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Zoltek: A Stock To Love or To Hate

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Take [Zoltek Co.](#), a [St. Louis](#)-based maker of carbon fibers. Last year, it was the subject of one of those torrid Wall Street romances as eager investors bid up its stock price more than 300% to a 2006 high of \$39.74 from its 2005 close of \$8.78.

But then, in a frequent Street occurrence, love quickly turned to hate as the stock tumbled about 50%, which reflected a series of disappointments, among them revenue and earnings shortfalls, problems involving the issuance of a convertible bond, and deferred orders.

In the past two trading sessions, though, the love affair was renewed as the stock jumped more than 13% and closed Friday at \$23.13.

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Zoltek, which in its most recent September 30 fiscal 2006 year posted a net loss of \$65.8 million on sales of \$92.4 million, manufactures carbon fibers that can be used in a variety of applications due to their lightweight, high strength (stronger than steel) conductive and corrosion-resistant properties.

These fibers are most commonly used in aircraft brakes, but Zoltek has been employing them in composites for sporting goods such as golf clubs, tennis rackets, and ski equipment; electricity-generating windmills; photographic tripods; and automobiles ([BMW](#) uses the fibers in bumpers on its M6 model). Zoltek is talking of further expansion in offshore oil and gas development, such as usage in pipes.

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Currently, she points out, carbon fibers have an addressable \$880 million-a-year market, which is expected to grow about 20% to 25% annually to more than \$2 billion by 2010.

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Ms. Lappin is by no means alone in her enthusiasm. Some big institutional investors also hold hefty Zoltek stakes. Among them are [Fred Alger Management](#) and Next Century Growth Investors, each of which, recent filings show, owns a million shares of the stock.

Some other big holders include Oberweis Asset Management (665,000 shares), Winslow Management (826,000 shares), and [PowerShares](#) WilderHill Clean Energy (806,000 shares).

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