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, 2000

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)

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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)
(985) 872-2100 (Registrant's telephone number, including area code)	

</TABLE>

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 5, 2001 was approximately $141,536,817.

The number of shares of the Registrant's common stock, no par value per share, outstanding at March 5, 2001 was 11,700,592.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement prepared for use in connection with the registrant's 2001 Annual Meeting of Shareholders to be held April 25, 2001 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, 2000

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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. On October 26, 2000, the Company effectively eliminated the possibility of contingency payments by reaching an agreement with the former shareholders of Southport, Inc. to an early payout amount of approximately $2.0 million.

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 MinDOC, L.L.C. and the balance is owned by three engineering companies and one oil field service company. Design and marketing of the project has been pursued since early 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, Gulf Island MinDOC Company, L.L.C. ("GIMCO"), to develop and market deepwater oil and gas production structures, including a 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. All of the Company's operating subsidiaries are certified as either ISO 9001 or ISO 9002 fabricators 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 1999 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 15,600 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.

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 3,600 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 9,900 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 operates a three acre facility adjacent to the Company's main yard with a product line that includes 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.

In January 2001, Southport relocated its operations to the east bank of the Houma Navigation Canal across Thompson Road from the Company's main fabrication yard. The facility covers 11.3 acres and 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 also owns the facility previously occupied by Southport. It is 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 computerized numeric controlled plasma-arc cutting system that cuts and bevels steel up to one inch thick at a rate of two hundred inches per minute. The system can also etch into steel for piece markings and layout markings at a rate of three 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. The Company has a state of the art, fully enclosed, and environmentally friendly blast and coating facility that can operate 24 hours a day. 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 demonstrates the Company's commitment to being a good neighbor to the community and the environment.

For use in connection with its inshore construction activities, Dolphin Services owns three spud barges. Dolphin Services also leases one barge 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, L.L.C. and Dolphin Services are certified as ISO 9002 fabricators. Southport is certified as an ISO 9001 fabricator. ISO 9001 and

ISO 9002 are internationally recognized verification systems 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.

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 83% 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 13% (Anadarko), 33% (Texaco, Inc. and Global Industries), and 38% (Texaco, Inc. and Atlantia Corporation) of revenue for fiscal 2000, 1999, and 1998, respectively. In addition, at December 31, 2000, 50% of the Company's backlog was attributable to four 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 subsidiary's President and the Company's Executive Vice President of Operations. As an incentive to control costs, 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>
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	2000				1999				1998			
	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.................	28%	25%	25%	22%	25%	23%	24%	28%	24%	26%	28%	22%
Gross profit............	24%	23%	23%	30%	29%	28%	25%	18%	23%	27%	27%	23%
Net income..............	26%	25%	24%	25%	29%	29%	26%	16%	22%	27%	29%	22%
Direct labor hours (in 000's).................	434	410	408	400	500	459	459	433	642	697	670	606

</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, CSO Aker Maritime 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 ISO 9001 and ISO 9002 fabricators 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, 2000 the Company's backlog was $26.6 million, all of which management expects to be performed during 2001. Of the $26.6 million backlog at December 31, 2000, approximately 50% was attributable to four projects, two of which were for the same customer.

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 semi-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 $160,000 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. and its subsidiary, Gulf Island, L.L.C., are 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 2000, the number of Company employees ranged from approximately 840 to 875. As of March 5, 2001, the Company had approximately 835 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 are 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 and outsourced training programs for skilled craft, supervisory and management personnel.

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

In 1999, the Louisiana Department of Environmental Quality (the "LDEQ") 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. In February 2001, Gulf Island, L.L.C. received from LDEQ an assessment in the form of a penalty in the amount of $8,825 for exceeding permitted limits and inaccurate reporting. Gulf Island has decided to pay the assessment, which should conclude the matter.

The Company is one of four defendants in a lawsuit 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, sought 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 a judgement, which has been appealed by the plaintiff, the effect of which has been to prevent plaintiff's recovery of any damages from the defendants, including the Company. In connection with the judgement, 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 and on defendants' efforts to get a judgement against plaintiff's underwriters for coverage of any potential liability to plaintiff and for attorneys' fees and costs. 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.

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, 2001. All officers of the Company serve at the pleasure of the Company's Board of Directors.

<TABLE>
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Name	Age	Position
Kerry J. Chauvin....................	53	President, Chief Executive Officer and Director
Kirk J. Meche.......................	38	Executive Vice President--Operations and President of Gulf Island, L.L.C. (fabrication subsidiary)
Murphy A. Bourke....................	56	Executive Vice President--Marketing
Joseph P. Gallagher, III............	50	Vice President--Finance, Chief Financial Officer, and Treasurer

</TABLE>

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 an M.B.A. degree and a B.S. degree in Mechanical Engineering from Louisiana State University.

Kirk J. Meche became Executive Vice President--Operations of the Company and President of Gulf Island, L.L.C. effective February 1, 2001. Mr. Meche served as Southport, Inc. President from December 1999 to February 2001 and Vice President of Operations from February 1999 to December 1999. He was Project Manager for the Company from 1996 to 1999. Mr. Meche served in various capacities with McDermott Fabrication and Shipyard from 1985 to 1996 including Structural Engineer, Hull Engineering Supervisor, and Project Manager. He received his B.S. degree in Engineering Design from Louisiana State University in 1985.

Murphy A. Bourke has been Executive Vice President--Marketing since January 1, 2000, and was Vice President--Marketing since the Company began operations in 1985. 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. 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 9, 2001, the Company had approximately 3,600 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.

<TABLE>
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<S>	High <C>	Low <C>
Fiscal Year 2000		
First Quarter	$14.63	$ 8.56
Second Quarter	19.00	11.75
Third Quarter	18.69	14.00
Fourth Quarter	19.50	13.00

<CAPTION>

<S>	High <C>	Low <C>
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

</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, 2000 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 Note 4 to this Item 6. 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,				
	2000	1999	1998(1)	1997(2)	1996
	(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Income Statement Data:					
Revenue	$ 112,090	$120,241	$192,372	$136,355	$79,004
Cost of revenue	101,648	105,813	156,326	112,033	68,673
Gross profit	10,442	14,428	36,046	24,322	10,331
General and administrative expenses	4,489	4,210	6,023	4,670	2,161
Non-recurring compensation charge (3)	--	--	--	--	500
Operating income	5,953	10,218	30,023	19,652	7,670
Net interest income (expense)	1,298	681	172	(118)	(384)
Other, net income (expense)	(558)	(116)	(4)	9	--
Income before income taxes	6,693	10,783	30,191	19,543	7,286
Income taxes	2,507	4,097	11,359	5,973	--
Cumulative deferred tax provision (4)	--	--	--	1,144	--
Net income	$ 4,186	$ 6,686	$ 18,832	$ 12,426	$ 7,286
Income Summary Data (Pro Forma 1997 and 1996 (unaudited)):					
Income before provision for income taxes				$ 19,543	$ 7,286
Provision for income taxes				5,976	--
Provision for income taxes (4)				1,379	2,934

	2000	1999	1998	1997	1996
Net income..................				$ 12,188	$ 4,352
Basic earnings per share.....	$ 0.36	$ 0.57	$ 1.62	$ 1.15	$ 0.55
Diluted earnings per share...	$ 0.36	$ 0.57	$ 1.61	$ 1.14	$ 0.55
Weighted-average common shares......................	11,666	11,638	11,630	10,633	7,854
Adjusted weighted-average common shares...............	11,756	11,691	11,703	10,700	7,854

<CAPTION>

	As of December 31,				
	2000	1999	1998	1997	1996
	(in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data:					
Working capital, excluding current maturities of long-term debt...................	$ 37,175	$ 31,787	$ 25,239	$ 17,555	$11,001
Property, plant and equipment, net..............	42,662	43,664	45,418	34,505	17,735
Total assets.................	96,062	95,049	97,740	67,678	35,909
Debt, including current maturities (5)..............	--	--	3,000	--	6,187

<CAPTION>

	Year Ended December 31,				
	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
Operating Data:					
Direct labor hours worked (6).........................	1,652	1,851	2,615	2,150	1,073
Backlog (7)					
Direct labor hours..........	437	682	1,079	1,341	1,038
Dollars.....................	$ 26,600	$ 38,900	$ 67,300	$ 86,300	$87,000

</TABLE>

- --------

(1) Includes results of operations of Southport, Inc. from January 1, 1998.
(2) Includes results of operations of Dolphin Services, Inc. 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. 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 that resulted from the termination of the S Corporation status.
(5) Information for 1996 includes $530,000 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, foreign locations throughout the world; (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 six years, generally favorable trends in these factors led to increased activity levels in the Gulf of Mexico. In the past three 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 development activity.

Development activity in water depths greater than 300 feet, where larger structures requiring more steel tonnage are needed, began declining in 1999 and continued to decline throughout 2000, which has had a negative effect on the demand for 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 2000.

Demand for the Company's products and services have remained low for the past three years. The resultant low level of backlog of projects, with reduced profit margins, resulted in a weaker performance in 2000 compared with 1999. Revenue in 2000 was $112.1 million, a 6.7% decrease compared to 1999 revenue, and net income

was $4.2 million, a 37.3% decrease compared to 1999 net income. The continued low activity levels in the fabrication sector of the oil and gas industry was reflected in the Company's backlog at December 31, 2000, which was $26.6 million, as compared to $38.9 million at the end of 1999.

The dollar value of projects available in the market is significantly below those levels of three to four years ago and the Company's backlog is being similarly eroded. Competition for available projects remains intense and near term, future margins will likely remain low. Cost reduction measures are continuously reviewed 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. Although the average price of oil and gas has increased since early 1999, the activity in the offshore fabrication area remains depressed. At some point, however, it is expected that demand for the Company's products and services should recover as oil and gas reserves are reduced and the Company's customers are forced to replace them.

During 2000, the Company's workforce remained stable ranging from approximately 840 to 875 employees. Due to currently 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.

Results of Operations

Comparison of the Years Ended December 31, 2000 and 1999

The Company's revenue for the year ended December 31, 2000 was $112.1 million, a decrease of 6.7%, compared to $120.2 million in revenue for the year ended December 31, 1999. Revenue decreased as a result of the delay in the anticipated recovery in the late cycle sectors, such as offshore fabrication, in which the Company operates. The prolonged delay in the recovery of offshore fabrication caused a reduced demand and, thus reduced margins on the goods and services the Company provides. These factors also generated a decrease in the volume of direct labor hours applied to contracts for the year ended December 31, 2000, compared to 1999 (1.7 million in 2000 versus 1.9 million in 1999). The combination of reduced volume and lower margins caused a 27.1% decrease in gross profit to $10.5 million (9.4% of revenue) for the year ended December 31, 2000 compared to gross profit of $14.4 million (12.0% of revenue) for the year ended December 31, 1999.

The 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 were 90.6% and 88.0% for the year ended December 31, 2000 and 1999, respectively.

The Company's general and administrative expenses were $4.5 million for the year ended December 31, 2000 compared to $4.2 million for the year ended December 31, 1999. These expenses as a percentage of revenue were 4.0% compared to 3.5% for the years ended December 31, 2000 and 1999, respectively. The increase of approximately $300,000 was primarily related to increased legal fees associated with negotiating the agreement with the former Southport, Inc. shareholders to an early payout of contingent payments.

The Company's net interest income increased to $1.3 million for 2000 compared to $681 thousand for 1999. The Company's cash provided by operations has remained at a level that has allowed the Company to make capital expenditures and acquisitions without incurring any debt, thus increasing its cash and short term

investments. Other expense increased to $558,000 in 2000 from $116,000 in 1999. 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, 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.

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 operating activities was $15.3 million for the year ended December 31, 2000, while working capital was $37.2 million (an increase of 17%) at December 31, 2000. The ratio of current assets to current liabilities increased to 4.6 to 1 at December 31, 2000 from 3.1 to 1 at December 31, 1999. Net cash used in investing activities for the year ended December 31, 2000 was $10.2 million, which was the result of the $4.8 million purchase of short term investments, $3.5 million of capital investments and $1.9 million related to the early payout amount to the Southport, Inc. former shareholders. The Company's capital expenditures during 2000 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, 2002 and is secured by a mortgage on the Company's real estate,

equipment and fixtures. The Company pays a fee quarterly of three-sixteenths 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, 2000, the Company was in compliance with these covenants and had no borrowings under the Revolver.

The Company's Board of Directors has approved a capital budget of $8.2 million for 2001, including additional yard and facility expansion improvements. 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-14 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 either will be included in the Company's definitive Proxy Statement prepared in connection with the 2001 Annual Meeting of Shareholders or is included 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 2001 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 2001 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 2001 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

(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 Ms. Valarae Bates, Investor Relations, Gulf Island Fabrication, Inc., P.O. Box 310, Houma, LA 70361-0310.

(b) Reports on Form 8-K

On November 15, 2000 the Registrant filed a report on Form 8-K dated November 14, 2000 (reporting on Items 5 and 7) regarding its intent to move its Southport, Inc. operations from Harvey, Louisiana, to an idle facility that it owns adjacent to the Gulf Island, L.L.C. main fabrication yard in Houma, Louisiana.

GLOSSARY OF CERTAIN TECHNICAL TERMS

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 9001:	International Standards of Operations 9001--Defines quality management system of procedures and goals for certified companies.
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.
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.

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, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. 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, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

New Orleans, Louisiana
January 31, 2001

GULF ISLAND FABRICATION, INC.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31,	
	2000	1999
	(in thousands)	
<S>	<C>	<C>
<CAPTION>		
ASSETS		
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	$10,079	$ 4,535
Short-term investments	16,024	11,215
Contracts receivable, net	15,922	22,739
Contract retainage	738	3,251
Costs and estimated earnings in excess of billings on uncompleted contracts	2,419	3,438
Prepaid expenses	1,017	749
Inventory	1,347	1,227
Total current assets	47,546	47,154
Property, plant and equipment, net	42,662	43,664
Excess of cost over fair value of net assets acquired less accumulated amortization of $869,225 and $553,025 at December 31, 2000 and 1999, respectively	5,198	3,565
Other assets	656	666
Total assets	$96,062	$95,049
<CAPTION>		
LIABILITIES AND SHAREHOLDERS' EQUITY		
<S>	<C>	<C>
Current liabilities:		
Accounts payable	$ 2,229	$ 4,167
Billings in excess of costs and estimated earnings on uncompleted contracts	3,608	6,473
Accrued employee costs	1,696	1,790
Accrued expenses	2,446	1,475
Income taxes payable	392	1,462
Total current liabilities	10,371	15,367
Deferred income taxes	4,425	3,064
Total liabilities	14,796	18,431
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, 11,681,500 and 11,638,400 shares issued and outstanding at December 31, 2000 and 1999, respectively	4,195	4,162
Additional paid-in capital	35,755	35,326
Retained earnings	41,316	37,130
Total shareholders' equity	81,266	76,618
Total liabilities and shareholders' equity	$96,062	$95,049

</TABLE>

The accompanying notes are an integral part of these statements.

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

<TABLE>
<CAPTION>

	Year ended December 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
Revenue	$112,090	$120,241	$192,372
Cost of revenue	101,648	105,813	156,326
Gross profit	10,442	14,428	36,046
General and administrative expenses	4,489	4,210	6,023
Operating income	5,953	10,218	30,023
Other income (expense)			
Interest expense	(34)	(58)	(93)
Interest income	1,332	739	265
Other, net	(558)	(116)	(4)
	740	565	168
Income before income taxes	6,693	10,783	30,191
Income taxes	2,507	4,097	11,359
Net income	$ 4,186	$ 6,686	$ 18,832
Earnings per share data:			
Basic	$ 0.36	$ 0.57	$ 1.62
Diluted	$ 0.36	$ 0.57	$ 1.61

</TABLE>

The accompanying notes are an integral part of these statements.

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands, except share data)

<TABLE>
<CAPTION>

	Common Stock		Additional Paid-In	Retained	Total Shareholders'
	Shares	Amount	Capital	Earnings	Equity
<S>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1998	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
Exercise of stock options	43,100	33	303	--	336
Income tax benefit from exercise of stock options	--	--	126	--	126
Net income	--	--	--	4,186	4,186
Balance at December 31, 2000	11,681,500	$4,195	$35,755	$41,316	$81,266

</TABLE>

The accompanying notes are an integral part of these statements.

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

<TABLE>
<CAPTION>

	Year ended December 31, 2000	1999	1998
Operating activities:			
Net income	$ 4,186	$ 6,686	$ 18,832
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,454	4,699	3,893
Amortization	317	274	279
Deferred income taxes	1,361	749	437
Changes in operating assets and liabilities:			
Contracts receivable	6,817	11,943	(5,604)
Contract retainage	2,513	2,586	(3,036)
Costs and estimated earnings in excess of billings on uncompleted contracts	1,019	(1,377)	2
Prepaid expenses, inventory and other assets	(388)	39	21
Accounts payable	(1,938)	(2,984)	(690)
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,865)	(3,003)	1,106
Accrued employee costs	(94)	(2,295)	655
Accrued expenses	971	(508)	(965)
Income taxes	(1,070)	2,195	(478)
Net cash provided by operating activities	15,283	19,004	14,452
Investing activities:			
Capital expenditures, net	(3,452)	(2,945)	(13,192)
Purchase of short-term investments	(4,809)	(11,215)	--
Purchase of subsidiaries, net of cash acquired	(1,950)	--	(5,915)
Other	10	(117)	(104)
Net cash used in investing activities	(10,201)	(14,277)	(19,211)
Financing activities:			
Proceeds from issuance of notes payable	--	--	11,000
Principal payments on notes payable	--	(3,000)	(10,600)
Proceeds from exercise of stock options	462	--	288
Net cash provided by (used in) financing activities	462	(3,000)	688
Net increase (decrease) in cash and cash equivalents	5,544	1,727	(4,071)
Cash and cash equivalents at beginning of year	4,535	2,808	6,879
Cash and cash equivalents at end of year	$ 10,079	$ 4,535	$ 2,808
Supplemental cash flow information:			
Interest paid	$ 34	$ 82	$ 100
Income taxes paid, net of refunds	$ 2,090	$ 1,153	$ 11,388

</TABLE>

The accompanying notes are an integral part of these statements.

GULF ISLAND FABRICATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

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.

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. On October 26, 2000, the Company reached an agreement with the former shareholders of Southport to an early payout amount of approximately $2.0 million. The acquisition and the early payout amount were accounted for under the purchase method of accounting.

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 MinDOC, L.L.C. and the balance is owned by three engineering companies and one oil field service company. The Company's investment in MinDOC, L.L.C. is accounted for under the equity method and is included in other assets in the balance sheet. 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 30 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.

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, 2000 and 1999.

Reclassifications

Certain items included in the consolidated financial statements for the years ended December 31, 1999 and 1998 have been reclassified to conform to the December 31, 2000 consolidated financial statement presentation.

2. NEW ACCOUNTING STANDARDS

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") 101, "Revenue Recognition in Financial Statements." This document expresses the views of the SEC in applying generally accepted accounting principles to the revenue recognition process. In June 2000, the SEC issued SAB 101B, "Deferral of the Effective Date of SAB 101," which deferred the effective date of SAB 101 to the fourth fiscal quarter of fiscal years beginning after December 15, 1999. The Company has evaluated the impact of adoption of the SAB and has concluded that the adoption of the SAB does not have any impact on the methodology the Company uses to recognize revenue.

In June 1998, Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued and became effective for the Company beginning January 1, 2001. SFAS 133, as amended, established accounting and reporting standards for recognition and measurement of derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. The Company is required to and will adopt SFAS 133 in the first quarter of fiscal 2001. The Company does not expect SFAS 133, as amended, to have an impact on its results of operations, financial position or cash flows as it currently does not have any derivative instruments or hedging activities.

3. EARNINGS PER SHARE

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

<TABLE>

<CAPTION>

	2000	1999	1998
Numerator for basic and diluted earnings per share	$4,186	$6,686	$18,832
Denominator:			
Denominator for basic earnings per share-weighted-average shares	11,666	11,638	11,630
Effect of dilutive securities:			
Employee stock options	90	53	73
Dilutive potential common shares:			
Denominator for diluted earnings per share-adjusted weighted-average shares	11,756	11,691	11,703
Basic earnings per share	$ 0.36	$ 0.57	$ 1.62
Diluted earnings per share	$ 0.36	$ 0.57	$ 1.61

</TABLE>

4. CONTRACTS RECEIVABLE

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

<TABLE>
<CAPTION>

	2000	1999
Completed contracts	$ 4,423	$ 3,480
Contracts in progress:		
Current	11,550	19,310
Retainage due within one year	738	3,251
Less allowance for doubtful accounts	51	51
	$16,660	$25,990

</TABLE>

5. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

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

<TABLE>
<CAPTION>

	2000	1999
Costs incurred on uncompleted contracts	$41,823	$84,395
Estimated profit earned to date	2,860	3,145
	44,683	87,540
Less billings to date	45,872	90,575
	$(1,189)	$(3,035)

</TABLE>

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

<TABLE>
<CAPTION>

	2000	1999
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 2,419	$ 3,438
Billings in excess of costs and estimated earnings on uncompleted contracts	(3,608)	(6,473)
	$(1,189)	$(3,035)

</TABLE>

6. PROPERTY, PLANT AND EQUIPMENT

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

<TABLE>
<CAPTION>

	2000	1999
<S>	<C>	<C>
Land	$ 4,369	$ 4,369
Buildings	10,056	9,841
Machinery and equipment	39,368	38,528
Furniture and fixtures	1,426	1,358
Transportation equipment	1,482	1,370
Improvements	14,297	14,135
Construction in progress	2,116	153
	73,114	69,754
Less accumulated depreciation	30,452	26,090
	$42,662	$43,664

</TABLE>

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 2000, 1999, and 1998, the Company expensed $1,631,046, $1,679,807, and $3,084,000, respectively, related to these leases.

7. INCOME TAXES

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, 2000 and 1999 were as follows (in thousands):

<TABLE>
<CAPTION>

	2000	1999
<S>	<C>	<C>
Deferred tax liabilities:		
Depreciation	$5,022	$4,418
Other	--	26
Total deferred tax liabilities:	5,022	4,444
Deferred tax assets:		
Employee benefits	429	390
Uncompleted contracts	153	990
Other benefits	15	--
Total deferred tax assets:	597	1,380
Net deferred tax liabilities:	$4,425	$3,064

</TABLE>

Significant components of income taxes for the years ended December 31, 2000, 1999 and 1998 were as follows (in thousands):

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
Current:			
Federal	$1,070	$3,125	$10,190
State	76	223	732
Total current	1,146	3,348	10,922
Deferred:			
Federal	1,270	699	408
State	91	50	29
Total deferred	1,361	749	437

Income taxes	$2,507	$4,097	$11,359

</TABLE>

A reconciliation of income taxes computed at the U.S. federal statutory tax rate to the Company's income tax expense for 2000, 1999, and 1998 is as follows (in thousands):

<TABLE>
<CAPTION>

<S>	2000 <C>	% <C>	1999 <C>	% <C>	1998 <C>	% <C>
U.S. statutory rate	$2,276	34.0%	$3,774	35.0%	$10,567	35.0%
Increase (decrease) resulting from:						
State income taxes	167	2.5	273	2.5	761	2.5
Foreign sales corporation	(144)	(2.1)	(135)	(1.3)	(95)	(0.3)
Other	208	3.1	185	1.7	126	0.4
Income tax expense	$2,507	37.5%	$4,097	37.9%	$11,359	37.6%

</TABLE>

8. 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, 2002 and is secured by a mortgage on the Company's real estate, equipment and fixtures. The Company paid a fee quarterly of three-sixteenths of one percent per annum on the average unused portion of the line of credit. At December 31, 2000, there were no borrowings outstanding under the credit facility, but the Company did have letters of credit totaling $1,590,857 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, 2000, the Company was in compliance with these covenants.

9. 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 2000, a risk-free interest rate of 5.79% on the January options and a risk-free interest rate of 5.80% on the November options; dividend yield of zero; volatility factor of the expected market price of the Company's common stock of .588; and a weighted-average expected life of the options of eight years. 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; and a weighted-average expected life of the option of eight years. 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.

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 opinion, 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 1998, 1999 and 2000 is as follows (in thousands, except per share data):

<TABLE>
<CAPTION>

	1998	1999	2000
<S>	<C>	<C>	<C>
Net income:			
As reported	$18,832	$6,686	$4,186
Pro forma including the effect of options	$18,295	$6,125	$3,243
Basic earnings per share:			
As reported	$ 1.62	$ 0.57	$ 0.36
Pro forma including the effect of options	$ 1.57	$ 0.53	$ 0.28
Diluted earnings per share:			
As reported	$ 1.61	$ 0.57	$ 0.36
Pro forma including the effect of options	$ 1.56	$ 0.52	$ 0.28

</TABLE>

A summary of the Company's stock options activity and related information for the years ended December 31, 1998, 1999 and 2000 is as follows (in thousands, except per share data):

<TABLE>
<CAPTION>

	1998		1999		2000	
	Options (000s)	Weighted-Average Exercise Price	Options (000s)	Weighted-Average Exercise Price	Options (000s)	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding--beginning of year	393	$11.790	446	$13.529	511	$11.785
Granted	105	18.263	115	7.125	394	13.954
Exercised	(38)	7.500	--	--	(43)	7.801
Expired	--	--	--	--	--	--
Forfeited	(14)	16.875	(50)	16.543	(52)	10.656
Outstanding--end of year	446	$13.529	511	$11.785	810	$13.126
Exercisable at end of year	37	$15.822	124	$13.485	171	$13.919
Weighted-average fair value of options granted during the year	$13.083		$5.180		$9.517	

</TABLE>

The 810,000 options outstanding at December 31, 2000 fall into two general exercise-price ranges as follows:

	Exercise Price Range	
	$7.125 to $9.50	$15.00 to $19.625
Options outstanding at December 31, 2000	279,000	531,000
Weighted-average exercise price	$7.84	$15.90
Weighted-average remaining contractual life	7.5 years	8.7 years
Options exercisable at December 31, 2000	57,000	114,000
Weighted-average exercise price of options exercisable at December 31, 2000	$7.42	$17.16

10. 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, 2000, 1999, and 1998, the Company contributed $710,751, $865,100, and $1,428,000, respectively.

11. 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, sought 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 a judgement, which has been appealed by the plaintiff, the effect of which has been to prevent plaintiff's recovery of any damages from the defendants, including the Company. In connection with the judgement, 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 and on defendants' efforts to get a judgement against plaintiff's underwriters for coverage of any potential liability to plaintiff and for attorneys' fees and costs. 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.

12. 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):

	2000	1999	1998
Customer A	$ --	$26,336	$42,638
Customer B	--	--	30,088
Customer C	14,446	--	--
Customer D	--	13,765	--

GULF ISLAND FABRICATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

13. 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 14%, 20%, and 17% of the Company's revenues during 2000, 1999, and 1998, respectively.

	2000	1999	1998
	(In Millions)		
Location:			
United States	$ 95.9	$ 96.5	$160.6
International	16.2	23.7	31.8
Total	$112.1	$120.2	$192.4

14. QUARTERLY OPERATING RESULTS (UNAUDITED)

A summary of quarterly results of operations for the years ended December 31, 2000 and 1999 were as follows (in thousands, except per share data):

	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000
Revenue	$31,741	$28,380	$27,544	$24,425
Gross Profit	2,548	2,450	2,385	3,059
Net income	1,107	1,028	1,020	1,031
Basic earnings per share	0.10	0.09	0.09	0.09
Diluted earnings per share	0.09	0.09	0.09	0.09

	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

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 22, 2001.

GULF ISLAND FABRICATION, INC.
(Registrant)

By: /s/ Kerry J. Chauvin
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 22, 2001.

Signature	Title
/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 Officer)
/s/ Robin A. Seibert Robin A. Seibert	Controller and Chief Accounting Officer, (Principal 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

GULF ISLAND FABRICATION, INC.

EXHIBIT INDEX

Exhibit Number		Sequentially Numbered Pages
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. *	
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	Eighth Amended and Restated Revolving Credit and Term Loan Agreement among the Company and Bank One, Louisiana, NA and Whitney National Bank, dated as of September 21, 2000 (the "Bank Credit Facility"), incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2000.
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
99.1	Press release issued by the Company on January 8, 2001 date of earnings release and quarterly conference call.
99.2	Press release issued by the Company on February 1, 2001 announcing its 2000 fourth quarter and year earnings.
99.3	Press release issued by the Company on February 2, 2001 announcing organization changes.

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\+ Management Contractor 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).

Exhibit 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.

EXHIBIT 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-46155) pertaining to the Long-Term Incentive Plan of our report dated January 31, 2001, 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, 2000.

New Orleans, Louisiana
March 21, 2001

EXHIBIT 99.1

NEWS RELEASE

For further information contact:

Kerry J. Chauvin	Joseph "Duke" Gallagher
Chief Executive Officer	Chief Financial Officer
(504) 872-2100	(504) 872-2100

FOR IMMEDIATE RELEASE
MONDAY, JANUARY 08, 2001

GULF ISLAND FABRICATION, INC.
TO RELEASE EARNINGS AND
HOLD QUARTERLY CONFERENCE CALL

Houma, LA - Gulf Island Fabrication, Inc. (NASDAQ: GIFI) plans to release the fourth quarter earnings during morning market hours on Thursday, February 1, 2001.

The management of Gulf Island Fabrication, Inc. will host a conference call on Friday, February 2, 2001 at 9:00 a.m. CST, 10:00 a.m. EST, to discuss the Company's financial results for the three months and twelve months ended December 31, 2000.

The call is accessible to the public by telephone. Dial (877) 692-2595 approximately 10 minutes before the call.

A replay of the call will be available through Monday, February 19, 2001 and may be accessed by dialing (877) 375-5691.

Gulf Island Fabrication, Inc., based in Houma, Louisiana, is a leading fabricator of offshore drilling and production platforms, offshore living quarters 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.

EXHIBIT 99.2

NEWS RELEASE

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
THURSDAY, FEBRUARY 1, 2001

GULF ISLAND FABRICATION, INC.
REPORTS FOURTH QUARTER EARNINGS

Houma, LA - Gulf Island Fabrication, Inc. (NASDAQ: GIFI) today reported net income of $1.0 million ($.09 diluted EPS) on revenue of $24.4 million for its fourth quarter ended December 31, 2000, compared to net income of $1.1 million ($.09 diluted EPS) on revenue of $32.8 million for the fourth quarter ended December 31, 1999. Net income for the twelve months ended December 31, 2000 was $4.2 million ($.36 diluted EPS) on revenue of $112.1 million, compared to net income of $6.7 million ($.57 diluted EPS) on revenue of $120.2 million for the twelve months ended December 31, 1999.

At December 31, 2000, the company had a revenue backlog of $26.6 million and a labor backlog of approximately 437 thousand man-hours remaining to work.

	December 31, 2000	December 31, 1999
Cash and short-term investments	$ 26,103	$ 15,750
Total current assets	47,546	47,154
Property, plant and equipment, at cost, net	42,662	43,664
Total assets	96,062	95,049
Total current liabilities	10,371	15,367
Debt	0	0
Shareholders' equity	81,266	76,618
Total liabilities and shareholders' equity	96,062	95,049

Gulf Island Fabrication, Inc., based in Houma, Louisiana, is a leading fabricator of offshore drilling and production platforms, offshore living quarters 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.

EXHIBIT 99.3

NEWS RELEASE

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
FRIDAY, FEBRUARY 2, 2001

GULF ISLAND FABRICATION, INC.
REPORTS ORGANIZATION CHANGE

Houma, LA - Mr. Kerry J. Chauvin, President and C.E.O. of Gulf Island Fabrication, Inc. (NASDAQ: GIFI), today announced that it's Board of Directors approved the appointment of Mr. Kirk J. Meche to Executive Vice President of Operations of Gulf Island Fabrication, Inc. effective February 1, 2001. He will be responsible for managing the operations of Gulf Island, L.L.C., Dolphin Services, Inc. and Southport, Inc. (wholly owned subsidiaries of Gulf Island Fabrication, Inc.).

Mr. Meche was also appointed President of Gulf Island, L.L.C. to manage its day to day operations. He was previously President of Southport, Inc.

Mr. Steve Becnel was promoted to President and C.E.O. of Southport, Inc. previously Vice President of Operations.

Gulf Island Fabrication, Inc., based in Houma, Louisiana, is a leading fabricator of offshore drilling and production platforms, offshore living quarters 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.

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

<TABLE>
<CAPTION>

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Revenue	$24,425	$32,772	$112,090	$120,241
Cost of revenue	21,366	30,224	101,648	105,813
Gross profit	3,059	2,548	10,442	14,428
General and administrative expenses	1,294	984	4,489	4,210
Operating income	1,765	1,564	5,953	10,218
Other income (expense):				
Interest expense	(9)	(12)	(34)	(58)
Interest income	347	269	1,332	739
Other - net	(389)	(87)	(558)	(116)
	(51)	170	740	565
Income before income taxes	1,714	1,734	6,693	10,783
Income taxes	683	662	2,507	4,097
Net income	$ 1,031	$ 1,072	$ 4,186	$ 6,686
Per share data:				
Basic earnings per share	$ 0.09	$ 0.09	$ 0.36	$ 0.57
Diluted earnings per share(1)	$ 0.09	$ 0.09	$ 0.36	$ 0.57
Weighted-average shares	11,681	11,638	11,666	11,638

Adjusted weighted-average shares(1)	11,776	11,686	11,756	11,691
Depreciation and amortization included in expense above	$ 1,207	$ 1,292	$ 4,771	$ 4,973

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(1) The calculation of diluted earnings per share assumes that all stock options are exercised and that the