The Company cannot determine to what extent future operations and earnings of the Company may be affected by new legislation, new regulations or changes in existing regulations.

The Houma Navigation Canal provides the only means of access for the Company's products from the Company's facilities to open waters. The Houma Navigation Canal is considered to be a navigable waterway of the United States and, as such, is protected by federal law from unauthorized obstructions that would hinder water-borne traffic. Federal law also authorizes federal maintenance of the canal by the United States Corps of Engineers. The canal requires annual dredging to maintain its water depth and, while federal funding for this

dredging has been provided for over 30 years, no assurance that Congressional appropriations sufficient for adequate dredging and other maintenance of the canal will be continued indefinitely. If sufficient funding were not appropriated for that purpose, the Houma Navigation Canal could become impassable by barges required to transport many of the Company's products, with the result that the Company's operations and financial position could be materially and adversely affected.

The Company's operations and properties are subject to a wide variety of increasingly complex and stringent foreign, federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances and the health and safety of employees. These laws may provide for "strict liability" for damages to natural resources and threats to public health and safety, rendering a party liable for the environmental damage without regard to negligence or fault on the part of such party. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, the Company may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may also expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company that were in compliance with all applicable laws at the time such acts were performed.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, and similar laws provide for responses to and liability for releases of hazardous substances into the environment. Additionally, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Safe Drinking Water Act, the Emergency Planning and Community Right to Know Act, each as amended, and similar foreign, state or local counterparts to these federal laws, regulate air emissions, water discharges, hazardous substances and wastes, and require public disclosure related to the use of various hazardous substances. Compliance with such environmental laws and

regulations may require the acquisition of permits or other authorizations for certain activities and compliance with various standards or procedural requirements. The Company believes that its facilities are in substantial compliance with current regulatory standards.

The Company's operations are also governed by laws and regulations relating to workplace safety and worker health, primarily the Occupational Safety and Health Act and regulations promulgated thereunder. In addition, various other governmental and quasi-governmental agencies require the Company to obtain certain permits, licenses and certificates with respect to its operations. The kind of permits, licenses and certificates required in the Company's operations depend upon a number of factors. The Company believes that it has all material permits, licenses and certificates necessary to the conduct of its existing business.

The Company's compliance with these laws and regulations has entailed certain additional expenses and changes in operating procedures, which historically have resulted in approximately $150,000 in expenditures per year. The Company believes that compliance with these laws and regulations will not have a material adverse effect on the Company's business or financial condition for the foreseeable future. However, future events, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies, or stricter or different interpretations of existing laws and regulations, may require additional expenditures by the Company, which expenditures may be material.

Certain activities engaged in by employees of the Company, including interconnect piping and other service activities conducted on offshore platforms and activities performed on the spud barges owned by the Company, are covered by the provisions of the Jones Act, the Death on the High Seas Act and general maritime law, which laws operate to make the liability limits established under state workers' compensation laws inapplicable to these employees and, instead, permit them or their representatives to pursue actions against the Company for damages or job related injuries, with generally no limitations on the Company's potential liability. The Company's ownership and operation of vessels can give rise to large and varied liability risks, such as risks of collisions with other vessels or structures, sinkings, fires and other marine casualties, which can result in significant claims for damages against both the Company and third parties for, among other things, personal injury, death, property damage, pollution and loss of business.

In addition to government regulation, various private industry organizations, such as the American Petroleum Institute, the American Society of Mechanical Engineers and the American Welding Society, promulgate technical standards that must be adhered to in the fabrication process.

Insurance

The Company maintains insurance against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction to the Company's facilities. All policies are subject to deductibles and other coverage limitations. The Company also maintains a builder's risk policy for its construction projects and general liability insurance. Gulf Island Fabrication, Inc. is self-insured for workers' compensation liability except for losses in excess of $300,000 per occurrence for Louisiana workers' compensation and for U.S. longshoreman and harbor workers' coverage. Dolphin Services and Southport are conventionally insured for workers' compensation liability with deductibles of $100,000 and $25,000 respectively. The Company also maintains maritime employer's liability insurance. Although management believes that the Company's insurance is adequate, there can be no assurance that the Company will be able to maintain adequate insurance at rates which management considers commercially reasonable, nor can there be any assurance that such coverage will be adequate to cover all claims that may arise.

Employees

The Company's workforce varies based on the level of ongoing fabrication activity at any particular time. During 1999, the number of Company employees ranged from approximately 850 to 1,100. As of March 1, 2000, the Company had approximately 800 employees. Although the seasonality of the Company's operations may cause a decline in Company output during the winter months, the Company generally does not lay off employees during those months but reduces the number of hours worked per day by many employees to coincide with the reduction in daylight hours during that period. None of the Company's employees is employed pursuant to a collective bargaining agreement, and the Company believes that its relationship with its employees is good.

The Company's ability to remain productive and profitable depends substantially on its ability to attract and retain skilled construction workers, primarily welders, fitters and equipment operators. In addition, the Company's ability to expand its operations depends not only upon customer demand but also the Company's ability to increase its labor force. The demand

for such workers is high and the supply is extremely limited, especially during periods of high activity in the oil and gas industry. While the Company believes its relationship with its skilled labor force is good, a significant increase in the wages paid by competing employers could result in a reduction in the Company's skilled labor force, increases in the wage rates paid by the Company, or both. If either of these occurred, in the near-term, the profits expected by the Company from work in progress could be reduced or eliminated and, in the long-term, to the extent such wage increases could not be passed on to the Company's customers, the production capacity of the Company could be diminished and the growth potential of the Company could be impaired.

As part of an effort to maintain its workforce, the Company has instituted and enhanced several incentive programs for its current employees and expanded its training facility. The Company has facilities to train its employees on productivity and safety matters. The Company is committed to training its employees and offers advancement through in-house training programs.

Cautionary Statement Concerning Forward-Looking Information

Certain statements included in this report and in oral statements made from time to time by management of the Company that are not statements of historical fact are forward-looking statements. In this report, forward-looking statements are included primarily in the sections entitled "Business and Properties," "Legal Proceedings," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The words "expect," "believe," "anticipate," "project," "plan," "estimate," "predict" and similar expressions often identify forward-looking statements. All such statements are subject to factors that could cause actual results and outcomes to differ materially from the results and outcomes predicted in the statements and investors are cautioned not to place undue reliance upon them. These factors include, among others, the timing and extent

of changes in the prices of crude oil and natural gas; the timing of new projects and the Company's ability to obtain them, competitive factors in the heavy marine fabrication industry; and the Company's ability to successfully complete the testing, production and marketing of the MinDOC and other deepwater production systems and to develop and provide financing for them.

Item 3. Legal Proceedings

The Louisiana Department of Environmental Quality (the "LDEQ") has required the Company to update its reports and modify its state air permit with respect to emissions from chemicals that are components of the steel and paint used by Gulf Island, L.L.C. in its fabrication operations, and Gulf Island, L.L.C. has done so. The LDEQ has advised Gulf Island, L.L.C. that it is considering the assessment of a penalty for exceeding permitted limits and inaccurate reporting. Gulf Island L.L.C. does not believe that any actions of the LDEQ in this matter will be material to its financial position or require any changes to its operations other than the monitoring of the content of certain purchased materials, the cost of which is expected to be negligible.

The Company is one of four defendants in a lawsuit in which the plaintiff claims that the Company improperly installed certain attachments to a jacket that it had fabricated for the plaintiff. The plaintiff, which has recovered most of its out-of-pocket losses from its own insurer, seeks to recover from the four defendants the remainder of its claimed out-of-pocket losses (approximately $1 million) and approximately $65 million for economic losses which it alleges resulted from the delay in oil and gas production that was caused by these events. The trial court has issued rulings and is expected to issue additional rulings, all of which could be appealed by the plaintiff, the effect of which would be to prevent plaintiff's recovery of any damages from defendants, including the Company. In connection with the additional rulings of the court, the parties have entered into agreements that eliminate the possibility of plaintiff's recovery of any out-of-pocket damages and preserve for appeal only those questions bearing on plaintiff's recovery of its economic losses from delay in production. The Company continues to defend the case vigorously, leaving open the possibility of reasonable settlement. After consultation with the legal counsel, the Company does not expect that the ultimate resolution of this matter will have a material adverse effect on the financial position or results of operations of the Company, although no assurances can be given as to the ultimate outcome of the claims.

The Company is subject to other claims arising primarily in the normal conduct of its business. While the outcome of such claims cannot be determined, management does not expect that resolution of these matters will have a material adverse effect on the financial position or results of operations of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 4A. Executive Officers of the Registrant

Listed below are the names, ages and offices held by each of the executive officers of the Company as of March 1, 2000. All officers of the Company serve at the pleasure of the Company's Board of Directors.

Name	Age	Position
Kerry J. Chauvin	52	President, Chief Executive Officer and Director
William A. Downey	53	President of Gulf Island, L.L.C. (fabrication subsidiary)
Murphy A. Bourke	55	Executive Vice President--Marketing
Joseph P. Gallagher, III	49	Vice President--Finance, Chief Financial Officer, and Treasurer

Kerry J. Chauvin has served as the Company's President and as a director since the Company's inception and has served as Chief Executive Officer since January 1990. Mr. Chauvin also served as the Company's Chief Operating Officer from January 1989 to January 1990. He has over 20 years of experience in the fabrication industry including serving from 1979 to 1984 as President of Delta Fabrication, the assets of which were purchased by the Company in 1985, and as Executive Vice President, General Manager and Manager of

Engineering with Delta Fabrication from 1977 to 1979. From 1973 to 1977, he was employed by Delta Shipyard as Manager of New Construction and as a Project Manager. Mr. Chauvin holds both a M.B.A. degree and a B.S. degree in Mechanical Engineering from Louisiana State University.

William A. Downey became president of Gulf Island, L.L.C., the subsidiary that performs the Company's major fabrication operations, effective January 1, 2000. From 1985 through 1999 Mr. Downey served as Vice President--Operations of the Company. From 1980 to 1984, he served as the Vice President of Engineering of Delta Fabrication. With over 20 years of experience in the fabrication industry, he has served in various capacities with Avondale Industries, Inc., including Senior Project Manager and Senior Cost & Design Analyst, and has also been employed by Sanderson Enterprises, Inc. and Mission Drilling & Exploration Corp. Mr. Downey received his B.S. degree in Industrial Technology from Southeastern Louisiana University in 1971.

Murphy A. Bourke has been Vice President--Marketing since the Company began operations in 1985 and, effective January 1, 2000, he became Executive Vice President--Marketing. Mr. Bourke also served as Vice President Marketing for Delta Fabrication from 1979 to 1984 and as the General Sales Manager of Louisiana State Liquor Distributors, Inc., a beverage distributor, from 1972 to 1979. He holds a B.A. degree in marketing from Southeastern Louisiana University.

Joseph P. "Duke" Gallagher, III was elected Vice President--Finance and Chief Financial Officer of the Company in January 1997 and in that capacity he also serves as chief accounting officer of the Company. Mr. Gallagher served as the Company's Controller from 1985 until 1997. He has been the Company's Treasurer since 1986 and served as the Company's Secretary from January 1993 until April 1999. From 1981 to 1985, he was employed as the Controller of TBW Industries, Incorporated, a manufacturer of machinery and pressure vessels, and from 1979 to 1981 as the Assistant Controller of Brock Exploration Corporation, a publicly traded oil and gas exploration company. Mr. Gallagher, a Certified Public Accountant, also worked as a Senior Auditor for the accounting firm A.A. Harmon & Co., CPA's Inc. He received a B.S. degree in Production Management in 1973 from the University of Southwestern Louisiana.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock, no par value per share (the "Common Stock"), is traded on the Nasdaq Stock Market under the symbol "GIFI." At March 10, 2000, the Company had approximately 5,200 holders of record of Common Stock.

The following table sets forth the high and low bid prices per share of the Common Stock, as reported by the Nasdaq Stock Market, for each fiscal quarter of the two most recent fiscal years.

	High	Low
Fiscal Year 1999		
First Quarter	$11.50	$ 6.50

Second Quarter	15.50	9.50
Third Quarter	14.50	11.75
Fourth Quarter	13.25	8.06
Fiscal Year 1998		
First Quarter	$23.81	$15.50
Second Quarter	27.50	17.25
Third Quarter	20.50	10.00
Fourth Quarter	18.00	7.19

</TABLE>

The Company has not paid dividends since its Initial Public Offering in 1997. The Company currently intends to retain earnings, if any, to meet its working capital requirements and to finance the future operation and growth of its business and, therefore, does not plan to pay cash dividends to holders of its Common Stock in the foreseeable future.

Item 6. Selected Financial Data

The following table sets forth selected historical financial data as of the dates and for the periods indicated. The historical financial data for each year in the five-year period ended December 31, 1999 are derived from the audited financial statements of the Company. The table also sets forth unaudited pro forma financial information as of and for the years ended December 31, 1997, and 1996 that gives effect to the termination of the Company's S Corporation status, as further explained in the notes to the Company's audited financial statements included elsewhere in this report. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's financial statements and notes thereto included elsewhere in this report.

<TABLE>
<CAPTION>

	Year Ended December 31,				
	1999	1998(1)	1997(2)	1996	1995
	(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Income Statement Data:					
Revenue	$120,241	$192,372	$136,355	$79,004	$63,779
Cost of revenue	105,813	156,326	112,033	68,673	60,034
Gross profit	14,428	36,046	24,322	10,331	3,745
General and administrative expenses	4,210	6,023	4,670	2,161	1,730
Non-recurring compensation charge(3)	--	--	--	500	--
Operating income	10,218	30,023	19,652	7,670	2,015
Net interest expense (income)	(565)	(168)	109	384	430
Income before income taxes	10,783	30,191	19,543	7,286	1,585
Income taxes	4,097	11,359	5,973	--	--
Cumulative deferred tax provision	--	--	1,144	--	--
Net income	$ 6,686	$ 18,832	$ 12,426	$ 7,286	$ 1,585
Income Summary Data (Pro Forma 1997 and 1996 (unaudited)):					
Income before provision for income taxes			$ 19,543	$ 7,286	
Provision for income taxes			5,973	--	
Provision for income taxes(4)			1,379	2,934	
Net income			$ 12,191	$ 4,352	
Basic earnings per share	$ 0.57	$ 1.62	$ 1.15	$ 0.55	
Diluted earnings per share	$ 0.57	$ 1.61	$ 1.14	$ 0.55	
Weighted-average common shares	11,638	11,630	10,633	7,854	
Adjusted weighted-average common shares	11,691	11,703	10,700	7,854	

<CAPTION>

As of December 31,

	1999	1998	1997	1996	1995
			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data:					
Working capital, excluding current maturities of long-term debt..................	$ 31,787	$ 25,239	$ 17,555	$11,001	$10,048
Property, plant and equipment, net.............	43,664	45,418	34,505	17,735	13,483
Total assets.................	95,049	97,740	67,678	35,909	30,414
Debt, including current maturities(5)...............	--	3,000	--	6,187	5,545

<CAPTION>

	Year Ended December 31,				
	1999	1998	1997	1996	1995
			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Operating Data:					
Direct labor hours worked(6)...................	1,851	2,615	2,150	1,073	920
Backlog(7)					
Direct labor hours.........	682	1,079	1,341	1,038	427
Dollars....................	$38,900	$67,300	$86,300	$87,000	$22,000

</TABLE>

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(1) Includes results of operations of Southport, Inc. from January 1, 1998.
(2) Includes results of operations of Dolphin Services from January 2, 1997.
(3) In December 1996, the Company's principal shareholders sold an aggregate of 98,000 shares of Common Stock to the Company's executive officers at a total purchase price of $350,000. As a result, the Company was required to recognize a non-cash expense equal to the difference between the aggregate purchase price for such shares (adjusted for certain distributions with respect to such shares that were paid in 1997 before completion of the Initial Public Offering) and the estimated value of such shares at the time of the Initial Public Offering.
(4) Includes pro forma effect for the application of federal and state income taxes to the Company as if it were a C Corporation for tax purposes. Prior to the Initial Public Offering, the Company elected to terminate its S Corporation status. As a result, the Company became subject to corporate level income taxation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Tax Adjustments," and Notes 1 and 3 to the Company's financial statements included elsewhere in this Report.
(5) Information for 1996 and 1995 includes $530,000 and $434,000, respectively, of current maturities of debt.
(6) Direct labor hours are hours worked by employees directly involved in the production of the Company's products.
(7) The Company's backlog is based on management's estimate of the number of direct labor hours required to complete, and the remaining revenues to be recognized with respect to, those projects on which a customer has authorized the Company to begin work or purchase materials.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction and Outlook

The Company's results of operations are affected primarily by (i) the level of exploration and development activity maintained by oil and gas companies in the Gulf of Mexico, and to a lesser extent, North Africa, West Africa, Latin America, and the Middle East; (ii) the Company's ability to win contracts through competitive bidding or alliance/partnering arrangements and (iii) the Company's ability to manage those contracts to successful completion. The level of exploration and development activity is related to several factors, including trends of oil and gas prices, exploration and production companies' expectations of future oil and gas prices, and changes in technology which reduce costs and improve expected returns on investment, especially in subsalt geological formations (which generally are located in 300 to 800 feet of water) and in deepwater (800 to 6,000 feet) areas of the Gulf of Mexico. Over the first three of the past five years, generally favorable trends in these factors led to increased activity levels in the Gulf of Mexico. In the past two years, however, the distraction caused by consolidation activity by the oil and gas exploration and production companies and generally unfavorable trends in the exploration and development activity factors have caused a corresponding reduction in the level of oil and gas exploration and development activity.

Development activity in water depths greater than 300 feet, where larger structures requiring more steel tonnage are needed, has declined during 1999

and has had a negative effect on the demand on the available capacity of the major platform fabricators serving the Gulf of Mexico, with a resulting decline in pricing levels for their services through the end of 1999.

Demand for the Company's products and services has remained low for the past two years. The resultant low level of backlog of projects, with reduced profit margins, resulted in a weak performance for 1999. Revenue in 1999 was $120.2 million, a 37.5% decrease compared to 1998 revenue, and net income was $6.7 million, a 64.5% decrease compared to 1998 net income. The continued low activity levels in the oil and gas industry is reflected in the Company's backlog at December 31, 1999 which was $38.9 million as compared to $67.3 million at the end of 1998.

The dollar value of projects available in the market is significantly below those levels of two to three years ago and the Company's backlog is being similarly eroded. Competition for available projects has become more intense and margins may remain low. Cost reduction measures have been instituted to meet these conditions. In the longer term, demand for the Company's services will continue to depend largely upon actual or anticipated prices for oil and gas, which are difficult to predict. At some point, however, it is expected that demand for the Company's products and services should recover as supplies are reduced and the Company's customers are forced to replace them.

During 1999, the Company's workforce declined from approximately 1,100 to 850 employees. Due to recent reduced demand for the Company's products and services, the Company does not anticipate the need to engage a material amount of contract labor in the foreseeable future.

Most of the Company's revenue is recognized on a percentage-of-completion basis based on the ratio of direct labor hours worked to the total estimated direct labor hours required for completion. Accordingly, contract price and cost estimates are reviewed monthly as the work progresses, and adjustments proportionate to the percentage of completion are reflected in revenue for the period when such estimates are revised. If these adjustments were to result in a reduction of previously reported profits, the Company would have to recognize a charge against current earnings, which may be significant depending on the size of the project or the adjustment.

Year 2000 Issues

In prior years, the Company discussed the nature and progress of its plans to become Year 2000 ready. In late 1999, the Company completed its remediation and testing of systems. As a result of those planning and implementation efforts, the Company experienced no significant disruptions in mission critical information technology and non-information technology systems and believes those systems successfully responded to the Year 2000 date change. The Company expensed approximately $77,000 during 1998 in connection with remediating its systems. The Company is not aware of any material problems resulting from Year 2000 issues, either with its products, its internal systems, or the products and services of third parties. The Company will continue to monitor its mission critical computer applications and those of its suppliers and vendors throughout the year 2000 to ensure that any latent Year 2000 matters that may arise are addressed promptly.

Results of Operations

Comparison of the Years Ended December 31, 1999 and 1998

The Company's revenue for the year ended December 31, 1999 was $120.2 million, a decrease of 37.5%, compared to $192.4 million in revenue for the year ended December 31, 1998. Revenue decreased as a result of low activity levels in the oil and gas industry during 1999 which created reduced demand and, thus, downward pressure on the pricing of the Company's goods and services. These factors also generated a decrease in the volume of direct labor hours applied to contracts for the year ended December 31, 1999, compared to 1998 (1.9 million in 1999 versus 2.6 million in 1998). The combination of reduced volume and lower pricing caused a decrease in gross profit by 60.0% to $14.4 million (12.0% of revenue) for the year ended December 31, 1999, compared to the $36.0 million (18.7% of revenue) of gross profit for the year ended December 31, 1998.

Cost of revenue was $105.8 million in 1999 compared to $156.3 million in 1998. Cost of revenue consists of costs associated with the fabrication process, including direct costs (such as direct labor hours and raw materials) allocated to specific projects and indirect costs (such as supervisory labor, utilities, welding supplies and equipment costs) that are associated with production but are not directly related to a specific project. As a percentage of revenue, these costs increased to 88.0% in 1999 compared to 81.3% in 1998.

The Company's general and administrative expenses were $4.2 million for the year ended December 31, 1999, compared to $6.0 million for the year ended December 31, 1998. Although the absolute dollar cost of the Company's general and administrative expenses decreased by $1.8 million for 1999, these expenses

as a

percentage of revenue, increased to 3.5% in 1999 from 3.1% in 1998. The savings of $1.8 million of general and administrative expenses for the year was produced by (i) consolidating general and administrative costs associated with the subsidiaries, (ii) reduced costs associated with decreased production levels, and (iii) substantial reduction in incentive pay.

The Company's net interest income increased to $681,000 for 1999 compared to $172,000 for 1998. The Company completed its Initial Public Offering in April, 1997 and used the proceeds to eliminate all of its outstanding bank debt and provide working capital to the Company. Since that time, the Company's cash provided by operations has increased to a level that has allowed the Company to make capital expenditures and acquisitions with little or no debt and to increase its cash and short term investment balances.

Other expense increased to $116,000 in 1999 from $4,000 in 1998. This expense is primarily comprised of the Company's portion of the net loss of MinDoc, LLC as it continues to design and market the MinDoc floating platform concept for deepwater drilling and production.

Comparison of the Years Ended December 31, 1998 and 1997

The Company's revenue for the year ended December 31, 1998 was $192.4 million, an increase of 41.1%, compared to $136.4 million in revenue for the year ended December 31, 1997. Revenue increased as a result of the Southport acquisition, the on-going labor recruiting and retention efforts by the Company which generated an increase in the volume of direct labor hours applied to contracts and the implementation of productivity enhancing equipment for the year ended December 31, 1998 compared to the year ended December 31, 1997.

The increased employment levels and the utilization of labor saving equipment enabled the Company to increase volume and profit margins. The volume of direct labor hours applied to contracts increased to 2.6 million for the year ended December 31, 1998 compared to 2.2 million for 1997. Gross profit increased by 48.2% to $36.0 million (18.7% of revenue) for 1998 compared to $24.3 million (17.8% of revenue) of gross profit for the year ended December 31, 1997.

Cost of revenue was $156.3 million and $112.0 million for the years ended December 31, 1998 and 1997, respectively. Cost of revenue consists of cost associated with the fabrication process, including direct cost (such as direct labor hours, subcontractor cost and raw materials) allocated to specific jobs and indirect cost (such as supervisory labor, utilities, welding supplies and equipment costs) that are associated with production but are not directly related to a specific project. As a percentage of revenue, these costs decreased to 81.3% for 1998 compared to 82.2% for 1997.

The Company's general and administrative expenses were $6.0 million for the year ended December 31, 1998 compared to $4.7 million for the year ended December 31, 1997. Although general and administrative expenses increased by $1.3 million, as a percentage of revenue, these expenses decreased to 3.1% from 3.4% of revenue for the years ended December 31, 1998 and 1997, respectively. This increase of $1.3 million for the year was caused by the additional general and administrative costs associated with Southport, Inc and the additional costs associated with increased production levels.

The Company had net interest income of $172,000 for the year ended December 31, 1998 compared to net interest expense of $118,000 for the year ended December 31, 1997. The Company completed its Initial Public Offering in April, 1997 and used the proceeds to eliminate all of its outstanding bank debt and provide working capital to the Company. Since that time, the Company's cash provided by operations has increased to a level that has allowed the Company to make capital expenditures and acquisitions with little or no debt.

The Company converted to C Corporation status on April 4, 1997. The pro forma provision for income taxes and pro forma net income give effect to federal and state income taxes as if all entities presented had been taxed as C Corporations during all of 1997. Pro forma net income for 1997 excludes a non-recurring charge of $1.1 million to record the cumulative deferred income tax provision upon the election on April 4, 1997 to convert from S Corporation status to C Corporation status.

Liquidity and Capital Resources

Historically the Company has funded its business activities through funds generated from operations and borrowings under its revolving line of credit ("the Revolver"). Net cash provided by operations increased by 31.4% to $19.0 million for the year ended December 31, 1999, primarily attributable to the reduced balances of accounts receivable and retainage related to decreased

sales. Net cash used in investing activities for the year ended December 31, 1999 was $14.3 million, primarily related to the $11.2 million purchase of short term investments and $2.9 million of capital expenditures. The Company's capital expenditures during 1999 were for improvements to its production facilities and for equipment designed to increase the capacity of its facilities and the productivity of its labor force.

The Company's Revolver provides for a revolving line of credit of up to $20.0 million which bears interest equal to, at the Company's option, the prime lending rate established by Bank One Corporation or LIBOR plus 1.5%. The Revolver matures December 31, 2001 and is secured by a mortgage on the Company's real estate, equipment and fixtures. The Company pays a fee quarterly of three-eighths of one percent per annum on the average unused portion of the line of credit. The Company is required to maintain certain covenants, including balance sheet and cash flow ratios. At December 31, 1999, the Company was in compliance with these covenants. Net cash used in financing activities of $3.0 million during 1999 represented the payment of borrowings under the Revolver. At December 31, 1999, the Company had no borrowings under the Revolver.

The Company's Board of Directors has approved a capital budget of $4.1 million for 2000, including additional bulkheading and automated welding and steel cutting systems. Management believes that its available funds, cash generated by operating activities and funds available under the bank credit facility will be sufficient to fund these capital expenditures and its working capital needs. However, the Company may expand its operations through acquisitions in the future, which may require additional equity or debt financing.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The Company does not have operations subject to material risk of foreign currency fluctuations, nor does it use derivative financial instruments in its operations or investment portfolio. The Company has a $20.0 million line of credit with its primary commercial bank. Under the terms of the revolving credit agreement, the Company may elect to pay interest at either a fluctuating base rate established by the bank from time to time or at a rate based on the rate established in the London interbank market. The Company does not believe that it has any material exposure to market risk associated with interest rates.

Item 8. Financial Statements and Supplementary Data

In this report the consolidated financial statements of the Company appear on pages F-1 through F-16 and are incorporated herein by reference. See Index to Consolidated Financial Statements on Page 18.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information called for by this item will be included in the Company's definitive Proxy Statement prepared in connection with the 2000 Annual Meeting of Shareholders and in Item 4A of this report on Form 10-K. Such information is incorporated herein by reference.

Item 11. Executive Compensation

Information called for by this item will be included in the Company's definitive Proxy Statement prepared in connection with the 2000 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information called for by this item will be included in the Company's definitive Proxy Statement prepared in connection with the 2000 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information called for by this item will be included in the Company's definitive Proxy Statement prepared in connection with the 2000 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following financial statements, schedules and exhibits are filed as part of this Report:

(i) Financial Statements Page

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Report of Independent Auditors	F-1
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(ii) Schedules

Other schedules have not been included because they are not required, not applicable, immaterial or the information required has been included elsewhere herein.

(iii) Exhibits

See Exhibit Index on page E-1. The Company will furnish to any eligible stockholder, upon written request, a copy of any exhibit listed upon payment of a reasonable fee equal to the Company's expenses in furnishing such exhibit. Such requests should be addressed to Mrs. Valarae Bates, Investor Relations, Gulf Island Fabrication, Inc., P.O. Box 310, Houma, LA 70361-0310.

GLOSSARY OF CERTAIN TECHNICAL TERMS

Term	Definition
blasting and coating facility:	Building and equipment used to clean steel products and prepare them for coating with marine paints and other coatings.
coping machine:	A computerized machine that cuts ends of tubular pipe sections to allow for changes in weld bevel angles and fits onto other tubular pipe sections.
deck:	The component of a platform on which development drilling, production, separating, gathering, piping, compression, well support, crew quartering and other functions related to offshore oil and gas development are conducted.
direct labor hours:	Direct labor hours are hours worked by employees directly involved in the production of the Company's products. These hours do not include contractor labor hours and support personnel hours such as maintenance, warehousing and drafting.
fixed platform:	A platform consisting of a rigid jacket which rests on tubular steel pilings driven into the seabed and which supports a deck structure above water surface.
floating production platform:	Floating structure that supports offshore oil and gas production equipment (TLP, FPSO, SPAR).
grit blast system:	System of preparing steel for coating by using steel grit rather than sand as a blasting medium.
hydraulic plate shear:	Machine that cuts steel by a mechanical system similar to scissors.
inshore:	Inside coastlines, typically in bays, lakes and marshy areas.
ISO 9002:	International Standards of Operations 9002--Defines quality management system of procedures and goals for certified companies.
jacket:	A component of a fixed platform consisting of a

	tubular steel, braced structure extending from the mudline of the seabed to a point above the water surface. The jacket is supported on tubular steel pilings driven into the seabed and supports the deck structure located above the level of storm waves.
modules:	Packaged equipment usually consisting of major production, utility or compression equipment with associated piping and control system.
offshore:	In unprotected waters outside coastlines.
piles:	Rigid tubular pipes that are driven into the seabed to support platforms.
plasma-arc cutting system:	Steel cutting system that uses an ionized gas cutting rather than oxy-fuel system.
platform:	A structure from which offshore oil and gas development drilling and production are conducted.
pressure vessel:	A metal container generally cylindrical or spheroid, capable of withstanding various internal pressure loadings.
spud barge:	Construction barge rigged with vertical tubular or square lengths of steel pipes that are lowered to anchor the vessel.
skid unit:	Packaged equipment usually consisting of major production, utility or compression equipment with associated piping and control system.

</TABLE>

<TABLE>

<C>	<S>
subsea templates:	Tubular frames which are placed on the seabed and anchored with piles. Usually a series of oil and gas wells are drilled through these underwater structures.
tension leg platform (TLP):	A platform consisting of a floating hull and deck anchored by vertical tensioned cables or pipes connected to pilings driven into the seabed. A tension leg platform is typically used in water depths exceeding 1,000 feet.

</TABLE>

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Gulf Island Fabrication, Inc.

We have audited the accompanying consolidated balance sheets of Gulf Island Fabrication, Inc. as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gulf Island Fabrication, Inc. at December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

New Orleans, Louisiana
January 28, 2000

GULF ISLAND FABRICATION, INC.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	December 31, 1999	December 31, 1998
	(in thousands)	
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	$ 4,535	$ 2,808
Short-term investments	11,215	--
Contract receivable, net	22,739	34,682
Contract retainage	3,251	5,837
Costs and estimated earnings in excess of billings on uncompleted contracts	3,438	2,061
Prepaid expenses	749	878
Inventory	1,227	1,137
Recoverable income taxes	--	531
Total current assets	47,154	47,934
Property, plant and equipment, net	43,664	45,418
Excess of cost over fair value of net assets acquired less accumulated amortization of $553,025 and $278,825 at December 31, 1999 and 1998, respectively	3,565	3,839
Other assets	666	549
Total assets	$95,049	$97,740

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY		
<S>	<C>	<C>
Current liabilities:		
Accounts payable	$ 4,167	$ 7,151
Billings in excess of costs and estimated earnings on uncompleted contracts	6,473	9,476
Accrued employee costs	1,790	4,085
Accrued expenses	1,475	1,983
Income taxes payable	1,462	--
Total current liabilities	15,367	22,695
Deferred income taxes	3,064	2,315
Notes payable	--	3,000
Total liabilities	18,431	28,010
Shareholders' equity:		
Preferred stock, no par value, 5,000,000 shares authorized, no shares issued and outstanding	--	--
Common stock, no par value, 20,000,000 shares authorized, 11,638,400 and 11,638,400 shares issued and outstanding at December 31, 1999 and 1998, respectively	4,162	4,162
Additional paid-in capital	35,326	35,124
Retained earnings	37,130	30,444
Total shareholders' equity	76,618	69,730
Total liabilities and shareholders' equity	$95,049	$97,740

</TABLE>

See accompanying notes.

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

<TABLE>
<CAPTION>

	Year ended December 31, 1999	Year ended December 31, 1998	Year ended December 31, 1997

<S> <C> <C> <C>

Revenue	$120,241	$192,372	$136,355
Cost of revenue	105,813	156,326	112,033
Gross profit	14,428	36,046	24,322
General and administrative expenses	4,210	6,023	4,670
Operating income	10,218	30,023	19,652
Other expense (income):			
Interest expense	58	93	348
Interest income	(739)	(265)	(230)
Other, net	116	4	(9)
	(565)	(168)	109
Income before income taxes	10,783	30,191	19,543
Income taxes	4,097	11,359	5,973
Cumulative deferred tax provision	--	--	1,144
Net income	$ 6,686	$ 18,832	$ 12,426
Pro forma data:			
Income before income taxes			$ 19,543
Income taxes			5,973
Income taxes related to operations as S Corporation			1,379
Net income			$ 12,191
Earnings per share data (pro forma 1997):			
Basic	$ 0.57	$ 1.62	$ 1.15
Diluted	$ 0.57	$ 1.61	$ 1.14

</TABLE>

See accompanying notes.

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands, except share data)

<TABLE>
<CAPTION>

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders Equity
	Shares	Amount			
<S>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1997	7,000,000	$1,000	$ 6,670	$15,827	$23,497
Issuance of common stock	4,600,000	3,133	28,195	--	31,328
Dividends	--	--	--	(16,641)	(16,641)
Net income	--	--	--	12,426	12,426
Balance at December 31, 1997	11,600,000	4,133	34,865	11,612	50,610
Exercise of stock options	38,400	29	259	--	288
Net income	--	--	--	18,832	18,832
Balance at December 31, 1998	11,638,400	4,162	35,124	30,444	69,730
Income tax benefit from exercise of stock options	--	--	202	--	202
Net income	--	--	--	6,686	6,686
Balance at December 31, 1999	11,638,400	$4,162	$35,326	$37,130	$76,618

</TABLE>

See accompanying notes.

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

<TABLE>
<CAPTION>

	Year ended December 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Operating activities:			
Net income	$ 6,686	$ 18,832	$ 12,426
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,699	3,893	2,932
Amortization	274	279	--
Deferred income taxes	749	437	1,878
Changes in operating assets and liabilities:			
Contracts receivable	11,943	(5,604)	(4,734)
Contract retainage	2,586	(3,036)	443
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,377)	2	458
Income taxes	2,195	(478)	(774)
Prepaid expenses, inventory and other assets	39	21	883
Accounts payable	(2,984)	(690)	832
Billings in excess of costs and estimated earnings on uncompleted contracts	(3,003)	1,106	3,233
Accrued employee costs	(2,295)	655	1,550
Accrued expenses	(508)	(965)	(804)
Net cash provided by operating activities	19,004	14,452	18,323
Investing activities:			
Capital expenditures, net	(2,945)	(13,192)	(15,179)
Purchase of short-term investments	(11,215)	--	--
Purchase of subsidiaries, net of cash acquired	--	(5,915)	(5,803)
Other	(117)	(104)	253
Net cash used in investing activities	(14,277)	(19,211)	(20,729)
Financing activities:			
Proceeds from initial public offering	--	--	31,328
Proceeds from issuance of notes payable	--	11,000	41,900
Principal payments on notes payable	(3,000)	(10,600)	(48,659)
Proceeds from exercise of stock options	--	288	--
Dividends	--	--	(16,641)
Net cash provided by (used in) financing activities	(3,000)	688	7,928
Net increase (decrease) in cash and cash equivalents	1,727	(4,071)	5,522
Cash and cash equivalents at beginning of year	2,808	6,879	1,357
Cash and cash equivalents at end of year	$ 4,535	$ 2,808	$ 6,879
Supplemental cash flow information:			
Interest paid	$ 82	$ 100	$ 408
Income taxes paid, net of refunds	$ 1,153	$ 11,388	$ 5,861
Property, plant and equipment acquired through accrued expenses	$ --	$ --	$ 1,408

</TABLE>

See accompanying notes.

GULF ISLAND FABRICATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Gulf Island Fabrication, Inc. ("the Company"), located in Houma, Louisiana, is engaged in fabrication and refurbishment of offshore oil and gas platforms for oil and gas industry companies. The Company's principal markets are

concentrated in the offshore regions of the coast of the Gulf of Mexico. The consolidated financial statements include the accounts of Gulf Island Fabrication, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

On January 2, 1997, the Company acquired all outstanding shares of Dolphin Services, Inc., Dolphin Steel Sales, Inc., and Dolphin Sales and Rentals, Inc. for $5.9 million (the Dolphin Acquisition). The acquired corporations perform fabrication, sandblasting, painting and construction services for offshore oil and gas platforms in inland and offshore regions of the coast of the Gulf of Mexico. On April 30, 1997, Dolphin Steel Sales, Inc. and Dolphin Sales and Rentals, Inc. merged into Dolphin Services, Inc. The three corporations are referred to hereinafter collectively as "Dolphin Services". The Dolphin Acquisition was financed by borrowings under the Company's line of credit. The Company acquired assets with a fair value of $9.7 million and assumed liabilities of $3.8 million. The acquisition was accounted for under the purchase method of accounting. Accordingly, the operations of Dolphin Services are included in the Company's consolidated financial statements from January 2, 1997.

On February 13, 1997, the board of directors approved the filing of an initial registration statement on Form S-1 with the Securities and Exchange Commission to register and sell 4.6 million shares of common stock. Shortly before closing of the offering on April 9, 1997, the Company's shareholders elected to terminate its status as an S Corporation, and the Company became subject to federal and state income taxes. (See Note 3.)

On April 3, 1997, the Securities and Exchange Commission declared the Company's Registration Statement of Form S-1 (Registration No. 333-21863) effective. On April 9, 1997, the Company sold 4.6 million common shares pursuant to the registration statement, increasing the total shares outstanding to 11.6 million (the Initial Public Offering). The Company received $34.5 million from the sale of the shares and paid $3.2 million for underwriting and other fees related to the Initial Public Offering resulting in net proceeds from the sale of $31.3 million.

Effective January 1, 1998, the Company acquired all of the outstanding shares of Southport, Inc. and its wholly owned subsidiary, Southport International, Inc. (collectively, "Southport"). Southport specializes in the fabrication of living quarters for offshore platforms. The purchase price was $6.0 million cash, plus contingent payments of up to an additional $5.0 million based on Southport's net income over a four-year period ending December 31, 2001. The purchase price plus $130,000 of direct expenses exceeded the fair value of the assets acquired of $12.3 million and liabilities assumed of $10.3 million by $4.1 million. The acquisition was accounted for under the purchase method of accounting. Accordingly, the operations of Southport are included in the Company's consolidated financial statements from January 1, 1998.

In April, 1998, the Company formed a limited liability company called MinDOC, L.L.C. ("MinDOC"), to patent, design and market a deepwater floating drilling and production concept. The Company currently owns a one-third interest in the LLC and the balance is owned by four engineering companies. The Company's investment in MinDOC is accounted for under the equity method. The Company's share of operating results is included in other income as expense in the statements of income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The principal customers of the Company are the major and large independent oil and gas companies. This concentration of customers may impact the Company's overall exposure to credit risk, either positively or negatively, in that customers may be similarly affected by changes in economic or other conditions. However, the Company's management believes that the portfolio of receivables is diversified and that such diversification minimizes any potential credit risk. Receivables are generally not collateralized.

The Company believes that its allowance for doubtful accounts is adequate for its credit loss exposure.

Revenue Recognition

Revenue from fixed-price and cost-plus construction contracts is recognized on the percentage-of-completion method, computed by the efforts-expended method which measures the percentage of labor hours incurred to date as compared to estimated total labor hours for each contract.

Contract costs include all direct material, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies and tools. Also included in contract costs are a portion of those indirect contract costs related to plant capacity, such as depreciation, insurance and repairs and maintenance. These indirect costs are allocated to jobs based on actual direct labor hours incurred. Profit incentives are included in revenue when their realization is reasonably assured. Claims for extra work or changes in scope of work are included in revenue when collection is probable. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The asset caption entitled "costs and estimated earnings in excess of billings on uncompleted contracts," represents revenue recognized in excess of the amounts billed. The liability caption entitled "billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of revenue recognized.

Inventory

Inventory consists of materials and production supplies and is stated at the lower of cost or market determined on the first-in, first-out basis.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 25 years. Ordinary maintenance and repairs, which do not extend the physical or economic lives of the plant or equipment, are charged to expense as incurred.

Long-Lived Assets

In accordance with FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, the Company records impairment losses on long-lived assets used in

operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

Income Taxes

Income taxes have been provided using the liability method in accordance with the Financial Accounting Standards Board's Statement No. 109, Accounting for Income Taxes. Prior to April 4, 1997, the Company's shareholders had elected to have the Company taxed as an S Corporation for federal and state income tax purposes whereby shareholders were liable for individual federal and state income taxes on their allocated portions of the Company's taxable income. Accordingly, the historical financial statements do not include any provision for income taxes during the period the Company was an S Corporation (see Note 3).

Excess of Cost Over Fair Value of Net Assets Acquired

Excess of cost over the fair value of the net assets acquired (goodwill) is being amortized on the straight-line method over 15 years.

Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Short-Term Investments

Short-term investments consist of highly liquid debt securities with a maturity of greater than three months, but less than twelve months. The securities are classified as available-for-sale and the fair value of these investments approximated their carrying value at December 31, 1999.

Reclassifications

Certain items included in the consolidated financial statements for the years ended December 31, 1998 and 1997 have been reclassified to conform to the December 31, 1999 consolidated financial statement presentation.

2. ACQUISITIONS

The Company completed the following business combination during the fiscal year 1998:

Acquisition of Southport, Inc.

The following unaudited pro forma information presents a summary of consolidated results of operations of Gulf Island and Southport as if the acquisition had occurred on January 1, 1997. Pro forma adjustments include (1) adjustments for the increase in interest expense as a result of the acquisition, (2) additional depreciation on property, plant and equipment, (3) adjustments to record the amortization of cost in excess of fair value of net assets acquired, (4) the elimination of certain general and administrative expenses, and (5) the related tax effects.

	Year ended December 31, 1997 (in thousands, except per share data)
Revenue	$158,239
Pro forma net income	13,218
Pro forma basic earnings per share	1.24
Pro forma diluted earnings per share	1.24

3. TERMINATION OF S CORPORATION STATUS

On April 4, 1997, the Company's shareholders elected to terminate the Company's status as an S Corporation, and Company became subject to federal and state income taxes. In conjunction with the termination of S Corporation status, the Company paid a distribution of $14 million to its shareholders representing substantially all of the Company's remaining undistributed S Corporation earnings through April 4, 1997. The S Corporation earnings for the period April 1, 1997 to April 4, 1997 were an immaterial part of the total distribution. The balance sheet of the Company as of December 31, 1997 reflected a deferred income tax liability of $1.9 million, which included $1.1 million of deferred income tax liability which resulted from the termination of the S Corporation status.

The pro forma income statement presentation reflects an additional provision for income taxes as if the Company had been subject to federal and state income taxes since January 1, 1997 using as assumed effective tax rate of approximately 38%.

4. SHAREHOLDERS' EQUITY

On February 14, 1997, the shareholders enacted the following:

(a) Authorized the issuance of 2.5 shares of no par value common stock for each of the then outstanding 2,000,000 shares, which resulted in 7,000,000 total outstanding shares. This recapitalization is reflected retroactively in the accompanying financial statements and per share calculations.

(b) Authorized 5,000,000 shares of no par value preferred stock. There are no preferred shares issued or outstanding.

(c) Increased the authorized common shares from 10,000,000 shares to 20,000,000 shares.

On October 6, 1997, the Company's board of directors authorized a two-for-one stock split effected in the form of a stock dividend that became effective on October 28, 1997 to shareholders of record on October 21, 1997. All share and per share data included in the financial statements have been restated to reflect the stock split.

5. PRO FORMA PER SHARE DATA

Pro forma per share data as shown in the statements of income consist of the Company's historical income, adjusted to reflect income taxes as if the Company had operated as a C Corporation during all periods presented. This calculation for the year ended December 31, 1997 excludes the charge of $1.1 million related to cumulative deferred income taxes resulting from conversion to a C Corporation on April 4, 1997. Further, the weighted-average share calculations for 1997 include the assumed issuance of additional shares sufficient to pay the distributions made to shareholders in connection with the Company's Initial Public Offering, to the extent such distributions exceeded net income for the year ended December 31, 1996.

6. EARNINGS PER SHARE

In 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings Per Share. Statement No. 128 replaced APB Opinion No. 15 for the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share exclude any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the Statement No. 128 requirements.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

<TABLE>
<CAPTION>

<S>	1999 <C>	1998 <C>	1997 <C>
Numerator for basic and diluted earnings per share (pro forma 1997)	$6,686	$18,832	$12,191
Denominator:			
Denominator for basic earnings per share--weighted-average shares	11,638	11,630	10,633
Effect of dilutive securities:			
Employee stock options	53	73	67
Dilutive potential common shares:			
Denominator for diluted earnings per share--adjusted weighted-average shares	11,691	11,703	10,700
Basic earnings per share (pro forma 1997)	$ 0.57	$ 1.62	$ 1.15
Diluted earnings per share (pro forma 1997)	$ 0.57	$ 1.61	$ 1.14

</TABLE>

7. CONTRACTS RECEIVABLE

Amounts due on contracts as of December 31 were as follows (in thousands):

<TABLE>
<CAPTION>

<S>	1999 <C>	1998 <C>
Completed contracts	$ 3,480	$ 2,605
Contracts in progress:		
Current	19,310	32,155
Retainage due within one year	3,251	5,837
Less allowance for doubtful accounts	51	78
	$25,990	$40,519

</TABLE>

8. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Information with respect to uncompleted contracts as of December 31 is as follows (in thousands):

<TABLE>
<CAPTION>

<S>	1999 <C>	1998 <C>

Costs incurred on uncompleted contracts	$84,395	$177,698
Estimated profit earned to date	3,145	34,409
	87,540	212,107
Less billings to date	90,575	219,522
	$(3,035)	$ (7,415)

The above amounts are included in the accompanying consolidated balance sheets under the following captions (in thousands):

	1999	1998
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 3,438	$ 2,061
Billings in excess of costs and estimated earnings on uncompleted contracts	(6,473)	(9,476)
	$(3,035)	$(7,415)

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31 (in thousands):

	1999	1998
Land	$ 4,369	$ 4,369
Buildings	9,841	9,841
Machinery and equipment	38,528	35,840
Furniture and fixtures	1,358	1,176
Transportation equipment	1,370	1,185
Improvements	14,135	13,743
Construction in progress	153	697
	69,754	66,851
Less accumulated depreciation	26,090	21,433
	$43,664	$45,418

The Company leases certain equipment used in the normal course of its operations under month-to-month lease agreements cancelable only by the Company. During 1999, 1998, and 1997, the Company expensed $1,679,807, $3,084,000, and $3,203,000, respectively, related to these leases.

10. INCOME TAXES

On April 4, 1997, the Company's shareholders elected to terminate the Company's status as an S Corporation, and the Company became subject to federal and state income taxes (see Note 3). In conjunction with the Company's change in tax status, the Company recorded a $1.1 million deferred tax liability.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 1999 and 1998 are as follows (in thousands):

	1999	1998
Deferred tax liabilities:		
Depreciation	$4,418	$3,464

	1999	1998
Other	26	--
Total deferred liabilities	4,444	3,464
Deferred tax assets:		
Employee benefits	390	827
Uncompleted contracts	990	306
Other benefits	--	16
Total deferred assets	1,380	1,149
Net deferred tax liabilities	$3,064	$2,315

</TABLE>

Significant components of income taxes for the years ended December 31, 1999, 1998 and 1997 were as follows (in thousands):

<TABLE>
<CAPTION>

<S>	1999 <C>	1998 <C>	1997 <C>
Current:			
Federal	$3,125	$10,190	$4,451
State	223	732	788
Total current	3,348	10,922	5,239
Deferred:			
Federal	699	408	1,731
State	50	29	147
Total deferred	749	437	1,878
Income taxes	$4,097	$11,359	$7,117

</TABLE>

A reconciliation of income taxes computed at the U.S. federal statutory tax rate to the Company's income tax expense for 1999 and 1998 and pro forma income tax expense for 1997 is as follows (in thousands):

<TABLE>
<CAPTION>

<S>	1999 <C>	% <C>	1998 <C>	% <C>	1997 <C>	% <C>
U.S. statutory rate	$3,774	35.0%	$10,567	35.0%	$6,840	35.0%
Increase (decrease) resulting from:						
State income taxes	273	2.5	761	2.5	478	2.5
Foreign sales corporation	(135)	(1.3)	(95)	(0.3)	--	
Other	185	1.7	126	0.4	34	0.2
Income tax expense	$4,097	37.9%	$11,359	37.6%	$7,352	37.7%

</TABLE>

11. LINE OF CREDIT AND NOTES PAYABLE

The Company's bank credit facility provides for a revolving line of credit (the Revolver) of up to $20.0 million which bears interest equal to, at the Company's option, the prime lending rate established by BankOne Corporation or LIBOR plus 1.5%. The Revolver matures December 31, 2001 and is secured by a mortgage on the Company's real estate, equipment and fixtures. The Company paid a fee quarterly of three-eighths of one percent per annum on the average unused portion of the line of credit. At December 31, 1999, there were no borrowings outstanding under the credit facility, but the Company did have letters of credit totaling $1,642,744 which reduces the unused portion of the Revolver. The Company is required to maintain certain covenants, including balance sheet and cash flow ratios. At December 31, 1999, the Company was in compliance with these covenants.

12. LONG-TERM INCENTIVE PLAN

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, (APB 25) and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FASB

Statement No. 123, Accounting For Stock-Based Compensation, (Statement 123) requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

On February 13, 1997, the board of directors adopted the Long-Term Incentive Plan (the Plan). The Plan has authorized the grant of options to purchase an aggregate of 1,000,000 shares of the Company's common stock to certain officers and key employees of the Company chosen by a committee appointed by the board of directors (the Compensation Committee) to administer such plan. Under the Plan, all options granted have 10-year terms, and conditions relating to the vesting and exercise of option are "nonstatutory options" (options which do not afford income tax benefits to recipients, but the exercise of which may provide tax deductions for the Company). Each option will have an exercise price per share not less than the fair market value of a share of common stock on the date of grant and no individual employee may be granted options to purchase more than an aggregate of 400,000 shares of common stock.

Pro forma information regarding net income and earnings per share is required by Statement 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method of that statement. The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions. For 1999, a risk-free interest rate of 6.93%; dividend yield of zero; volatility factor of the expected market price of the Company's common stock of .641. For 1998, a risk-free interest rate of 5.50% on the January options and a risk-free interest rate of 5.63% on the July options; dividend yield of zero; volatility factor of the expected market price of the Company's common stock of .652; and a weighted-average expected life of the options of eight years. For 1997, a risk-free interest rate of 6.36%; dividend yield of zero; volatility factor of the expected market price of the Company's common stock of .745; and a weighted-average expected life of the options of eight years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of trade options, which have no vesting restrictions and are fully transferable. In addition; option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimated, in management's option, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purpose of pro forma disclosures, the estimated fair value of the options (net of expected tax benefits) is amortized to expense over the options' vested period. Since the Company's options generally vest over a five-year period, the pro forma disclosures are not indicative of future amounts until Statement 123 is applied to all outstanding non-vested options. The Company's pro forma information for 1999, 1998 and 1997 is as follows (in thousands, except per share data):

<TABLE>
<CAPTION>

<S>	1999 <C>	1998 <C>	1997 <C>
Net income:			
Pro forma as reported	$6,686	$18,832	$12,191
Pro forma including the effect of options	$6,125	$18,295	$11,927
Basic earnings per share:			
Pro forma as reported	$ 0.57	$ 1.62	$ 1.15
Pro forma including the effect of options	$ 0.53	$ 1.57	$ 1.12
Diluted earnings per share:			
Pro forma as reported	$ 0.57	$ 1.61	$ 1.14
Pro forma including the effect of options	$ 0.52	$ 1.56	$ 1.11

</TABLE>

A summary of the Company's stock options activity and related information for the years ended December 31, 1997, 1998 and 1999 is as follows (in thousands, except per share data):

	1997		1998		1999	
	Options (000s)	Weighted-Average Exercise Price	Options (000s)	Weighted-Average Exercise Price	Options (000s)	Weighted-Average Exercise Price
Outstanding--beginning of year	--	--	393	$11.790	446	$13.529
Granted	413	$12.040	105	18.263	115	7.125
Exercised	--	--	(38)	7.500	--	--
Expired	--	--	--	--	--	--
Forfeited	(20)	16.875	(14)	16.875	(50)	16.543
Outstanding--end of year	393	$11.790	446	$13.529	511	$11.785
Exercisable at end of year	--	$ --	37	$15.822	124	$13.485
Weighted-average fair value of options granted during the year	$9.130		$13.083		$5.180	

The 511,000 options outstanding at December 31, 1999 fall into two general exercise-price ranges as follows:

	Exercise Price Range	
	$7.125 to $7.50	$16.875 to $19.625
Options outstanding at December 31, 1999	283,000	228,000
Weighted-average exercise price	$7.35	$17.28
Weighted-average remaining contractual life	8.1 years	8.1 years
Options exercisable at December 31, 1999	46,800	77,200
Weighted-average exercise price of options exercisable at December 31, 1999	$7.50	$17.11

13. RETIREMENT PLAN

The Company has a defined contribution plan (the Plan) for all employees that are qualified under Section 401(k) of the Internal Revenue Code. Contributions to the Plan by the Company are based on the participants' contributions, with an additional year-end discretionary contribution determined by the board of directors. For the years ended December 31, 1999, 1998, and 1997, the Company contributed $865,100, $1,428,000, and $844,000, respectively.

14. CONTINGENT LIABILITIES

The Company is one of four defendants in a lawsuit in which the plaintiff claims that the Company improperly installed certain attachments to a jacket that it had fabricated for the plaintiff. The plaintiff, which has recovered most of its out-of-pocket losses from its own insurer, seeks to recover from the four defendants the remainder of its claimed out-of-pocket losses (approximately $1 million) and approximately $65 million for economic losses which it alleges resulted from the delay in oil and gas production that was caused by these events. The trial court has issued rulings and is expected to issue additional rulings, all of which could be appealed by the plaintiff, the effect of which would be to prevent plaintiff's recovery of any damages from defendants, including the Company. In connection with the additional rulings of the court, the parties have entered into agreements that eliminate the possibility of plaintiff's recovery of any out-of-pocket damages and preserve for appeal only those questions bearing on plaintiff's recovery of its economic losses from delay in

production. The Company continues to defend the case vigorously, leaving open the possibility of reasonable settlement. After consultation with legal counsel, the Company does not expect that the ultimate resolution of this matter will have a material adverse effect on the financial position or results of operations of the Company, although no assurances can be given as to the ultimate outcome of the claims.

The Company is subject to other claims arising primarily in the normal conduct of its business. While the outcome of such claims cannot be determined, management does not expect that resolution of these matters will have a material adverse effect on the financial position or results of operations of the Company.

15. SALES TO MAJOR CUSTOMERS

The Company's customer base is primarily concentrated in the oil and gas industry. The Company is not dependent on any one customer, and the revenue earned from each customer varies from year to year based on the contracts awarded. Sales to customers comprising 10% or more of the Company's total revenue are summarized as follows (in thousands):

<TABLE>
<CAPTION>

	1999	1998	1997
Customer A	$26,336	$42,638	$44,467
Customer B	--	30,088	21,603
Customer C	13,765	--	--
Customer D	--	--	13,383

</TABLE>

16. INTERNATIONAL SALES

The Company's structures are used worldwide by U.S. customers operating abroad and by foreign customers. Sales outside the United States accounted for 20%, 17%, and 15% of the Company's revenues during 1999, 1998, and 1997, respectively.

<TABLE>
<CAPTION>

	1999	1998	1997
	(in Millions)		
Location:			
United States	$ 96.5	$160.6	$116.4
International	23.7	31.8	20.0
Total	$120.2	$192.4	$136.4

</TABLE>

17. QUARTERLY OPERATING RESULTS (UNAUDITED)

A summary of quarterly results of operations for the years ended December 31, 1999 and 1998 were as follows (in thousands, except per share data):

<TABLE>
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	March 31, 1999	June 30, 1999	September 30, 1999	December 31, 1999
Revenue	$30,329	$28,106	$29,034	$32,772
Gross profit	4,226	4,013	3,641	2,548
Net income	1,925	1,955	1,734	1,072
Basic earnings per share	0.17	0.17	0.15	0.09
Diluted earnings per share	0.17	0.17	0.15	0.09

<CAPTION>

	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998

<S>	<C>	<C>	<C>	<C>
Revenue......................	$46,914	$50,641	$51,866	$42,951
Gross profit.................	8,311	9,767	9,830	8,138
Net income...................	4,233	5,151	5,312	4,136
Basic earnings per share......	0.36	0.44	0.46	0.36
Diluted earnings per share....	0.36	0.44	0.45	0.35

</TABLE>

Quarterly data may not sum to the full year data reported in the Company's consolidated financial statements due to rounding.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 23, 2000.

GULF ISLAND FABRICATION, INC.
(Registrant)

/s/ Kerry J. Chauvin
By: ________________________________
Kerry J. Chauvin
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 23, 2000.

<TABLE>
<CAPTION>

Signature	Title
<C>	<S>
/s/ Alden J. Laborde ____________________________________ Alden J. Laborde	Chairman of the Board
/s/ Kerry J. Chauvin ____________________________________ Kerry J. Chauvin	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Joseph P. Gallagher, III ____________________________________ Joseph P. Gallagher, III	Vice President--Finance, Chief Financial Officer, and Treasurer (Principal Financial and Accounting Officer)
/s/ Gregory J. Cotter ____________________________________ Gregory J. Cotter	Director
/s/ Thomas E. Fairley ____________________________________ Thomas E. Fairley	Director
/s/ Hugh J. Kelly ____________________________________ Hugh J. Kelly	Director
/s/ John P. Laborde ____________________________________ John P. Laborde	Director
/s/ Huey J. Wilson ____________________________________ Huey J. Wilson	Director

</TABLE>

GULF ISLAND FABRICATION, INC.

EXHIBIT INDEX

<TABLE>
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Exhibit Number	Sequentially Numbered Pages
-------	------------

<C> <S> <C>

2.1	Stock Purchase Agreement with respect to Dolphin Services, Inc. dated November 27, 1996. *	
2.2	Stock Purchase Agreement with respect to Dolphin Steel Sales, Inc. dated as of November 27, 1996. *	
2.3	Stock Purchase Agreement with respect to Dolphin Sales & Rentals, Inc. dated as of November 27, 1996. *	
2.4	Stock Purchase Agreement, dated as of November 12, 1997, between the Company and the shareholders of Southport, Inc. **	
3.1	Amended and Restated Articles of Incorporation of the Company. *	
3.2	Bylaws of the Company as Amended and Restated through March 10, 1999, incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.	
4.1	Specimen Common Stock Certificate. *	
10.1	Form of Indemnity Agreement by and between the Company and each of its directors and executive officers. *	
10.2	Registration Rights Agreement between the Company and Alden J. Laborde. *	
10.3	Registration Rights Agreement between the Company and Huey J. Wilson. *	
10.4	The Company's Long-Term Incentive Plan. * +	
10.5	Form of Stock Option Agreement under the Company's Long-Term Incentive Plan, as amended. incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1997. +	
10.6	Form of Reimbursement Agreement. * +	
10.7	Employment Agreement dated as of January 1, 1998 between Southport, Inc. and Stephen G. Benton, Jr. ** +	
10.8	Seventh Amended and Restated Revolving Credit and Term Loan Agreement among the Company and First National Bank of Commerce and Whitney National Bank, dated as of August 21, 1998 (the "Bank Credit Facility"), incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1998.	
21.1	Subsidiaries of the Company--The Company's significant subsidiaries, Gulf Island, L.L.C., Dolphin Services, Inc. and Southport, Inc., all of which are organized under Louisiana law, and wholly owned subsidiaries and included in the Company's consolidated financial statements.	
23.1	Consent of Ernst & Young LLP	
27.1	Financial Data Schedule	
99.1	Press release issued by the Company on December 16, 1999 announcing the forming of a new wholly owned operating subsidiary allowing the Company to act in the capacity of a holding company.	

</TABLE>

<TABLE>
<CAPTION>

Exhibit Number		Sequentially Numbered Pages
<C>	<S>	<C>
99.2	Press release issued by the Company on February 2, 2000 announcing its 1999 fourth quarter and year earnings.	

</TABLE>

- --------

\+ Management Contract or Compensatory Plan.

* Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the Commission on February 14, 1997 (Registration Number 333-21863).

** Incorporated by reference to the Company's Current Report on Form 8-K dated January 1, 1998.

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by the Registration Statement (Form S-8 No. 33-46155) pertaining to the Long-Term Incentive Plan of our report dated January 28, 2000, with respect to the consolidated financial statements of Gulf Island Fabrication, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 1999.

ERNST & YOUNG LLP

New Orleans, Louisiana
March 23, 2000

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This schedule contains summary financial information extracted from consolidated financial statements and is qualified in its entirety by reference to such financial statements.
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NEWS RELEASE EXHIBIT 99.1

For further information contact:

Kerry J. Chauvin	Joseph P. Gallagher, III
Chief Executive Officer	Chief Financial Officer
(504) 872-2100	(504) 872-2100

FOR IMMEDIATE RELEASE
DECEMBER 16, 1999

GULF ISLAND FABRICATION, INC.

GULF ISLAND FABRICATION, INC., HOUMA, LOUISIANA (NASDAQ: GIFI) announced today that its Board of Directors has approved a plan under which the company's operating equipment, buildings, and properties will be placed in Gulf Island, LLC, a newly formed, wholly owned subsidiary, with the result that the existing Gulf Island Fabrication, Inc. will be a holding company and will conduct its operations through its subsidiaries.

"The purpose of the non-operating holding company is to improve management efficiency and to allow for the future expansion and development of the individual subsidiaries." said Kerry Chauvin, Gulf Island Fabrication, Inc.'s Chief Executive Officer. "With our formation of a new subsidiary to build and lease deep water production structures, it became clear that our operations should be conducted through subsidiaries. With this conclusion, it is prudent that the operating assets be moved into the subsidiaries. The new subsidiaries, as well as our existing ones, will be led by individual presidents."

In conjunction with this realignment, Mr. Murphy Bourke will become the Executive Vice President of Marketing for the holding Company. Mr. Greg Risher will be named Vice President of Administration for the holding company. Mr. Bill Downey will become President of Gulf Island, L.L.C. (the fabrication company). Mr. James Stewart will be the President of Dolphin Services, Inc. Mr. Kirk Meche will be the President of Southport, Inc.

Gulf Island Fabrication, Inc., based in Houma, Louisiana, is a leading fabricator of offshore drilling and production platforms and other specialized structures used in the development and production of offshore oil and gas reserves. The Company also offers offshore interconnect pipe hook-up, fabrication of living quarters for offshore platforms, inshore marine construction, and steel warehousing and sales.

NEWS RELEASE EXHIBIT 99.2

For further information contact:

Kerry J. Chauvin
Chief Executive Officer
(504) 872-2100

Joseph "Duke" Gallagher
Chief Financial Officer
(504) 872-2100

- ---

FOR IMMEDIATE RELEASE
WEDNESDAY, FEBRUARY 2, 2000

GULF ISLAND FABRICATION, INC.
REPORTS FOURTH QUARTER EARNINGS

Houma, LA - Gulf Island Fabrication, Inc. (NASDAQ: GIFI) today reported net income of $1.1 million ($.09 diluted EPS) on revenue of $32.8 million for its fourth quarter ended December 31, 1999, compared to net income of $4.1 million ($.35 diluted EPS) on revenue of $43.0 million for the fourth quarter ended December 31, 1998. Net income for the twelve months ended December 31, 1999 was $6.7 million ($.57 diluted EPS) on revenue of $120.2 million, compared to net income of $18.8 million ($1.61 diluted EPS) on revenue of $192.4 million for the twelve months ended December 31, 1998.

At December 31, 1999, the company had a revenue backlog of $38.9 million and a labor backlog of approximately 680,000 man-hours remaining to work.

Gulf Island Fabrication, Inc., based in Houma, Louisiana, is a leading fabricator of offshore drilling and production platforms and other specialized structures used in the development and production of offshore oil and gas reserves. The Company also offers offshore interconnect pipe hook-up, inshore marine construction, manufacture and repair of pressure vessels, steel warehousing and sales, and the fabrication of offshore living quarters.

Exhibit 99.2

GULF ISLAND FABRICATION, INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	1999	1998	1999	1998
Revenue	$ 32,772	$ 42,951	$ 120,241	$ 192,372
Cost of revenue	30,224	34,813	105,813	156,326
Gross profit	2,548	8,138	14,428	36,046
General and administrative expenses	984	1,491	4,210	6,023
Operating income	1,564	6,647	10,218	30,023
Other expense (income):				
Interest expense	12	21	58	93
Interest income	(269)	(85)	(739)	(265)
Other - net	87	-	116	4
	(170)	(64)	(565)	(168)
Income before income taxes	1,734	6,711	10,783	30,191
Income taxes	662	2,572	4,097	11,359
Net income	$ 1,072	$ 4,139	$ 6,686	$ 18,832
Per share data:				
Basic earnings per share	$ 0.09	$ 0.36	$ 0.57	$ 1.62
Diluted earnings per share (1)	$ 0.09	$ 0.35	$ 0.57	$ 1.61
Weighted-average shares	11,638	11,638	11,638	11,630
Adjusted weighted-average shares (1)	11,686	11,677	11,691	11,703
Depreciation and amortization included in expense above	$ 1,292	$ 1,082	$ 4,973	$ 4,172

(1) The calculation of diluted earnings per share assumes that all stock options are exercised and that the assumed proceeds are used to purchase shares at the average market price for the period.