FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

ZOLTEK COMPANIES INC

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended September 30, 1996   Commission File Number 0-20600

ZOLTEK COMPANIES, INC.
(Exact name of registrant as specified in its charter)

Missouri	43-1311101
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3101 McKelvey Road, St. Louis, Missouri	63044
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (314) 291-5110

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.01
(Title of class)

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. [X]

State the aggregate market value of the voting stock held by non-affiliates of the registrant: approximately $383,943,252 as of December 27, 1996.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of December 27, 1996, 16,210,338 shares of Common Stock, par value $.01, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into the indicated Part of this Report:

<TABLE>
<CAPTION>

Document	Part of Form 10-K
<S>	<C>
Annual Report to Shareholders for the fiscal year ended September 30, 1996	I and II
Proxy Statement for the 1997 Annual Meeting of Shareholders	III

</TABLE>

PART I

Item 1. Business

This Annual Report on Form 10-K for the year ended September 30, 1996 and the documents incorporated by reference herein contain forward-looking statements which are inherently subject to risks and uncertainties. Cautionary statements made herein should be read as being applicable to all related forward-looking statements wherever they apprear herein or in the documents incorporated by reference herein. The Company's actual results could differ materially from those anticipated due to a number of factors, including, without limitation, the following: the Company's ability to manage rapid growth, increase its carbon fibers production capacity on a timely and profitable basis, manufacture low-cost carbon fibers and profitably market them at decreaseing price points, successfully operate and integrate Viscosa and penetrate existing, identified and emerging future markets for carbon fibers, as well as other factors discussed herein and the documents incorporated by reference herein.

GENERAL

Zoltek Companies, Inc. (the "Company" or "Zoltek") is a leader in the rapidly developing carbon fibers market, manufacturing products for a diverse range of applications based upon carbon fibers' distinctive combination of physical and chemical properties, principally high-strength, low-weight and stiffness. Zoltek believes it produces carbon fibers at costs substantially lower than those generally prevailing in the industry and, accordingly, can supply carbon fibers for applications which are not economically viable for most higher cost competitors. With the December 1995 acquisition of Magyar Viscosa Rt. ("Viscosa"), a Hungarian manufacturer of acrylic fiber and nylon products, the Company secured access to the technology underlying the production of the acrylic fiber raw material utilized in the manufacture of carbon fibers. The Company's strategy is to grow its business by continually lowering its cost to manufacture carbon fibers, marketing its carbon fibers at price points substantially lower than those generally prevailing in the industry and working with current and prospective customers to develop new carbon fiber applications. In order to alleviate its current capacity constraints and to meet indicated and forecasted demand for carbon fiber products, the Company is expanding its manufacturing capacity.

Carbon fiber composite materials are suited for a diverse range of applications based on their distinctive combination of physical and chemical properties. Carbon fibers are used as reinforcements in composite materials that combine reinforcement fibers with resins or other matrix materials to form a substance with high strength, light weight, conductivity or other exceptional properties not found in either component alone. Carbon fibers most often are manufactured from acrylic fiber raw material ("precursor"), which is desirable due to the linear orientation of its molecular structure and high carbon content (approximately 60%). While most other producers of carbon fibers utilize internally produced custom-made acrylic raw material, the Company utilizes less costly textile-type acrylic fiber.

The Company is a Missouri corporation founded in 1975. Until it entered the carbon fibers business in 1987, the Company's business consisted of the sale of various industrial equipment and the provision of related services. The Company sold its equipment and services business unit toward the end of fiscal 1995. In November 1992, the Company completed its initial public offering. The Company completed follow-on common stock offerings in November 1995 and September 1996.

INDUSTRY OVERVIEW

Worldwide carbon fibers capacity (excluding the former Soviet Union and China) was estimated to be approximately 27 million pounds per year in calendar year 1994. Carbon fiber

composites are an attractive material for a diverse range of applications, based on their distinctive characteristics, including high strength, low weight, stiffness, toughness, resistance to corrosion, resistance to fatigue, capacity to dissipate heat and electrical conductivity. Until the early 1980s, the high cost of carbon fibers precluded all but the most demanding applications, limiting carbon fibers use primarily to the aerospace industry. During the past decade, as additional capacity outpaced demand from aerospace applications, manufacturers sold excess production at significantly reduced prices. As a result, the distinctive characteristics of carbon fibers and the techniques for fabricating carbon fiber composites became more broadly understood and a number of diverse applications developed.

A number of specialty applications are commercially viable only at carbon fiber prices lower than those prevailing for primary aerospace applications. In sporting goods manufacturing, the strength-to-weight ratio, stiffness, rapid damping and fatigue resistance characteristics of carbon fibers have made them a desirable material for a wide range of products such as golf club shafts, tennis racquets and bicycle frames. In current industrial uses, carbon fibers' non-structural properties are often most important. Chemical inertness is useful in corrosive applications for heat exchanger tubing and pump cavities and in gas turbine blades; high temperature resistance is useful in specialty metallurgical mold applications; and combined rigidity and damping are useful in audio equipment applications. New developing, commercial applications identified by the Company include cargo shipping containers, vehicle drive shafts, compressed natural gas (CNG) tanks, civil engineering uses, wood laminates, automotive body and structural members, mass transit vehicle components, high strength piping, marine uses and alternative energy systems. Currently served specialty niche markets which the Company believes offer growth prospects include aircraft brakes, conductive plastics, fire-retardant coatings and specialty friction products.

The Company believes that the substantial majority of current worldwide carbon fibers capacity remains dedicated to production of high-cost, high-selling price material for primary aerospace applications. This market segment differs in important respects from the commercial markets targeted by Zoltek. Switching between market segments is relatively difficult and capital intensive.

COMPANY STRATEGY

Zoltek's goal is to be the premier provider of low-cost carbon fibers. Key elements of the Company's business strategy are as follows:

Low-Cost Producer -- The Company believes it currently manufactures carbon fibers at costs substantially lower than those generally prevailing in the industry. The Company intends to continue to reduce its total production costs primarily by utilizing the acrylic fiber precursor manufactured by its Viscosa operations after a conversion period estimated to continue through December 1997. Longer term, the Company believes that the precursor manufacturing technology acquired in the Viscosa acquisition will enhance its ability to procure from third party sources precursor with specifications which currently are not generally available from merchant suppliers. Acrylic fiber precursor comprises more than 50% of the Company's total carbon fiber product costs.

Currently, only one textile-type acrylic fiber manufacturer, Courtaulds Fibres, Ltd. ("Courtaulds"), produces such fiber in a form suitable for precursor use (i.e., without additives). While this textile-type acrylic fiber is substantially less costly than internally produced custom-made acrylic fiber precursor utilized by most of the Company's competitors, Courtaulds takes advantage of its sole merchant supplier position to charge a premium price for its fibers sold as precursor.

Zoltek believes Viscosa's operations afford a strategic advantage by providing access to the technology underlying the production of precursor. Conversion of Viscosa's acrylic fiber capacity to produce precursor grade material provides the opportunity to control a reliable source of precursor on favorable terms and to optimize the carbon fibers production chain. During early 1998, Viscosa is expected to be able to supply the Company's carbon fiber operations with quantities of precursor which ultimately would be sufficient to produce more than 30 million pounds annually of carbon fibers.

Price Leadership -- Zoltek has identified various price points lower than those generally prevailing in the industry, at which it believes customers will incorporate carbon fibers into their products to achieve enhanced properties and performance. Targeted commercial market applications include shipping containers, vehicle drive shafts, wrapping and reinforcement for concrete structures, pressurized tanks, wood laminates, specialty piping and a number of non-friction automotive uses. The Company believes that these applications alone represent potential long-term market demand requiring substantial increases in current carbon fibers industry capacity. The ultimate goal of the Company's pricing strategy is to market carbon fibers for use as a base reinforcement material in composites at price levels resulting in composite costs per unit of strength which compete favorably with alternative base construction materials such as steel and aluminum. The Company believes that achievement of this pricing goal would result in significant new product applications for carbon fibers.

New Commercial Market Applications Development -- The Company will continue to identify, evaluate and develop new commercial market applications for carbon fibers. Potential opportunities include: (i) applications for which carbon fiber composites have been demonstrated to be well-suited, but which only recently have begun to be commercialized (e.g., cargo shipping containers, vehicle drive shafts and CNG tanks); (ii) applications which have been established in principle or in small scale projects, but for which additional engineering and fabrication developments are required (e.g., earthquake-proofing of bridge columns, aircraft seating and offshore spoolable piping); and (iii) applications in which carbon fibers may permit totally new technologies (e.g., flywheel-based alternative energy systems and light trains).

As part of its efforts to expand its current range of market applications, the Company engages in various strategic partnerships to study the viability of the use of carbon fibers in new composite materials and structural enhancement environments. These relationships are designed to build on existing expertise and industry knowledge by exploring new potential uses for carbon fibers. For example, studies performed by a research consortium, including the Company, sponsored by the U.S. Advanced Research Project Agency ("ARPA") demonstrated that columns wrapped with carbon fiber composite materials made from the Company's carbon fibers significantly improved the ability of bridges and other structures to withstand earthquakes. Successful partnerships with commercial customers include long-term supply relationships with BF Goodrich Aerospace ("BFG") and TRW Vehicle Safety Systems, Inc. ("TRW"). More recently, the Company has established relationships with American President Lines, Ltd. and Stoughton Composites, Inc. (shipping containers), Compounding Technology, Inc. (computer printer components for Hewlett-Packard Company products) and Thiokol Corp. (CNG tanks). Zoltek believes that as new techniques are perfected and new composites are developed, manufacturers will help develop new commercial applications for such composites, thereby creating further demand for the Company's products.

The Company also plans to accelerate the development of new commercial applications by enhancing its application engineering capability. The Company's applications engineers will assist prospective users of carbon fibers in properly evaluating the utility of carbon fibers for new applications and will consult with customers regarding modifications of their manufacturing processes to facilitate the full use of carbon fibers.

CARBON FIBERS MANUFACTURING CAPACITY AND EXPANSION PLANS

The present rated capacity of the Company's carbon fiber manufacturing operations is approximately 3.5 million pounds per year. The Company currently is producing carbon fibers at its full operational capacity and needs to expand its capacity to meet indicated and forecasted demand for carbon fiber products. In order to increase its production capacity, the Company plans to construct up to 16 additional continuous carbonization lines by the end of fiscal 1998. In the United States, the Company plans to initially construct a new line in the St. Louis, Missouri area, which is expected to be operational by the third quarter of fiscal 1997, and is in the process of selecting a site at which it intends initially to construct two new lines planned to be operational by the end of fiscal 1997. In Hungary, the Company is constructing a building at its Viscosa facility which initially will house two lines which the Company expects to be operational by the third quarter of fiscal 1997. The Company will use the net proceeds of the secondary offering of its common stock completed in September 1996, together with internally generated funds and borrowings under credit facilities, to fund capital expenditures related to these continuous carbonization lines. Each continuous carbonization line has a rated capacity of approximately 1.0 million pounds of carbon fibers per year.

In the process of expanding capacity, the Company is developing a standardized continuous carbonization line design in order to optimize technical process capabilities, reduce equipment cost and shorten lead time between the decision to add lines and the time when the lines become operational.

CUSTOMERS AND BACKLOG

During the fiscal year ended September 30, 1996, the Company did not have any customer to whom sales represented greater than 10% of the Company's total consolidated revenues.

As of September 30, 1996 and 1995, the Company had backlogs of orders believed to be firm aggregating more than $19.8 million and $15.9 million, respectively (including estimated releases under long-term supply arrangements during the succeeding 12 months.) Purchase orders from the Company's customers are subject to amendment or cancellation.

CURRENT PRODUCT APPLICATIONS

The Company's current primary carbon fiber product applications are as follows:

Aircraft Brakes

Carbon-carbon (carbon fibers fused in a carbon matrix) is used in aircraft brakes because its utility is enhanced by heat. Where other materials soften under rising temperatures, carbon-carbon grows stronger. Developed originally as a lightweight heat shield for spacecraft, carbon-carbon has become a key material in advanced braking systems used in fighter aircraft, military aircraft, newer model commercial airliners and newer model business aircraft.

There is a growing replacement market for composite brakes with the retirement of older aircraft and their replacement by newer model aircraft which utilize carbon-carbon brakes. Brake pads wear out and must be replaced at regular intervals, typically at intervals of 750 to 2,000 landings depending upon aircraft type, size and use. As the relative proportion of newer aircraft to older aircraft increases, the demand for carbon-carbon brakes increases proportionately. Zoltek's carbon fibers are

approved as the single source, or one of only two approved fibers, for many high production new models of commercial aircraft, and for selected civil and military aircraft.

The Company is the exclusive supplier to BFG of carbon fibers for aircraft brakes pursuant to a ten-year agreement (the "BFG Supply Agreement") entered into in June 1994. The Company anticipates aggregate sales of more than $80 million over the term of this agreement, increasing from approximately $5 million of expected sales in the initial years to approximately $15 million to $18 million per year during the later years of the contract. The BFG Supply Agreement does not restrict the Company from supplying carbon fibers to other aircraft brake manufacturers.

The BFG Supply Agreement provides that in the event the Company's Board of Directors determines to seek a sale of, or significant investment in, the Company, it first would negotiate such proposed transaction exclusively with BFG for specified time periods. Mr. Rumy also has agreed, subject to certain exceptions, to negotiate exclusively with BFG for a specified period if he determines to sell a significant amount of shares of the Company's Common Stock. The foregoing obligations are expressly subject to applicable fiduciary duties of the Company's directors and Mr. Rumy, as principal shareholder.

BFG's rights to exclusive negotiations with the Company or Mr. Rumy, as the case may be, in the event of a proposed sale or investment terminate on the first to occur of: (i) a material breach by BFG in performing its obligations under the BFG Supply Agreement; (ii) such time as sales to BFG account for less than 15% of carbon fibers sales in any trailing four quarters; or (iii) termination of the BFG Supply Agreement.

Automotive Airbags

Sales of carbon fibers used in automotive airbags account for a significant part of Zoltek's total sales of carbon fibers. Carbon fiber material is used as an additive in the airbag propellant mix in the pyrotechnic type of automotive airbag produced by TRW. The carbon fiber material is used to improve performance in the inflation process.

Since 1994, Zoltek has been the exclusive supplier to TRW of carbon fibers for use in producing its pyrotechnic type of airbags. The automotive industry continues to conduct research and product development with respect to airbag technology. Accordingly, the Company believes that the volume of sales for this application will depend upon the relative utilization of the pyrotechnic type of airbag in automobiles and trucks in future years.

Conductive Plastics

Growth in computers and electronics has resulted in rising demand for carbon fibers used in conductive plastics to dissipate static electricity or to act as a shield against electromagnetic interference. Used in making plastic carrying trays for a manufacturing environment that cannot tolerate contamination, Zoltek's carbon fibers help to safeguard the electrical integrity of new and more powerful computer chips. In the past three years, Zoltek has experienced increasing levels of sales of specialty carbon fiber fillers for conductive plastic trays used in clean room environments. The Company believes that this application offers significant potential for future sales growth. Zoltek also supplies products used in carbon fiber-impregnated injection-molded plastic boxes to offer effective shielding from electromagnetic interference.

Shipping Containers

Composite shipping containers utilizing carbon fibers, for rail, sea and road transportation, offer the shipping industry significant weight savings, reducing operating costs and increasing efficiency. The new Refrigerated International ISO Container built by Stoughton Composites is one of the first composite shipping containers being commercialized. Its design is only made possible through the use of carbon fibers in the corner posts and I-beams, where the majority of the loads are concentrated. This container weighs approximately 5,000 pounds, compared to a typical steel container which weighs approximately 8,600 pounds. Zoltek has partnered with Stoughton Composites, Inc. and American President Lines, Ltd. to develop composite shipping containers using low-cost carbon fibers.

Vehicle Drive Shafts

The use of carbon fibers allows a two-piece vehicle drive shaft to be replaced with a one-piece design, reducing its average weight by approximately 60%. The inherent damping characteristics of composites also reduce the noise and vibration to the passenger compartment. New designs with hybrid carbon fiber composites and alternative processing methods continue to be developed to increase the cost-competitiveness of the composite design. Zoltek has established relationships with the leaders in the composite drive shaft field and is a current supplier for this application.

Compressed Natural Gas Tanks

Due to the superior performance, both in terms of physical characteristics and chemical/UV resistance, carbon fibers have emerged as a desirable material for CNG tank reinforcement. Carbon fiber-reinforced CNG tanks are primarily sold into the bus and other vehicle fleet market, as the reduction of weight directly translates to increased payload capability. In addition, the Company believes that governmental pressure to design and manufacture a sedan with significantly improved fuel efficiency could continue to cause automotive manufacturers to pursue CNG technologies. Zoltek supplies carbon fibers to several customers for use in carbon fiber-reinforced CNG tanks.

Fire-Retardant Coatings

Zoltek's carbon fibers are used in fire-retardant coatings to prevent or control fire-related disasters in chemical plants, nuclear power plants, refineries and off-shore drilling platforms. Used as an additive or reinforcement, carbon fiber heightens the ability of the fire-retardant coatings to withstand exceptionally high temperatures.

Specialty Friction Products

Specialty friction product applications are a natural extension of existing aircraft brake applications. For instance, following the lead of aircraft makers, virtually all grand prix racing cars now use carbon-carbon brakes and clutches because of their superior performance and long life in high-temperature and high-friction environments. Other friction products utilizing carbon fibers are emerging as carbon fiber prices are reduced. As the price of carbon fibers is lowered, the drive for better performance and weight reduction makes possible their use in a range of automotive applications. Zoltek is pursuing a number of initiatives in this area, including pursuant to its joint product development agreement with BFG.

Other Company products include the following:

Textile Fiber Products

Acrylic fibers currently represent Viscosa's primary product line (approximately two-thirds of Viscosa's sales) and are used in producing a variety of end products, including clothing and carpet. Viscosa's acrylic fibers are sold in regional markets, principally to textile mills in Europe and, to a limited extent, Taiwan and the United States. Viscosa's primary markets for acrylic fibers are currently in Hungary and Poland.

The other principal fiber product line currently manufactured and marketed by Viscosa consists of nylon-6 fibers and granules. Due to the long-term decline in the domestic Hungarian market for nylon-6 fibers, Viscosa has targeted export markets, the largest of which is Italy, and also has sold significant amounts in the United Kingdom and Central and Eastern Europe. Granular nylon-6 is used as a thermoplastic molding material and combined in certain applications with glass or carbon fibers.

Other

Viscosa also currently manufactures: carboxyl-methyl cellulose which is used as a film former, absorber or viscosity modifier for applications in soap additives, drilling mud additives, paper manufacturing and adhesive manufacturing; plastic netting and grids which are produced from continuously extruded polyethylene and polypropylene net or screen with varying specifications and used for soil stabilization and packaging; and filtration membrane products for use in filtration media utilized in food and wine processing and water purification. The Company is in the process of evaluating the ultimate potential of these products and technologies.

INTERNATIONAL

To date, the Company's carbon fiber operations have focused primarily on meeting the needs of U.S. customers. The Company has, however, shipped limited amounts of carbon fiber products to customers in Europe and Asia, primarily for use in conductive plastics applications. Most of these sales have been made to foreign operations of domestic corporations, or to foreign parent companies of domestic operating units.

Zoltek believes that significant opportunities exist to develop international markets, particularly in Europe and Asia, as commercial market applications of carbon fiber products develop. The Company expects to pursue opportunities in Europe through the marketing organization currently in place at Viscosa. This organization will seek to find customers for the carbon fiber products currently manufactured at the Company's plant in St. Charles, Missouri, as well as for those products produced at the carbon fibers facilities which Zoltek is constructing at Viscosa and planning to construct in the United States.

The Company has conducted preliminary discussions with prospective strategic partners in Asia and expects that it will pursue opportunities in that market either with a strategic partner or through a direct sales office located in Asia.

SOURCES OF SUPPLY

The Company currently obtains all of its textile-type acrylic fibers to supply its carbon fiber operations from Courtaulds, which is currently the sole merchant supplier of such raw materials in the world. Courtaulds is also the only supplier that currently produces precursor approved for use in aircraft brake applications such as those supplied under the BFG Supply Agreement. Pursuant to an

agreement with the Company, Courtaulds has agreed to supply the Company with up to 4.0 million pounds per year of precursor. This supply agreement may be terminated by either party on June 30, 1999, or any anniversary thereof, by providing two years' prior notice. The Company believes Courtaulds is a reliable source of supply at the Company's current operating levels. However, as part of its growth strategy, the Company is developing alternative sources of precursor supply, including Viscosa, and expects that it ultimately will obtain most of its precursor from Viscosa. In the near term, any interruption of precursor supply from Courtaulds would have a material adverse effect on the Company's carbon fibers business.

The major materials used in the Viscosa facility are acrylonitrile and other basic commodity chemical products which are widely available from a variety of sources.

INTELLECTUAL PROPERTY

The Company believes that it has developed and utilizes valuable technology and innovations, including various aspects of its manufacturing process, which are trade secrets in which it has a proprietary interest. The Company seeks to protect its proprietary information by, among other things, requiring key employees to execute non-disclosure agreements. The Company holds no material patents.

COMPETITION

The Company competes with various other producers of carbon fibers, acrylic fibers, and other textile fiber products, many of which have substantially greater research and development, marketing, financial and managerial resources than the Company and represent significant competition for the Company.

The Company believes that no single manufacturer of carbon fiber products competes across all of its applications. The Company's direct carbon fibers competitors include Fortafil Fibers, Inc. in the United States and R.K. Carbon in Europe, inasmuch as they use the same textile-type precursor as the Company. To varying degrees, dependent on market conditions and supply, the Company also competes with larger producers, such as Hexcel Corporation and Amoco Corporation in the United States; and Toray Industries, Inc., Toho Rayon and Mitsubishi Rayon Co., Ltd. in Japan. Large international carbon fibers producers tend to market higher cost products than the Company's products, with a principal focus on aerospace structural applications. These large manufacturers tend to enter into direct competition with the Company chiefly when they engage in significant discounting due to excess capacity and product surpluses; however, such competition historically has not had a material adverse effect on the Company's business.

The Company believes that the principal areas of competition for its carbon fibers operations are price, quality, skill in developing new applications, ability to reliably meet the customer's volume requirements and qualifications for particular programs.

Competitors in the textile fibers market include MonteFibre, Sp.A., A.G. Bayer and Courtaulds. However, Viscosa's historic ties with and geographic proximity to customers in the former socialist countries provide competitive advantages for Viscosa in these markets compared to the larger manufacturers. Zoltek believes this advantage will decrease over time and, accordingly, Viscosa is pursuing a strategy of seeking a product mix with more favorable competitive characteristics, such as advanced materials (e.g., carbon fibers precursor).

The non-textile market for Viscosa's products is sufficiently fragmented that no significant single direct competitor exists. Viscosa's sales of its industrial products are heavily concentrated in the Central and Eastern European markets.

ENVIRONMENTAL

The carbon fibers operations at the Company's St. Charles, Missouri plant utilize incineration and scrubbing of various exhaust streams, designed to comply with applicable laws and regulations. The plant produces air emissions which are regulated and permitted by the State of Missouri, Department of Natural Resources. The plant is required by a condition of its permit to verify by performance tests that certain emission rates are not exceeded. Management believes that the plant is currently in compliance with its permit and the conditions set forth therein. The Company does not believe that compliance by its carbon fibers operations with applicable environmental regulations will have a material effect upon the Company's future capital expenditure requirements, results of operations or competitive position. There can be no assurance, however, as to the effect of implementation of current laws or future changes in federal or state environmental laws or regulations on the Company's results of operations or financial condition.

Viscosa's operations generate various hazardous wastes, including gaseous, liquid and solid materials. From time to time, Viscosa has been cited and fined for environmental violations by regulatory authorities. The SPA commissioned an environmental audit by an independent consulting firm, which in its June 1995 report recommended expenditures aggregating approximately HUF 20.1 million (which then approximated $160,000) to correct certain identified environmental deficiencies and Zoltek expects that Viscosa's operations will require additional funds for enhancement of other environmental compliance systems. Zoltek expects that compliance with current environmental regulation will not have a material adverse effect on Viscosa's business, results of operations or financial condition. There can be no assurance, however, that the application of future national or local environmental laws, regulations and enforcement policies will not have a material adverse effect on Viscosa's business, results of operations or financial condition.

EMPLOYEES

As of September 30, 1996, the Company employed approximately 110 persons in its U.S. operations and approximately 1,544 in its Hungarian operations. The Company's U.S. employees are not represented by any collective bargaining organizations. By law, most employees in Hungary are represented by at least one labor union and at Viscosa there are two active unions, Union Viscosa with approximately 944 members, and Viscosa 1990 with approximately 600 members. The Company believes that relations with both unions are good. Management meets with union representatives on a bi-weekly basis. There have not been any problems or major disagreements with either union in the past five years. The Company believes that its employee relations are good.

In June 1993, Viscosa entered into an agreement with the Labor Office (the "Labor Office") of the county in which the plant is located, pursuant to which the Labor Office made a HUF 285 million (approximately $1.8 million translated at the exchange rate in effect at September 30, 1996) grant to Viscosa to finance salary payments to Viscosa's employees during the period April through December 1993. The grant is not repayable by Viscosa if

Viscosa and its subsidiaries maintain an employee level of at least 1,850 through 1997, subject to certain exceptions, such as reductions in force due to normal retirement and terminations for cause. Presently, Viscosa's active workforce is below the level specified by the grant and Zoltek intends to effect reductions in staffing of operational activities as appropriate. Viscosa believes, however, that if all employees (including non-active employees, such as those on

national service or maternity leave) and employees of non-core operations which may be spun-off into independent companies are considered, Viscosa would not be obligated to repay the grant. Viscosa is undertaking to clarify the application of the calculation and to amend the agreement to confirm Viscosa's understanding. Although there can be no assurance that a mutually acceptable arrangement will be achieved, Zoltek believes that the ultimate resolution of the grant will not have a material adverse effect on its consolidated financial condition or results of operations.

Item 2. Properties

The Company's facilities are listed below and are considered to be suitable and adequate for its operations. All the Company's properties are owned or leased subject to various mortgage loans.

<TABLE>
<CAPTION>

LOCATION	USE	APPROXIMATE AREA (IN SQUARE FEET)
<S>	<C>	<C>
St. Louis, Missouri	Administrative offices, marketing and engineering	40,000
St. Charles, Missouri<F1>	Carbon fibers manufacturing	107,000
Nyergesujfalu, Hungary<F2>	Acrylic fiber, nylon, other manufacturing	1,600,000

<FN>
<F1> Subject to ground lease which expires in 2065, subject to a 24-year renewal option thereafter.

<F2> Viscosa is located on a 150-acre site in the town of Nyergesujfalu, approximately 30 miles from Budapest. The facility is located on a main highway between Budapest and Vienna on the shore of the Danube River and on a major rail line.
</TABLE>

Item 3. Legal Proceedings

Except as set forth below, the Company is not a defendant in any material legal proceedings other than ordinary routine litigation incidental to its business.

The Company is engaged in litigation with Kenny Securities Corp. ("Kenny") in the Circuit Court of St. Louis County arising out of Kenny's claim for compensation from the Company's November 1995 secondary Common Stock offering. In August 1996, the Court granted the Company's motion to compel arbitration of this matter under the rules of the National Association of Securities Dealers, Inc. and such arbitration proceeding currently is at a preliminary stage. The Company does not believe that the ultimate resolution of these proceedings will have a material adverse effect on its financial condition or results of operations.

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

The Company did not submit any matters to a vote of its security holders during the quarter ended September 30, 1996.

Item 4A. Executive Officers of the Registrant

The name, age and position with respect to each of the executive officers of the Company are set forth below:

Zsolt Rumy, age 54, is the founder of the Company and has served as its Chairman, President and Chief Executive Officer and as a Director since 1975. Prior to founding the Company, Mr. Rumy served as Industrial Marketing Manager and Process Engineer for Monsanto Company, Accounts Manager for General Electric Company and Technical Sales Representative for W.R. Grace Company. Since May 1996, Mr. Rumy has served as a director of Southwest Bank of St. Louis, with which the Company maintains its primary banking relationships. Mr. Rumy received a BS in Chemical Engineering from the University of Minnesota in 1966. Mr. Rumy speaks fluent Hungarian.

Orel R. Kiphart, age 58, has served as President of Zoltek Corporation and Vice President of the Company since June 1996. For more than five years prior to joining the Company, he served as Director of Carbon Products for BF Goodrich Aerospace, responsible for all that company's high-temperature composite manufacturing, product development and sales and marketing of carbon products to industrial markets. Mr. Kiphart received a BS in Business and Engineering from California State Polytechnic University in 1966 and an MS in Systems Management from Florida Institute of Technology in 1969.

Daniel D. Greenwell, age 34, has served as Chief Financial Officer and Secretary of the Company since December 1996. Prior to joining the Company, from November 1992 to December 1996 Mr. Greenwell served as Corporate Director of Financial Analysis and Reporting and as Controller of Sigma-Aldrich Corporation (a publicly held specialty chemical manufacturer). From August 1985 to November 1992, Mr. Greenwell was a certified public accountant for KPMG Peat Marwick (an international accounting and auditing firm) holding various positions, including Senior Manager. Mr. Greenwell received a B.S. in Accounting from Truman State University in 1985.

Gyorgy Paszty, age 54, has served as President of the Company since February 1996 and as Managing Director of Viscosa since 1990. Prior to that time, he served in various technical and management positions in the Hungarian chemical industry. Mr. Paszty received a BS in Chemical Engineering from the Technical University, Budapest, Hungary, in 1966. Mr. Paszty currently serves as President of the Hungarian Chemical Association and as Executive Vice President of the Federation of Hungarian Industrialists. Mr. Paszty speaks fluent English.

PART II

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

The information set forth under the caption "Price Range Per Common Share" in the registrant's 1996 Annual Report to Shareholders is incorporated herein by this reference.

Item 6. Selected Financial Data

The information set forth under the caption "Selected Consolidated Financial Data" in the registrant's 1996 Annual Report to Shareholders is incorporated herein by this reference.

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

The information set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the registrant's 1996 Annual Report to Shareholders is incorporated herein by this reference.

Item 8. Financial Statements and Supplementary Data

The following financial statements and supplementary data, included in the registrant's 1996 Annual Report to Shareholders, are incorporated herein by this reference.

Statement

Consolidated Balance Sheet as of September 30, 1996 and 1995

Consolidated Statement of Operations for the years ended September 30, 1996, 1995 and 1994

Consolidated Statement of Changes in Shareholders' Equity for the years ended September 30, 1996, 1995 and 1994

Consolidated Statement of Cash Flows for the years ended September 30, 1996, 1995 and 1994

Notes to Consolidated Financial Statements

Report of Independent Accountants

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

The information set forth under the caption "Election of Directors" in the registrant's Proxy Statement for its 1997 Annual Meeting of Shareholders is incorporated herein by this reference.

Item 11. Executive Compensation

The information set forth under the captions "Directors' Fees" and "Compensation of Executive Officers" in the registrant's Proxy Statement for its 1997 Annual Meeting of Shareholders is incorporated herein by this reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth under the captions "Voting Securities and Principal Holder Thereof" and "Security Ownership By Management" in the registrant's Proxy Statement for its 1997 Annual Meeting of Shareholders is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions

The information set forth under the caption "Certain Transactions" in the registrant's Proxy Statement for its 1997 Annual Meeting of Shareholders is incorporated herein by this reference.

PART IV

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

(a)(1) Financial statements: Incorporated herein by reference, are listed in Item 8 of this report.

(2) The following financial statement schedule and auditors' report thereon are included in Part IV of this report:

	Page(s)
Report of Independent Public Accountants on Financial Statement Schedule	19
12-09 Valuation and Qualifying Accounts and Reserves	20

Schedules other than those listed above have been omitted because they are either not required or not applicable, or because the information is presented in the consolidated financial statements or the notes thereto.

(3) The following exhibits are filed herewith or incorporated by reference herein, as indicated:

2.1 Form of Share Purchase Agreement, by and among Allami Privatizacios Es Vagyonkezelo Reszvenytarsasag, Magyar Viscosa Rt. and Zoltek Corporation, filed as Exhibit 2.1 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-97294) is incorporated herein by this reference

2.2 Agreement on Sale of Lease Receivables, dated September 20, 1995, by and between Zoltek Corporation and Central European International Bank Ltd, filed as Exhibit 2.2 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-97294) is incorporated herein by this reference

2.3 Agreement on Sale of Shares, dated September 20, 1995, with respect to 14.132 pcs of preferred shares of Magyar Viscosa Rt. by and between Zoltek Corporation and CIB Hungaria Bank Rt., filed as Exhibit 2.3 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-97294) is incorporated herein by this reference

2.4 Agreement on Sale of Shares, dated September 20, 1995, with respect to 14.934 pcs of ordinary shares and 29.534 pcs of preferred shares of Magyar Viscosa Rt. by and between Zoltek Corporation and CIB Hungaria Bank Rt., filed as Exhibit 2.4 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-97294) is incorporated herein by this reference

2.5 Sales Agreement, dated September 22, 1995, by and between Zoltek Corporation and Bank of Hungarian Savings Cooperatives, Ltd., filed as Exhibit 2.5 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-97294) is incorporated herein by this reference

2.6 Agreement on Sale of Shares, dated September 12, 1995, by and between Zoltek Corporation and Allami Fejlesztesi Intezet, filed as Exhibit 2.6 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-97294) is incorporated herein by this reference

2.7 Agreement on Sale of Shares Issued By Magyar Viscosa Rt., by and between Zoltek Corporation and Inter-Europa Bank Rt., filed as

Exhibit 2.7 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-97294) is incorporated herein by this reference

2.8 Agreement on Sale of Loan Receivables by and between Zoltek Corporation and Bank of Inter-Europa Bank Rt., filed as Exhibit 2.8 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-97294) is incorporated herein by this reference

2.9 Agreement on Sale of Loan Receivables and Shares, dated as of September 12, 1995, by and between Zoltek Corporation and Creditanstalt Rt., filed as Exhibit 2.9 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-97294) is incorporated herein by this reference

2.10 Agreement for the Sale of Assets, dated as of August 17, 1995, by and among Zoltek Corporation, Zoltek Properties, Inc., Pioneer Pump and Packing, Inc., Pioneer Holdings, Inc. and Zsolt Rumy, filed as Exhibit 2 to Registrant's Current Report on Form 8-K dated August 31, 1995, is incorporated herein by this reference

3.1 Restated Articles of Incorporation of the Registrant, filed as Exhibit 3.1 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-51142) is incorporated herein by this reference

3.2 Restated By-Laws of the Registrant, as currently in effect, filed as Exhibit 3.2 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-51142) is incorporated herein by this reference

4.1 Form of certificate for Common Stock, filed as Exhibit 4.1 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-51142) is incorporated herein by this reference

10.1 Loan Agreement, dated December 29, 1989, by and between Zoltek Corporation and Southwest Bank of St. Louis, as amended by letter, dated August 13, 1992, filed as Exhibit 10.7 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-51142) is incorporated herein by this reference

10.2 Zoltek Companies, Inc. Long Term Incentive Plan, filed as Exhibit 10.15 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-51142) is incorporated herein by this reference

10.3 Zoltek Companies, Inc. Directors Stock Option Plan, filed as Appendix A to Registrant's definitive proxy statement for the 1995 Annual Meeting of Shareholders on Form S-1 (Reg. No. 33-51142) is incorporated herein by this reference

10.4 Promissory Note, dated September 29, 1994, by and between Zoltek Properties, Inc. and Metlife Capital Corporation, filed as Exhibit 10.8 to Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994, is incorporated herein by this reference

10.5 Precursor Agreement, dated as of July 1, 1994, by and between Zoltek Corporation and Courtaulds Fibres Limited, filed as Exhibit 10.9 to Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994, is incorporated herein by this reference. (An application for confidential treatment has been made for a portion of Exhibit 10.9.)

10.6 Materials Supply Agreement, dated as of June 15, 1994, by and between Zoltek Companies, Inc. and The B.F. Goodrich Company, filed as Exhibit 10.10 to Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994, is incorporated herein by this reference. (An application for confidential treatment has been made for a portion of Exhibit 10.10.)

10.7 Underwriting Agreement, dated November 17, 1995, by and between the Registrant and First Albany Corporation and Stifel, Nicolaus & Company, Incorporated, on behalf of the several underwriters, filed as Exhibit 1.1 to Registrant's Registration Statement on Form S-1 (Reg. No. 33-97294) is incorporated herein by this reference

10.8 Loan Agreement, dated November 14, 1994, by and between Zoltek Properties, Inc. and The Reliable Life Insurance Company, filed as Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, is incorporated herein by this reference

10.9 Promissory Note, dated November 14, 1994, by and between Zoltek Corporation and Southwest Bank of St. Louis, filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, is incorporated herein by this reference

10.10 Letter, dated March 6, 1995, from Southwest Bank of St. Louis to the Registrant regarding amendment of certain loan covenants, filed as Exhibit 10.13 to the Registrant's Quarterly Report of Form 10-Q for the quarter ended March 31, 1995, is incorporated herein by this reference

10.11 Purchase Agreement, dated September 18, 1996, by and between Registrant and Merrill Lynch & Co. and Stifel, Nicolaus & Company, Incorporated, on behalf of the several underwriters, filed as Exhibit 1.1 to Registrant's Registration Statement on Form S-3 (Reg. No. 333-07547) is incorporated herein by this reference.

13 Registrant's 1996 Annual Report to Shareholders is filed herewith

21 Subsidiaries of the Registrant, filed as Exhibit 21 to the Registrant's Annual Report on Form 10-K for the year ended September 30, 1995, is incorporated herein by this reference.

23 Consent of Price Waterhouse LLP is filed herewith

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.

ZOLTEK COMPANIES, INC.
(Registrant)

By /s/ Zsolt Rumy

Zsolt Rumy, Chairman of the Board, President and Chief Executive Officer

Date: December 27, 1996

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 and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
/s/ Zsolt Rumy ------------------------	Chairman, Chief Executive Officer and Director	December 27, 1996

Zsolt Rumy

/s/ Daniel D. Greenwell ------------------------ Daniel D. Greenwell	Chief Financial Officer and Corporate Secretary	December 27, 1996
/s/ Linn Bealke ------------------------ Linn Bealke	Director	December 27, 1996
/s/ James W. Betts ------------------------ James W. Betts	Director	December 27, 1996
/s/ Charles A. Dill ------------------------ Charles A. Dill	Director	December 27, 1996
/s/ James Dorr ------------------------ James Dorr	Director	December 27, 1996
/s/ John L. Kardos ------------------------ John L. Kardos	Director	December 27, 1996

</TABLE>

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of Zoltek Companies, Inc.

Our audits of the consolidated financial statements referred to in our report dated November 14, 1996, page 22 of the 1996 Annual Report to Shareholders of Zoltek Companies, Inc. (which report and consolidated financial statements are incorporated by reference in the Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14 of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ Price Waterhouse LLP

Price Waterhouse LLP
St. Louis, Missouri
November 14, 1996

<TABLE>

FOR THE YEAR ENDED SEPTEMBER 30, 1996

Rule 12-09 Valuation and Qualifying Accounts and Reserves

<CAPTION>

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts describe	Deductions describe	Balance at end of period

<S>

Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts describe	Deductions describe	Balance at end of period
Reserve for doubtful accounts	$28,038	$40,633	$121,436<F1>	$118,328<F2>	$71,779

<FN>
<F1> Acquisition of Viscosa.
<F2> Write off of uncollectible receivable, net of recovery.
</TABLE>

<TABLE>

FOR THE YEAR ENDED SEPTEMBER 30, 1995

Rule 12-09 Valuation and Qualifying Accounts and Reserves

<CAPTION>

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts describe	Deductions describe	Balance at end of period
Reserve for doubtful accounts	$20,000	$12,000	$	$3,962<F1>	$28,038

<FN>
<F1> Write off of uncollectible receivable.
</TABLE>

<TABLE>

FOR THE YEAR ENDED SEPTEMBER 30, 1994

Rule 12-09 Valuation and Qualifying Accounts and Reserves

<CAPTION>

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts describe	Deductions describe	Balance at end of period
Reserve for doubtful accounts	$10,000	$10,000	$	$	$20,000

</TABLE>

<TABLE>

EXHIBIT INDEX

<CAPTION>

Exhibit No.	Description
2.1	Form of Share Purchase Agreement, by and among Allami Privatizacios Es Vagyonkezelo Reszvenytarsasag, Magyar Viscosa Rt. and Zoltek Corporation<F*>
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10.3 Zoltek Companies, Inc. Directors Stock Option Plan<F*>

<FN>
<F*> Incorporated herein by reference

EXHIBIT INDEX

<CAPTION>

Exhibit No.	Description
<C>	<S>
10.4	Promissory Note, dated September 29, 1994, by and between Zoltek Properties, Inc. and Metlife Capital Corporation<F*>
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Corporation and Southwest Bank of St. Louis<F*>

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13	Registrant's 1995 Annual Report to Shareholders
21	Subsidiaries of the Registrant<F*>
23	Consent of Price Waterhouse LLP

<FN>
<F*> Incorporated herein by reference
</TABLE>

1
<TABLE>

ZOLTEK COMPANIES, INC.
SELECTED CONSOLIDATED FINANCIAL DATA
(In thousands, except per share data)

<CAPTION>

Statement of Operations Data: Year Ended September 30,

<S>	1996	1995	1994	1993	1992
Net sales	$68,957	$12,698	$ 7,920	$5,141	$3,017
Cost of sales	49,772	7,716	4,502	2,942	1,691
Gross profit	19,185	4,982	3,418	2,199	1,326
Selling, general and administrative expenses	9,510	1,845	1,624	1,356	1,487
Operating income (loss) from continuing operations	9,675	3,137	1,794	843	(161)
Interest expense	1,012	740	617	579	781
Net income (loss) from continuing operations	6,172	1,577	799	136	(675)
Income from discontinued operations, net of income taxes	39	456	208	431	469
Net income (loss)	$ 6,211	$ 2,033	$ 1,007	$ 567	$ (206)
Net income (loss) per common and common equivalent share from continuing operations	$ .45	$ .16	$ .09	$ .02	$ (.11)
Net income per common and common equivalent share from discontinued operations	.00	.05	.02	.04	.08
Net income (loss) per common and common equivalent share	$ .45	$ .21	$ .11	$ .06	$ (.03)
Weighted average common and common equivalent shares outstanding	13,737	9,583	9,314	9,025	6,000

<CAPTION>

Balance Sheet Data: September 30,

<S>	1996	1995	1994	1993	1992
Working capital (deficit)	$ 83,314	$ 6,322	$ 3,866	$ 467	$(2,411)
Total assets	134,660	18,390	17,373	15,371	13,680
Short-term debt	4,579	745	1,662	3,040	4,632
Long-term debt, less current maturities	5,207	6,191	6,562	4,394	4,998
Shareholders' equity	108,778	9,519	7,100	5,936	1,692

</TABLE>

ZOLTEK COMPANIES, INC.
REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Zoltek Companies, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Zoltek Companies, Inc., and its subsidiaries at September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 1, effective October 1, 1993, the Company changed its method of accounting for income taxes.

Price Waterhouse LLP
St. Louis, Missouri
November 14, 1996

<TABLE>

ZOLTEK COMPANIES, INC.
CONSOLIDATED BALANCE SHEET

<CAPTION>

Assets	September 30, 1996	1995
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 75,446,930	$ 1,677,400
Accounts receivable, less allowance for doubtful accounts of $71,779 and $28,038, respectively	11,225,528	3,066,427
Inventories	12,596,708	3,127,339
Prepaid expenses	350,129	27,144
Other receivables	2,700,259	
Assets held for sale		581,472
Total current assets	102,319,554	8,479,782
Property and equipment, net	31,440,578	9,355,773
Other assets	899,875	554,675
Total assets	$134,660,007	$18,390,230

<CAPTION>

Liabilities and shareholders' equity		
<S>	<C>	<C>
Current liabilities:		
Short-term notes payable	$ 3,694,495	$
Current maturities of long-term debt	884,364	744,542
Trade accounts payable	8,620,515	861,578
Accrued expenses and other liabilities	2,278,999	290,060
Accrued liabilities for acquired operations	3,326,681	
Income taxes payable	200,786	262,052
Total current liabilities	19,005,840	2,158,232
Other long-term liabilities	973,738	
Long-term debt, less current maturities	5,207,092	6,191,157
Deferred income taxes	695,721	522,000
Shareholders' equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, no shares issued and outstanding		
Common stock, $.01 par value, 20,000,000 and 8,000,000 shares authorized, 16,210,338 and 4,813,203 shares issued and outstanding, respectively	162,103	48,132
Additional paid-in capital	99,870,008	4,208,336
Cumulative translation adjustment	(2,658,158)	
Retained earnings	11,403,663	5,262,373
	108,777,616	9,518,841
Total liabilities and shareholders' equity	$134,660,007	$18,390,230

The accompanying notes are an integral part of the consolidated financial statements.

</TABLE>

<TABLE>

ZOLTEK COMPANIES, INC.
CONSOLIDATED STATEMENT OF INCOME

<CAPTION>

	Year Ended September 30, 1996	1995	1994

<S>

Net sales	$68,956,758	$12,697,558	$7,920,651
Cost of sales	49,771,511	7,715,879	4,502,263
Gross profit	19,185,247	4,981,679	3,418,388
Selling, general and administrative expenses	9,509,785	1,844,689	1,624,327
Operating income from continuing operations	9,675,462	3,136,990	1,794,061
Other income (expense):			
Interest expense	(1,012,487)	(739,506)	(616,608)
Interest income	545,974	31,647	
Other, net	(497,312)	2,653	2,988
Income from continuing operations before income taxes	8,711,637	2,431,784	1,180,441
Provision for income taxes	2,539,381	854,713	381,839
Net income from continuing operations	6,172,256	1,577,071	798,602
Income from discontinued operations, net of income taxes	38,584	455,512	208,006
Net income	$ 6,210,840	$ 2,032,583	$1,006,608
Net income per common and common equivalent share:			
Income from continuing operations	$ .45	$ .16	$ .09
Discontinued operations	.00	.05	.02
Net income per common and common equivalent share	$ .45	$ .21	$ .11
Weighted average common and common equivalent shares outstanding	13,736,911	9,582,936	9,313,590

The accompanying notes are an integral part of the consolidated financial statements.

</TABLE>

<TABLE>

ZOLTEK COMPANIES, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<CAPTION>

	Preferred Stock	Common Stock	Additional Paid-in Capital	Cumulative Translation Adjustment	Retained Earnings
Balance, September 30, 1993	$ 0	$ 31,000	$ 3,665,348	$ 0	$ 2,239,226
Exercise of stock options		285	113,994		
Benefit of tax deduction for stock option compensation expense			44,000		
Net income for the year ended September 30, 1994					1,006,608
Balance, September 30, 1994	0	31,285	3,823,342	0	3,245,834
Exercise of stock options		803	278,994		
Benefit of tax deduction for stock option compensation expense			106,000		
Common stock split (3 for 2) in September 1995		16,044			(16,044)
Net income for the year ended September 30, 1995					2,032,583
Balance, September 30, 1995	0	48,132	4,208,336	0	5,262,373
Secondary stock offering November 1995		20,850	26,270,471		
Common stock split (2-for-1) in June 1996		69,550			(69,550)
Secondary stock offering September 1996		23,000	68,853,000		
Exercise of stock options		571	78,201		
Benefit of tax deduction for stock option compensation expense			460,000		
Cumulative translation adjustment				(2,658,158)	
Net income for the year ended September 30, 1996					6,210,840
Balance, September 30, 1996	$ 0	$162,103	$99,870,008	$(2,658,158)	$11,403,663

The accompanying notes are an integral part of the consolidated financial statements.

</TABLE>

<TABLE>

ZOLTEK COMPANIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

<CAPTION>

	Year Ended September 30,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 6,210,840	$ 2,032,583	$ 1,006,608
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,848,160	1,049,103	949,978
Gain on sale of Equipment and Service Business Unit ("ESBU")		(387,887)	
Other, net	12,281		
Changes in assets and liabilities, net of effects from purchase of Viscosa:			
Increase in accounts receivable	(3,616,406)	(131,545)	(815,423)
Increase in other receivables	(2,141,113)		
Increase in inventories	(3,650,900)	(1,203,239)	(701,393)
(Increase) decrease in prepaid expenses	(341,244)	(214)	22,770
(Increase) decrease in refundable income taxes		200,820	(145,509)
Decrease in inventories held for sale	452,529		
Decrease in trade accounts payable	(1,321,946)	(244,081)	(335,805)
Increase (decrease) in accrued expenses and other liabilities	524,496	(73,967)	(6,013)
Increase (decrease) in income taxes payable	(61,266)	188,591	73,461
Decrease in accrued liabilities for acquired operations	(132,041)		
Increase (decrease) in deferred income taxes	192,439	(58,000)	315,038
Decrease in other long-term liabilities	(1,096,626)		
Total adjustments	(8,331,637)	(660,419)	(642,896)
Net cash provided (used) by operating activities	(2,120,797)	1,372,164	363,712
Cash flows from investing activities:			
Payments for purchase of Viscosa, net of cash acquired	(17,555,091)		
Payments for purchase of property and equipment	(5,133,657)	(951,081)	(1,135,155)
Proceeds from sale of ESBU		1,716,960	
Proceeds from sale of fixed assets	155,559		
Net cash provided (used) by investing activities	(22,533,189)	765,879	(1,135,155)
Cash flows from financing activities:			
Net decrease in line of credit borrowings		(1,027,969)	(1,359,567)
Net proceeds from sale of common stock	95,167,321		
Net proceeds from exercise of stock options and warrants	538,771	385,797	158,279
Proceeds from issuance of notes payable	13,050,076	5,650,000	5,297,500
Increase in notes receivable	(162,596)		
Repayment of notes payable	(10,215,580)	(5,329,172)	(3,147,614)
Increase in loan origination costs		(9,539)	(63,927)
(Increase) decrease in deferred costs	286,256	(286,256)	
Net cash provided (used) by financing activities	98,664,248	(617,139)	884,671
Effect of exchange rate changes on cash	(240,732)		
Net increase in cash	73,769,530	1,520,904	113,228
Cash and cash equivalents at beginning of period	1,677,400	156,496	43,268
Cash and cash equivalents at end of period	$75,446,930	$ 1,677,400	$ 156,496
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 996,089	$ 775,921	$ 585,021
Income taxes	1,954,000	817,589	276,010
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
The Company sold substantially all the assets of the ESBU in August 1995. Portions of the payment received by the Company were noncash in nature, as follows:			
Long-term note receivable from buyer of ESBU		$ 200,000	
Debt assumed by buyer of ESBU		581,277	
		$ 781,277	
The Company sold the remaining assets of the ESBU in June 1996. The payment received by the Company was non-cash in nature, as follows:			
Long-term note receivable from buyer of ESBU	$ 206,000		

The accompanying notes are an integral part of the consolidated financial statements.

</TABLE>

ZOLTEK COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

PRINCIPLES OF CONSOLIDATION

Zoltek Companies, Inc. (the "Company") is a holding company, having no operations of its own. Zoltek Corporation ("Zoltek") develops, manufactures and markets advanced material and industrial products for selected niche markets. The Carbon Fibers Business Unit of Zoltek manufactures carbon fibers used in aircraft brakes and other composite materials. In August 1995, the Company's Board of Directors authorized the disposition of the Company's former Equipment and Services Business Unit ("ESBU"), which supplied industrial process equipment, aftermarket components and repair services. These operations have been classified as a discontinued operation (Note 12). Zoltek Magyar Viscosa Rt ("Viscosa") manufactures and markets acrylic and nylon fibers and yarns to the textile industry. Other Viscosa products include nylon granules, plastic grids and nets, and carboxymethyl cellulose. In addition, Viscosa provides public works services for plant use and to the town of Nyergesujfalu, Hungary. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles. All significant intercompany transactions and balances have been eliminated upon consolidation.

FOREIGN CURRENCY TRANSLATION

Viscosa's consolidated balance sheet was translated from Hungarian Forints to U.S. Dollars at the exchange rate in effect at the balance sheet date, while its consolidated statement of operations was translated using the average exchange rates in effect during the period. Adjustments resulting from foreign currency transactions are recognized in income, whereas adjustments resulting from the translation of financial statements are reflected as a separate component of shareholders' equity.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates and assumptions.

REVENUE RECOGNITION

The Company recognizes sales on the date the products are shipped. During 1996, approximately $5,688,000 and $5,247,000, respectively, of total Carbon Fibers Business Unit's sales revenue was earned from two customers. During 1995, approximately $3,780,000 and $4,658,000, respectively, of total Carbon Fibers Business Unit's sales revenue was earned from the same two customers.

CONCENTRATION OF CREDIT RISK

Products of the Carbon Fiber Business Unit are primarily sold to customers in the aerospace and automotive industries; Viscosa's products are mainly sold to customers in the textile industry. While the markets for the Company's products are geographically unlimited, most of Zoltek's business is with customers located in North America and most of Viscosa's sales are to customers in Eastern Europe, the Commonwealth of Independent States, Europe and Asia. The Company performs ongoing credit evaluations. Viscosa generally requires collateral for significant export sales to new customers; Zoltek generally does not require collateral. The Company maintains reserves for potential credit losses and such losses have been within management's expectations. As of September 30, 1996, the Company had no significant concentrations of credit risk.

CASH AND CASH EQUIVALENTS

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents. Such investments amounted to $74,021,349 and $1,500,950 at September 30, 1996 and 1995, respectively. At September 30, 1996, cash equivalents included $69,331,255 of U.S. Treasury bills.

INVENTORIES

Inventories are valued at the lower of cost, determined on the first-in, first-out method, or market. Cost includes material, labor and overhead.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Expenditures which improve the asset or extend the useful life are capitalized, including interest on funds borrowed to finance the acquisition or construction of major capital additions. No interest was capitalized for the years ended September 30, 1996, 1995 and 1994. Maintenance and repairs are expensed as incurred. When property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any profit or loss on disposition is credited or charged to income.

The Company provides for depreciation by charging amounts sufficient to amortize the cost of the properties over their estimated useful lives using primarily straight line methods. The range of estimated useful lives used in computing depreciation is as follows:

Buildings and improvements	10 to 31.5 years
Automobiles	3 to 5 years
Machinery and equipment	5 to 10 years
Furniture and fixtures	7 to 10 years

The Company uses primarily accelerated depreciation methods for income tax purposes.

FINANCIAL INSTRUMENTS

The Company does not hold any financial instruments for trading purposes. The carrying value of cash and cash equivalents and debt approximates fair value at September 30, 1996.

RESEARCH AND DEVELOPMENT EXPENSES

Expenditures for research, development and engineering of products and manufacturing processes are expensed as incurred. Such costs were approximately $643,000, $370,000, and $263,000 in 1996, 1995, and 1994, respectively.

INCOME TAXES

Effective October 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes" which did not have a material impact on the Company's financial statements. SFAS 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Deferred tax expense (benefit) is the result of changes in the liability for deferred taxes.

NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE

Net income per common and common equivalent share is calculated by dividing net income by the sum of the weighted average number of shares of common stock outstanding of 13,348,294 and common stock equivalents of 388,617 for the year ended September 30, 1996. Common stock equivalents are excluded from the computation for the years ended September 30, 1995 and 1994 because their dilutive effect is not significant. All share and per share data have been adjusted to give retroactive effect to the recapitalizations and stock splits described in Note 9.

STOCK-BASED COMPENSATION

The Company currently accounts for its stock-based compensation plans using the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25).

RECENT ACCOUNTING PRONOUNCEMENTS

The following recently issued accounting standards will be applicable to the Company for its fiscal year ending September 30, 1997:

SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," effective for the Company for its fiscal year ending September 30, 1997, establishes standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and those to be disposed of. SFAS 121 is not expected to have a material impact on the Company's financial condition or results of operations.

SFAS 123, "Accounting for Stock-based Compensation," defines the fair value based method of accounting for stock option, purchase and award plans. SFAS 123 allows companies to use the fair value method defined therein or to continue use of the intrinsic value method as outlined in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). The Company anticipates utilizing APB 25 in accounting for stock option plans and, as a result, SFAS 123 is not expected to have a material impact on the Company's financial condition or results of operations.

FINANCIAL PRESENTATION CHANGES

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Acquisition

On December 8, 1995, the Company completed the acquisition of Viscosa. Pursuant to agreements with the Hungarian State Property Agency and other shareholders and lenders, the Company acquired approximately 95% of the equity ownership and substantially all the debt of Viscosa for approximately $18 million. Subsequently, the Company acquired an additional 4% of the equity ownership for $250,000. During fiscal 1996, the Company made $5 million available to fund Viscosa's working capital requirements and an additional $1 million available to fund capital expenditures associated with new continuous carbonization lines which the Company plans to install at Viscosa. The Viscosa acquisition is reported under the purchase method of accounting and is included in the Company's consolidated financial statements from the date of acquisition. The purchase price allocation includes assets and liabilities acquired at their estimated fair values. The excess of the fair market value of the assets acquired over the purchase price was allocated to reduce property and equipment.

The purchase price allocation reflects the recording at the acquisition date of a liability of $3,950,000 related to the estimated cost for reorganization of the acquired operations, including modification of facilities layout and possible demolition of obsolete buildings, and product rationalization, including employee severance and exit costs. The liability also contains amounts necessary to correct certain identified environmental deficiencies and enhancements of other environmental compliance systems. Additionally, the liability contains an amount for a government grant received by Viscosa to finance salary payments to Viscosa's employees during the period April through December 1993. The grant is repayable by Viscosa if employment levels decline below 1,850 through 1997, subject to certain exceptions. Presently, Viscosa's active workforce is below the level specified by the grant. Viscosa is undertaking to clarify the application of the calculation and to amend the agreement to confirm Viscosa's understanding.

Set forth below are unaudited pro forma combined results of operations of Zoltek and Viscosa for the twelve months ended September 30, 1996 as if the Viscosa acquisition had been completed as of October 1, 1995 and for the twelve months ended September 30, 1995 as if the Viscosa acquisition had been completed as of October 1, 1994. The pro forma combined financial information set forth below is not necessarily indicative of future results of operations or results of operations that would have been reported for the periods indicated had the acquisition of Viscosa been completed as of October 1, 1995 or 1994.

<TABLE>
<CAPTION>

<S>	Twelve Months Ended September 30, 1996 <C>	1995<F*> <C>
Net sales	$80,323,000	$63,483,000

Income (loss) before extraordinary items	6,034,000	(85,000)
Net income	5,996,000	10,542,000
Net income per share	.43	.79

<FN>

<F*> The period ended September 30, 1995 includes extraordinary items related to the sale of certain of Viscosa's assets and the forgiveness of certain of its debt in December 1994 for a net gain of $10.6 million, relating to the Viscosa operations.

</TABLE>

3. Inventories

<TABLE>
<CAPTION>

Inventories consist of the following: September 30,

<S>	1996 <C>	1995 <C>
Raw materials	$ 5,446,296	$ 1,091,113
Work-in-process	1,565,786	106,343
Finished goods	5,584,626	1,929,883
	$12,596,708	$ 3,127,339

</TABLE>

4. Property and equipment

<TABLE>
<CAPTION>

Property and equipment consists of the following: September 30,

<S>	1996 <C>	1995 <C>
Land	$ 1,393,314	$ 314,009
Buildings and improvements	15,974,739	5,290,932
Machinery and equipment	18,905,550	7,272,943
Furniture and fixtures	2,134,226	718,687
	38,407,829	13,596,571
Less: accumulated depreciation	(6,967,251)	(4,240,798)
	$31,440,578	$ 9,355,773

5. Income taxes

The components of the provision for income taxes for the years ended September 30, are as follows:

</TABLE>
<TABLE>
<CAPTION>

From continuing operations:

Current: <S>	1996 <C>	1995 <C>	1994 <C>
Federal	$1,566,000	$ 776,536	$(18,178)
State	98,573	74,177	40,979
Non-U.S. Local	401,000		
	2,065,573	850,713	22,801
Deferred:			
Federal	154,000	4,000	341,000
State	7,000		18,038
Non-U.S.	312,808		

	473,808	4,000	359,038
Total continuing operations	2,539,381	854,713	381,839
From discontinued operations:			
Current:			
Federal	24,000	271,416	125,178
State	1,427	22,871	11,983
Total discontinued operations	25,427	294,287	137,161
	$2,564,808	$1,149,000	$519,000

</TABLE>

Refundable income taxes at September 30, 1994 represent refunds resulting from amended returns filed for prior years to expense research and development costs and recognize tax credits. The benefit of these amended returns is reflected as a reduction of the current tax provision for the year ended September 30, 1994.

Deferred income taxes reflect the tax impact of temporary differences between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. Amounts giving rise to the deferred income tax liability at September 30 are as follows:

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>
Depreciation	$ 863,235	$ 769,919
Inventories	(18,385)	(53,405)
Accrued vacation pay	(35,627)	(25,970)
Deferred state income taxes	(20,740)	(18,360)
Accrued health fund	(3,677)	(15,037)
Other	4,194	(29,147)
Non-U.S. operations deferred tax, net	276,721	
	1,065,721	628,000
Less: tax benefit of stock options	(370,000)	(106,000)
Total deferred tax liability	$ 695,721	$ 522,000

</TABLE>

At September 30, 1996 the Company has deferred tax assets of $2,238,779 related to net operating loss carryforwards and tax positions subject to examination by Hungarian tax authorities. During 1996 the Company recorded a reduction in the valuation allowance of $265,000 related to utilization of net operating loss carryforwards in 1996. The Company has a valuation allowance of $2,238,779 against these deferred tax assets at September 30, 1996.

The provision for income taxes at September 30 differs from the amount using the statutory federal income tax rate (34%) as follows:

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>	1994 <C>
At statutory rate:			
Income taxes on income from continuing operations	$2,961,957	$ 827,000	$401,350
Income taxes on income from discontinued operations	21,800	255,000	117,356
Increases (decreases):			
Lower effective tax rate on non-U.S. operations	(593,000)		
Valuation allowance change	(265,000)		
Local taxes, non-U.S.	401,000		
State taxes, net of federal benefit	70,600	64,000	44,617
R & D tax credits, net of federal benefit		(15,000)	(52,441)
Other	(32,549)	18,000	8,118
	$2,564,808	$1,149,000	$519,000

</TABLE>

For the years ended September 30, 1996, 1995 and 1994, the consolidated income from continuing operations before income taxes by domestic and foreign sources was $5,005,586 and $3,706,051, $2,431,784 and $0 and $1,180,441 and $0, respectively.

ZOLTEK COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Financing

SHORT-TERM DEBT AND CREDIT AGREEMENTS

The Company has short-term debt totaling $3,694,495 at September 30, 1996 of which $3,034,000 was represented by bank loans. The portion of these bank loans secured by inventory is $2,000,000 while the remaining amounts are unsecured. The interest rates on these loans is determined at the time of borrowing based upon the London Interbank Offered Rates (LIBOR) plus 1.5 percent. The remaining balance of the short-term debt represents borrowings of $660,495 under a bank line of credit, secured by Viscosa real estate, with the maximum credit line of $947,000 at September 30, 1996. The interest rates for the line of credit are equal to the Hungarian National Bank prime rate plus 1.5 percent or LIBOR plus 1.5 percent, depending on the currency of repayment.

The Company has a revolving credit agreement which bears interest at prime (prime rate at September 30, 1996 was 8.25%) with a maximum available of $3,500,000. At September 30, 1996 the unused portion of the line of credit amounted to $3,500,000. The Company also has a $1,000,000 unsecured borrowing ability under a working capital credit facility. Additionally, the Company has received a commitment for a $5,000,000 secured equipment loan to finance planned U.S. capital expenditures. There were no borrowings under the working capital credit or secured equipment loan facilities at September 30, 1996.

LONG-TERM DEBT

<TABLE>
<CAPTION>

Long-term debt consists of the following:

	September 30, 1996	September 30, 1995
<S>	<C>	<C>
EQUIPMENT LOANS		
Note payable with interest at 5%, payable in monthly installments of $3,333 principal plus interest on the outstanding balance to maturity in November 1996, at which time the remaining principal balance is due	$ 106,369	$ 243,333
Note payable with interest at 9%, payable in monthly installments of principal and interest of $62,458 to maturity in November 1999	1,810,808	2,366,779
REAL ESTATE LOANS		
Note payable with interest at 9.95%, payable in monthly installments of principal and interest of $19,288 to maturity in September 2009	1,684,431	1,744,950
Note payable with interest at 9.5%, payable in monthly installments of principal and interest of $27,672 to maturity in December 2009	2,489,848	2,580,637
	6,091,456	6,935,699
Less: amounts payable within one year	(884,364)	(744,542)
	$5,207,092	$6,191,157

</TABLE>

Following is a schedule of required principal payments of long-term debt:

<TABLE>
<CAPTION>

YEAR ENDING SEPTEMBER 30,	TOTAL
<S>	<C>
1997	$ 884,364
1998	852,211
1999	732,869
2000	222,555
2001	245,085
Thereafter	3,154,372
	$6,091,456

</TABLE>

The revolving credit agreement and notes payable, aggregating $1,917,177 at September 30, 1996 are secured by accounts receivable, inventories, machinery and equipment, and general intangibles. The remaining notes payable are secured by real estate holdings.

Under the terms of the revolving credit agreement and certain long-term debt, Zoltek is required to maintain a minimum level of tangible net worth and there are restrictions on capital expenditures. The Company is in compliance with the debt covenants at September 30, 1996.

7. Commitments and contingencies

LEASE

Land at the carbon fibers manufacturing facility is leased under an operating lease which provides for 100% real estate tax abatement and expires in December 2065, with a renewal option for 24 years expiring in December 2089. The lease required a prepayment of $50,000 for rental through October 1993 and requires annual rental payments of $57,991 through October 2010. Rental expense related to this lease was $57,991 for the years ended September 30, 1996 and 1995 and $54,552 for 1994.

LEGAL

The Company is a party to various claims and legal proceedings arising out of the normal course of its business. In the opinion of management, the ultimate outcome of these claims and lawsuits will not have a material adverse effect upon the financial condition or results of operations of the Company.

8. Profit sharing plan

The Company maintains a 401(k) Profit Sharing Plan for the benefit of employees who have completed six months of service and attained 21 years of age. The Company's contribution to the plan is determined annually by the Board of Directors. Contributions of $138,600, $75,000 and $55,000 were made for the years ended September 30, 1996, 1995 and 1994, respectively.

9. Recapitalizations and stock splits

In August 1992, the Company's authorized capital structure was changed to 8,000,000 shares of common stock, par value $.01 per share, and 1,000,000 shares of preferred stock, par value $.01 per share. In addition, pursuant to a stock dividend, the Company split its shares of common stock at a rate of 4,000 to 1, thereby increasing issued and outstanding shares from 1,500 to 6,000,000.

On August 31, 1995, the Company announced a three-for-two stock split implemented by a stock dividend of one share for each two shares outstanding. The stock dividend was paid on September 29, 1995 to shareholders of record on September 15, 1995.

In February 1996, the Company's authorized capital structure was changed to 20,000,000 shares of common stock, par value $.01 per share, and 1,000,000 shares of preferred stock, par value $.01 per share.

On May 20, 1996, the Company announced a two-for-one stock split implemented by a stock dividend of one share for each share outstanding. The stock dividend was paid June 17, 1996 to shareholders of record on June 3, 1996.

All share and per share amounts in the accompanying financial statements and notes have been adjusted to give retroactive effect to the stock split for all periods presented except for on the Consolidated Statement of Changes in Shareholders' Equity and Balance Sheet. In these statements, shares issued and outstanding prior to June 17, 1996 are reported on a pre-split basis.

10. Stock options and warrants

INITIAL PUBLIC OFFERING

In November 1992, the Company completed an initial public offering of 3,300,000 shares of common stock and received net proceeds of $3.7 million. The Company applied $1.4 million of the net proceeds to reduce indebtedness and $631,000 was used to reduce accounts payable. The remaining $1.7 million was utilized for capital expenditures. In conjunction with the offering, the Company sold warrants to purchase 165,000 shares of the Company's common stock at an exercise price per share equal to the initial public offering price of $1.33 per share (increasing annually by 7% of the initial public offering price) to the representatives of the underwriters, for an aggregate price of $100.00. These warrants were exercised during fiscal year 1995 at $1.43 per share.

LONG-TERM INCENTIVE PLAN

In July 1992, the Company adopted a Long-term Incentive Plan that authorizes the Compensation Committee of the Board of Directors (the Committee) to grant key employees and officers of the Company incentive or nonqualified stock options, stock appreciation rights, performance shares, restricted shares and performance units. The Committee determines the prices and terms at which awards may be granted along with the duration of the restriction periods and performance targets. Currently, 900,000 shares of common stock may be issued pursuant to awards under the plan. Outstanding stock options expire 10 years from the date of grant or upon termination of employment. Options granted in 1993 vested ratably from date of grant over three years. Options granted in 1995 and 1996 vest 100% five years from date of grant. The options were issued at an option price equal to the market price on the date of grant. Information related to stock options during the four years ended September 30, 1996 is as follows:

	Number of Shares	Option Price
Shares under option at September 30, 1993	400,500	$ 1.33
Granted	-	-
Exercised	85,710	1.33
Forfeited	61,290	1.33
Shares under option at September 30, 1994	253,500	1.33
Granted	390,000	3.42-6.25
Exercised	80,490	1.33
Forfeited	69,510	1.33
Shares under option at September 30, 1995	493,500	1.33-6.25
Granted	275,000	8.38-22.44
Exercised	83,020	1.33
Forfeited	80,480	1.33-3.42
Shares under option at September 30, 1996	605,000	1.33-22.44

DIRECTORS STOCK OPTION PLAN

In July 1992, the Company adopted a Directors Stock Option Plan under which options to purchase 3,000 shares of common stock at the then fair market value will be issued to each non-employee director annually. In addition, newly elected non-employee directors receive options to purchase 3,000 shares of common stock, at the then fair market value. The plan was amended in February 1995 to increase the annual grants to 7,500 shares. Pursuant to the plan, options to purchase 9,000 shares of common stock at an exercise price of $1.33 per share, 9,000 shares of common stock at an exercise price of $2.34 per share, 30,000 shares of common stock at an exercise price of $4.34 per share and 37,500 shares of common stock at an exercise price of $13.50 per share were outstanding as of September 30, 1996. The options expire in 2002, 2004, 2005 and 2006, respectively.

11. Secondary stock offerings

Pursuant to a secondary public offering in November 1995, the Company sold 4,170,000 shares of common stock and received net proceeds of $26.3 million. The Company used approximately $18 million to fund the purchase of Viscosa and the remaining proceeds for Viscosa's working capital needs, and general corporate purposes, including capital expenditures.

On September 18, 1996, the Company completed a secondary offering of 2,300,000 shares of common stock and received net proceeds of $68.9 million. The Company plans to utilize these funds to expand its production capacity by constructing additional continuous carbonization lines by the end of fiscal 1998 and for working capital needs and general corporate purposes.

12. Discontinued operations

In view of ESBU's operating performance, demands of the unit on the Company's finite managerial resources and the perceived opportunities in the carbon fibers operations, the Company's Board of Directors authorized in August 1995 the disposition of the Company's equipment and services business unit. Revenues from the equipment and services business unit were $6,725,000, $5,848,000 and $760,000 in fiscal 1994, 1995 and 1996, respectively.

On August 31, 1995, the Company sold the valves, pumps and repair and fluid-sealing product lines for aggregate consideration of approximately $2.5 million (consisting of $1.7 million cash, $581,000 of debt assumption and a note receivable for $200,000). The sale resulted in an after-tax gain of approximately $230,000 for financial statement reporting purposes which was recorded in the fourth quarter of fiscal 1995. The Company sold the unit's remaining product line, flexible graphite products, on June 30, 1996 in consideration of a note receivable for $206,000, which approximated the net book value of such assets.

13. Summary of quarterly results (unaudited)

<TABLE>
<CAPTION>

FISCAL YEAR 1996	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
<S>	<C>	<C>	<C>	<C>
Net sales	$9,351,709	$18,862,542	$18,999,243	$21,743,264
Gross profit	2,652,176	4,396,605	5,097,417	7,039,049
Net income from continuing operations	934,054	1,234,814	1,584,727	2,418,662
Net income from discontinued operations	17,235	5,192	16,157	0
Net income	$ 951,289	$ 1,240,006	$ 1,600,884	$ 2,418,661
Net income per common and common equivalent share:				
Net income from continuing operations	$ .08	$ .09	$ .12	$ .16
Net income from discontinued operations	.00	.00	.00	.00
Net income	$ .08	$ .09	$ .12	$ .16

<CAPTION>

FISCAL YEAR 1995	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
<S>	<C>	<C>	<C>	<C>
Net sales	$2,401,970	$3,302,401	$2,970,171	$4,023,016
Gross profit	1,079,000	1,245,957	1,231,653	1,425,069
Net income from continuing operations	321,635	352,034	375,536	527,866
Net income from discontinued operations	47,785	89,578	72,350	245,799
Net income	$ 369,420	$ 441,612	$ 447,886	$ 773,665
Net income per common and common equivalent share:				
Net income from continuing operations	$ .03	$ .04	$ .04	$ .05
Net income from discontinued operations	.01	.01	.01	.03
Net income	$ .04	$ .05	$ .05	$ .08

<FN>
Note: Quarterly earnings have been adjusted to reflect the presentation of the Equipment and Services Business Unit as a discontinued operation (Note 12) and to reflect the 3 for 2 stock split effective September 29, 1995 and the 2 for 1 stock split effective June 17, 1996 (Note 9).

<F*> In the fourth quarter of 1995, income from discontinued operations includes the gain on sale of a portion of the Equipment and Services Business Unit of $230,000.
</TABLE>

ZOLTEK COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Segment information

<TABLE>
<CAPTION>

	Twelve months ended September 30, 1996<F*>	1995<F**>
Net sales		
Zoltek Corporation	$ 20,035,802	$12,697,558
Zoltek Magyar Viscosa Rt	48,920,956	
	$ 68,956,758	$12,697,558
Income from operations		
Zoltek Corporation	$ 5,186,479	$ 3,136,990
Zoltek Magyar Viscosa Rt	4,488,983	
	$ 9,675,462	$ 3,136,990
Total assets		
Zoltek Corporation	$ 18,692,171	$18,390,230
Zoltek Magyar Viscosa Rt	41,416,194	
General corporate	74,551,642	
	$134,660,007	$18,390,230
Capital expenditures		
Zoltek Corporation	$ 3,315,366	$ 539,166
Zoltek Magyar Viscosa Rt	1,818,291	
	$ 5,133,657	$ 539,166
Depreciation and amortization expense		
Zoltek Corporation	$ 1,132,874	$ 794,254
Zoltek Magyar Viscosa	1,715,286	
	$ 2,848,160	$ 794,254

<FN>

<F*> Information for Zoltek Magyar Viscosa Rt is from the date of acquisition, December 8, 1995, to September 30, 1996

<F**> Balances exclude ESBU
</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company is a Missouri corporation founded in 1975. Until it entered the carbon fibers business in fiscal 1988, the Company's business consisted of engineering, sales and installation of various process equipment, provision of in-house and field repair services, and distribution of various industrial products manufactured by others.

The Company entered the carbon fiber business in fiscal 1988 through the acquisition of a Lowell, Massachusetts company that produced a line of carbon fiber products for niche and specialty markets. In fiscal 1991, the Company closed its carbon fiber production facility in Lowell, and moved to its new production facility in St. Charles, Missouri. This production facility achieved full production capability in July 1992. In November 1992, the Company completed its initial public offering to finance the new facilities and to fund future growth and product development.

In 1994, the Company began producing low-cost, high-strength carbon fiber products utilizing a proprietary continuous carbonization process to complement its specialty carbon fibers product line. During the same year, the Company negotiated two significant multi-year supply arrangements with BFGoodrich Aerospace for fibers used in carbon/carbon aircraft brakes and with TRW Vehicle Safety Systems for use in enhancing the performance of its airbag propellant. These two supply relationships have provided a substantial sales base to support Zoltek's expansion.

In order to focus its efforts on emerging opportunities in the carbon fibers market, the Company sold all of the assets of its former equipment and services business unit during fiscal 1995 and 1996. The results of the unit's operations have been reclassified to identify them as discontinued operations.

In November 1995, the Company completed a secondary public offering of 4.2 million shares of Common Stock and received net proceeds of $26.3 million. The Company used the proceeds of the offering primarily to acquire substantially all of the shares of Magyar Viscosa Rt. for $17.8 million in December 1995 and to provide working capital to enhance Viscosa's operations. Viscosa manufactures textile-type acrylic fibers, which is the raw material for manufacturing of carbon fibers, as well as nylon and other industrial materials. This acquisition enabled the Company to secure access to the technology underlying the production of the acrylic fiber raw material. The Company also expects Viscosa will begin to supply acrylic fiber used as carbon fiber precursor by the end of 1997. The Viscosa acquisition is reported under the purchase method of accounting and is included in the Company's consolidated financial statements from the date of acquisition.

Zoltek has achieved substantial sales growth in its carbon fibers business. From fiscal 1992 to fiscal 1996, net sales of carbon fibers grew from $3.0 million to $20.0 million. Much of the sales increase came from specialty applications, however, the Company believes that its greatest opportunities are presented by the market for its low-cost carbon fibers used in much broader applications. The Company is producing carbon fibers at its full operational capacity and needs to expand its capacity to meet the indicated and forecasted demand for carbon fiber products.

To support the Company's growth strategy, it completed a secondary stock offering in September 1996. The Company sold 2.3 million shares of

Common Stock and received net proceeds of $68.9 million. The Company is utilizing the net proceeds, together with internally generated funds, to expand its carbon fibers manufacturing capacity from its current capacity of approximately 3.5 million pounds to approximately 35 million pounds in the United States and Hungary over the next four to five years. In addition to securing the raw material source, the Company has developed a standardized continuous carbonization line design to optimize the technical process capabilities, reduce equipment cost and shorten lead time for future expansion between the decision to add capacity and when lines become operational.

COMPARISON OF RESULTS FOR FISCAL YEARS ENDED SEPTEMBER 30, 1996 AND 1995

The Company's net sales increased 443% to $69.0 million in 1996 from $12.7 million in 1995. The increase resulted from an increase in Zoltek's carbon fibers business and the inclusion of Viscosa's revenues since its acquisition on December 8, 1995. Net sales from Zoltek's carbon fibers business totaled $20.0 million in fiscal 1996, an increase of 57% compared to fiscal 1995. Higher sales revenues were recorded across carbon fiber product categories. Growth in carbon fiber sales was constrained by production capacity. For the period from December 8, 1995 to September 30, 1996, Viscosa reported net sales of $49.0 million. All of the Viscosa sales were from the markets Viscosa had historically served prior to the acquisition.

Gross profit increased 285% to $19.2 million in fiscal 1996. Increased gross profit resulted from a 61% increase in gross profit from Zoltek's carbon fiber business and from the operation of Viscosa after its acquisition by the Company. Excluding Viscosa, Zoltek's gross margin from the carbon fibers business was 40% for fiscal 1996. The Company's overall gross profit decreased to 28% for the year from 39% in the prior year due to the acquisition of Viscosa which generates significantly lower gross margins than the carbon fibers business. Although Viscosa's margins are generally lower, its productivity and margins have significantly improved compared to its operations prior to the acquisition.

Selling, general and administrative expenses were $9.5 million for fiscal 1996 compared to $1.8 million during the prior year. Essentially all of the increase resulted from consolidation of the Viscosa operation. To a lesser extent, these expenses increased due to the addition of engineering, development and administrative staff during the year ended September 30, 1996, as well as costs related to the increased sales level.

Interest expense was $1.0 million for fiscal 1996. Interest income for the year was $546,000. Net interest expense declined 34% for fiscal 1996 compared to 1995 largely due to interest generated on increased cash and short-term investment balances in the current year.

During fiscal 1996, the Company reported income tax expense of $2.6 million compared to $1.2 million in 1995. The effective tax rate remained relatively constant between years, excluding the effects of the Viscosa acquisition. The statutory rate for the Viscosa operation in Hungary is 18%. At present, Viscosa has net operating loss carryforwards arising from losses incurred prior to the Company's acquisition. These net operating loss carryforwards resulted in a reduced income tax liability. Due to the substantial uncertainty of the availability of these operating loss carryforwards to reduce Viscosa's future income tax liability, the Company recognized a full valuation allowance against these net operating loss carryforwards at the date of acquisition. During 1996, Viscosa utilized net operating loss carryforwards to reduce the income tax liability by $578,000. Additionally, a valuation allowance adjustment of $265,000 was recognized as a reduction to income tax expense. At September 30, 1996, the Company continues to recognize a valuation allowance against the available net operating loss carryforwards.

In connection with the Company's determination, in August 1995, to dispose of its equipment and services business unit, the Company put the unit's business and related assets up for sale. The valves, pumps, and repair and fluid sealing product lines were sold in August 1995. The Company sold the unit's remaining product line, flexible graphite products, in June 1996 in consideration of a note receivable for $206,000, which approximated the net book value of such assets.

As a result of the foregoing, net income increased 206% to $6.2 million for fiscal 1996 from $2.0 million in 1995. Similarly, the Company reported net income per share of $0.45 for fiscal 1996 compared to net income per share of $0.21 in 1995. Weighted average common shares increased to 13.7 million from 9.6 million primarily due to the secondary offerings in November 1995 and September 1996.

COMPARISON OF RESULTS FOR FISCAL YEARS ENDED SEPTEMBER 30, 1995 AND 1994

Net sales increased by 60% to $12.7 million in 1995 from $7.9 million in 1994. The improvement resulted principally from growth in sales of carbon fibers for aircraft brake, automotive airbag and conductive plastics applications.

Gross profit increased 46% to $5.0 million in 1995 from $3.4 million in 1994. As a percentage of net sales, gross profit was 39% in 1995, compared to 43% in 1994. The decrease was attributable primarily to increases in raw material costs, variations in the mix of products sold and the cost associated with quantities of carbon fibers provided to potential customers for evaluation purposes, the effect of which was partially offset by economies realized from the increase in the level of net sales.

Selling, general and administrative expenses were $1.8 million in 1995 compared to $1.6 million in 1994. Expenses associated with the expanded level of net sales and a $106,000 increase in research and development expense were offset by a decrease of $275,000 in training and start-up expenses for manufacturing capacity added in 1994. As a percentage of net sales, selling, general and administrative expenses were 14.5% in 1995 versus 20.5% in 1994, reflecting improved leveraging of fixed costs.

Interest expense increased to $740,000 from $617,000 in the prior year due primarily to the increase in outstanding long-term debt related to the refinancing of the Company's primary real estate properties, as well as an increase in interest rates.

During 1995, the Company reported income tax expenses from its continued operations of $855,000 compared to income tax expense of $382,000 in 1994, as a result of the increase in the reported level of income. The total income tax provision was $1,149,000 during fiscal 1995 compared to $519,000 during the prior year. The effective tax rate increased to 36.1% from 34.0% in the prior year due to recognition in 1994 of refunds from amending prior years returns to claim research and development tax credits.

In connection with the Company's determination in August 1995 to dispose of its equipment and services business unit, the Company put the unit's business and related assets up for sale. The results of the unit's operations have been reclassified to separately identify them as discontinued operations. The unit reported net sales of $5.8 million in 1995 and $6.7 million in 1994. The unit reported income from operations, net of income taxes, of $456,000 (including an after-tax gain of approximately $230,000) in 1995 versus $208,000 reported in 1994.

As a result of the foregoing, net income was $2.0 million in 1995 compared to net income of $1.0 million reported for 1994. Similarly, the Company reported net income per share of $.21 in 1995 and net income per share of $.11 in 1994.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity historically have been and continue to be cash flow from operating activities and available borrowing capacity under credit facilities. These funding sources have been supplemented with the net proceeds from three equity offerings, long-term debt financing utilizing the equity in the Company's real estate properties and the sale of all of the assets of the Company's equipment and services business unit.

The Company's financial position remains strong and sufficient for execution of its strategic expansion plans. At September 30, 1996 the Company reported working capital of $83.3 million compared to working capital of $6.3 million at September 30, 1995. The increase in working capital was due primarily to receipt of the net proceeds of $ 68.9 million from the September 1996 secondary stock offering and receipt of the net proceeds from the November 1995 secondary stock offering in excess of amounts used to finance the acquisition of Viscosa, as well as increased inventory levels associated with the acquisition and the repayment of long-term liabilities. Other receivables of $2.7 million consisted primarily of VAT and import refunds due Viscosa from the Hungarian taxing authorities. Other long-term liabilities were related to various supply agreements between Viscosa and its vendors.

Historically, cash used in investing activities has been expended for equipment additions and to support research and development of carbon fibers applications, the expansion of the Company's carbon fibers production capacity and the acquisition of Viscosa. In fiscal 1996, the Company incurred capital expenditures of $ 5.1 million for various projects. Of these expenditures approximately $2.1 million was used to increase capacity at the current facilities, $1 million was used for completion of the engineering facility and computer network system and $2.0 million was used for the new continuous carbonization line expansion. These expenditures were financed principally with cash generated from operations. In fiscal 1995, the Company's capital expenditures were $1.0 million, including installation of an enhanced research and development facility. During 1994, the Company invested $1.1 million in manufacturing equipment, primarily for two additional batch carbon fiber furnaces and completion of a continuous carbonization line.

The Company believes that identified and forecasted customer demand for carbon fiber products likely will require substantial increases in capacity. The Company currently is producing carbon fibers at its full operational capacity and needs to expand its capacity to meet the indicated and forecasted demand. The Company is adding to its carbon fibers batch process capacity at its St. Charles, Missouri plant. The Company expects to fund the capital expenditures with available cash. In order to further increase its production capacity, the Company plans to construct (in the U.S. and Hungary) up to 16 additional continuous carbonization lines by the end of fiscal 1998. The Company's current plans call for capital expenditures of approximately $70 million through fiscal 1998 for this expansion. The construction of these continuous carbonization line facilities will be funded with the proceeds of the secondary offering, together with internally generated funds and borrowings.

The Company maintains an excellent relationship with its lead bank, Southwest Bank of St. Louis, and the bank maintains several credit commitments that would allow the Company to borrow up to approximately $10 million. However, the Company has no current plans to borrow under these commitments in the foreseeable future. The Company currently has outstanding a term loan with a principal balance of $1.8 million which matures in 1999. This loan will be repaid during fiscal 1997.

Since the beginning of fiscal 1994, the Company has obtained long-term financing utilizing its equity in its real estate properties. The applicable loan agreements prohibit the payment of dividends without the consent of the lenders. These loans are non-recourse loans for the Company's headquarters and St. Charles manufacturing facility. Based on the interest rates and the nature of the loans, the Company expects to leave these loans in place.

Pursuant to a secondary stock offering in November 1995, the Company sold 4.2 million shares of Common Stock and realized net proceeds of approximately $26.3 million. The Company utilized approximately $17.8 million to fund the purchase of Viscosa. During 1996, the Company has made available a total of $5 million to fund Viscosa's working capital requirements and an additional $1 million to fund capital expenditures associated with new continuous carbonization lines which the Company plans to install at Viscosa. The remaining proceeds will be used for working capital needs of Viscosa and general corporate purposes, including capital expenditures. Beginning in the second quarter of fiscal 1996, Viscosa obtained short-term financing consisting of working capital loans and commercial letters of credit, of which $3.7 million was outstanding at September 30, 1996. The Company plans to repay the Viscosa borrowings during fiscal 1997.

In August 1995, the Company sold its valves, pumps and repair and fluid-sealing product lines for an aggregate sale price of approximately $2.5 million (consisting of $1.7 million cash, $581,000 of debt assumption and a note receivable for $200,000). The Company sold the unit's remaining product line, flexible graphite products, on June 30, 1996 in consideration of a note receivable for $206,000.

Pursuant to a secondary stock offering in September 1996, the Company sold 2.3 million shares of Common Stock and realized net proceeds of approximately $68.9 million. The Company's strategic plan calls for capital expenditures of approximately $70 million through fiscal 1998 to construct substantial increases in production capacity of carbon fibers.

NEW ACCOUNTING STANDARDS

The following recently issued accounting standards will be applicable to the Company for its fiscal year ending September 30, 1997:

SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of," effective for the Company for its fiscal year ending September 30, 1997, establishes standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and those to be disposed of. SFAS 121 is not expected to have a material impact on the Company's financial condition or results of operations.

SFAS 123, "Accounting for Stock-based Compensation," defines the fair value based method of accounting for stock option, purchase an award plans. SFAS 123 allows companies to use the fair value method defined therein or to continue use of the intrinsic value method as outlined in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). SFAS 123 is not expected to have a material impact on the Company's financial condition or results of operations.

PRICE RANGE PER COMMON SHARE
The Company's Common Stock (symbol: "ZOLT") is traded in the NASDAQ National Market System. The number of record holders of the Company's stock is approximately 700.

Set forth below are the high and low bid quotations as reported by NASDAQ for the periods indicated. Such prices reflect interdealer prices, without retail mark-up, mark-down or commission and have been adjusted to reflect the 2-for-1 stock split effective June 17, 1996:

	Fiscal year ended September 30, 1996		Fiscal year ended September 30, 1995	
	HIGH	LOW	HIGH	LOW
First Quarter	$ 8.50	$ 6.50	$ 4.42	$3.33
Second Quarter	23.63	7.88	5.17	3.42
Third Quarter	46.63	21.13	9.21	4.83
Fourth Quarter	39.00	21.00	12.92	6.33

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-83160) pertaining to the Zoltek Companies, Inc. Savings and Profit Sharing Plan, the Registration Statement (Form S-3 No. 33-84070) pertaining to 154,206 shares of common stock, the Registration Statement (Form S-8 No. 33-83160) pertaining to Zoltek Companies, Inc. 1992 Long Term Incentive Plan and Zoltek Companies, Inc. 1992 Directors Stock Option Plan and the Registration Statement (Form S-8 No. 33-06565) pertaining to 34,896 shares of common stock of our report dated November 14, 1996, which appears on page 22 of the 1996 Annual Report to Shareholders of Zoltek Companies, Inc., which is incorporated by reference in Zoltek Companies, Inc. Annual Report on Form 10-K for the year ended September 30, 1996. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 19 of such Annual Report on Form 10-K.

Price Waterhouse LLP
St. Louis, Missouri
December 30, 1996