

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 1-4219  
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ZAPATA CORPORATION  
(Exact name of Registrant as specified in its charter)

NEVADA  
(State or other jurisdiction of  
incorporation or organization)

74-1339132  
(I.R.S. Employer  
Identification No.)

100 MERIDIAN CENTRE,  
SUITE 350  
ROCHESTER, NY  
(Address of principal executive offices)

14618  
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE  
(585) 242-2000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS  
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NAME OF EACH EXCHANGE ON WHICH REGISTERED  
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Common Stock, \$0.01 par value

New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:  
NONE.

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] or 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]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2003 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$61,866,000. For the sole purpose of making this calculation, the term "non-affiliate" has been interpreted to exclude directors, corporate officers and holders of 10% or more of the Company's common stock. As of March 5, 2004, the Registrant had outstanding 2,391,315 shares of common stock, \$0.01 par value.

Documents Incorporated By Reference: Portions of the Registrant's definitive Proxy Statement for its 2004 Annual Meeting of Stockholders, which the Company plans to file with the Securities and Exchange Commission pursuant to regulations 14A, on or prior to April 29, 2004, are incorporated by reference in Part III (Items 10, 11, 12, 13 and 14) of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. This document contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and includes this statement for purposes of such safe harbor provisions. Forward-looking statements, which are based upon certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans," "seeks," "estimates," "projects" or similar expressions. The ability of the Company to predict results or the actual effect of future plans, strategies or expectations is inherently uncertain. Important factors which may cause actual results to differ materially from the

forward-looking statements contained herein or in other public statements by the Company, Safety Components International, Inc., Omega Protein Corporation and Zap.Com Corporation are described under the caption "Part II -- Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operation -- Significant Factors That Could Affect Future Performance and Forward -- Looking Statements" appearing in this Report and other risks identified from time to time in the Company's filings with the Securities and Exchange Commission ("SEC"), press releases and other communications. The Company assumes no obligation to update forward-looking statements or to update the reasons actual results could differ from those projected in the forward-looking statements.

## PART I

### ITEM 1. BUSINESS

#### GENERAL

Zapata Corporation ("Zapata" or "the Company") was incorporated in Delaware in 1954 and was reincorporated in Nevada in April 1999. The Company's principal executive offices are at 100 Meridian Centre, Suite 350, Rochester, New York 14618. Zapata's common stock is listed on the New York Stock Exchange ("NYSE") and trades under the symbol "ZAP."

Zapata is a holding company which currently has two operating companies, Safety Components International, Inc. ("Safety Components" or "Safety") and Omega Protein Corporation ("Omega Protein" or "Omega"). As of December 31, 2003, the Company had an 83% ownership interest in Safety Components and a 59% ownership interest in Omega Protein. Safety Components trades on the over-the-counter electronic bulletin board ("OTCBB") under the symbol "SAFY" and Omega Protein trades on the NYSE under the symbol "OME." In addition, Zapata owns 98% of Zap.Com Corporation ("Zap.Com"), which is a public shell company and trades on the OTCBB under the symbol "ZPCM." This report should be read in conjunction with the registration statements, reports and other items that these subsidiaries file with the Securities and Exchange Commission ("SEC").

The Company makes certain reports available free of charge on its website at [www.zapatacorp.com](http://www.zapatacorp.com) as soon as reasonably practicable after this information is electronically filed, or furnished to, the United States Securities and Exchange Commission. Information contained on the Company's website is not incorporated by reference to this annual report on Form 10-K.

As used throughout this report, "Zapata Corporate" is defined as Zapata Corporation exclusive of its majority owned subsidiaries Safety Components, Omega Protein and Zap.Com.

#### ZAPATA CORPORATE

On September 23, 2003, Zapata purchased 2,663,905 shares of Safety Components International, Inc. common stock for \$30.9 million and purchased an additional 1,498,489 shares of Safety common stock on October 7, 2003. These additional shares were purchased for \$16.9 million and increased the Company's

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ownership percentage of Safety's outstanding common stock to approximately 84% at that time. The Company accounted for these transactions under the purchase method and began consolidating amounts related to Safety's assets and liabilities as of September 30, 2003. Due to the timing of the acquisition, the Company began consolidating amounts related to Safety's results of operations in the fourth quarter of 2003.

In November 2003, Zapata informed Safety Components that it would like to have its nominees elected to a majority of the positions on the Safety Components Board of Directors. In considering the request, Safety Components' Board of Directors adjourned the previously scheduled 2004 annual stockholders meeting. Ultimately, two Zapata nominees, Avram Glazer and Len DiSalvo, were elected to the Safety Components' Board of Directors. In addition, Safety Components' Board of Directors invited Zapata to submit a proposal to acquire Safety's remaining public shares. Safety Components Board of Directors also advised that it was prepared to elect additional Zapata nominees to a majority of the Safety Components Board in connection with a transaction in which Zapata acquired the remaining public shares.

On November 13, 2003, Zapata submitted to Safety Components Board of

Directors a non-binding preliminary indication of interest to acquire the outstanding shares of Safety Components common stock it did not own at a price of \$11.49 per share. On March 18, 2004, Safety Components and Zapata concurrently announced that a special committee of Safety Components' Board of Directors, formed to evaluate the proposal, determined that it could not approve or recommend the proposed transaction to Safety Components' remaining shareholders. Following Zapata's further discussions with that special committee, the parties mutually determined not to proceed with a transaction at this time.

Upon acquiring more than 80% of the outstanding common stock of Safety Components, Safety Components and its affiliated group of corporations became members of Zapata's affiliated tax group. As a result, in the future Zapata will file tax returns on a consolidated basis with such group. Zapata and Safety Components have entered into a Tax Sharing and Indemnity Agreement to define their respective rights and obligations relating to federal, state and other taxes for taxable periods attributable to the filing of consolidated or combined income tax returns as part of the Zapata affiliated tax group. Pursuant to the Tax Sharing and Indemnity Agreement, Safety Components will be required to pay Zapata its share of federal income taxes, if any. In addition, each party will be required to reimburse the other party for its use of either party's tax attributes. Similar provisions apply under the Tax Sharing and Indemnity Agreement to other taxes, such as state and local income taxes.

Zapata continues to explore ways to enhance Zapata stockholder value through its 59% owned consolidated subsidiary Omega Protein. Possible transactions include the sale, merger or another significant strategic transaction involving Omega, purchases of Omega stock through the open market or private transactions.

In December 2002, the Board of Directors authorized the Company to purchase up to 500,000 shares of its outstanding common stock in the open market or privately negotiated transactions. The shares may be purchased from time to time as determined by the Company. Any purchased shares would be placed in treasury and may subsequently be reissued for general corporate purposes. The repurchases will be made only at such times as are permissible under the federal securities laws. No time limit has been placed on the duration of the program and no minimum number or value of shares to be repurchased has been fixed. Zapata reserves the right to discontinue the repurchase program at any time and there can be no assurance that any repurchases will be made. As of the date of this report, no shares have been repurchased under this program.

In addition, Zapata continues to evaluate strategic opportunities for the use of its capital resources, including the acquisition of other operating businesses, funding of start-up proposals and possible stock repurchases. The Company has not focused and does not intend to focus its acquisition efforts solely on any particular industry or geographical market. While the Company focuses its attention in the United States, the Company may investigate acquisition opportunities outside of the United States when management believes that such opportunities might be attractive. Similarly, the Company does not yet know the structure of any acquisition. The Company may pay consideration in the form of cash, securities of the Company or a combination of both. The Company may raise capital through the issuance of equity or debt and may utilize

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non-investment grade securities as a part of an acquisition strategy. Such investments often involve a high degree of risk and must be considered highly speculative.

As of the date of this report, Zapata is not a party to any agreements related to the acquisition of an operating business, business combination or for the sale or other transaction related to any of its subsidiaries. There can be no assurance that any of these possible transactions will occur or that they will ultimately be advantageous to Zapata or enhance Zapata stockholder value.

Employees. As of December 31, 2003, Zapata Corporate employed 7 employees who performed management and administrative functions, including managing the assets of the Company, providing oversight of its subsidiary operating companies, evaluating potential acquisition candidates, fulfilling various reporting requirements associated with being a publicly traded company and various other accounting, tax and administrative matters.

Due to the timing of Zapata's acquisition of Safety Components common stock, the Company began consolidating amounts related to Safety's results of operations in the fourth quarter of 2003. Disclosures in the following section regarding periods prior to Zapata's acquisition of Safety's common stock are included to provide additional information regarding Safety Components.

General. Safety Components was incorporated in Delaware in 1994. Safety is a leading low-cost, independent supplier of automotive airbag fabric and cushions and technical fabrics with operations in North America and Europe. Safety sells airbag fabric domestically and cushions worldwide to the major airbag module integrators that outsource such products. Safety believes that it is also a leading manufacturer of value-added technical fabrics used in a variety of niche industrial and commercial applications such as fire service apparel, ballistics material for luggage, filtration and military tents. The ability to interchange airbag and specialty technical fabrics using the same equipment and similar manufacturing processes allows Safety to more effectively utilize its manufacturing assets and lower per unit overhead costs.

Net sales of automotive airbag cushions, automotive fabrics and technical fabrics products (the "automotive airbag and fabrics products" business) were approximately \$183.7 million, \$244.3 million and \$203.3 million in the nine month period from March 30, 2003 to December 31, 2003, and the years ended March 29, 2003 and March 30, 2002, respectively.

Fiscal Year. Until December 31, 2003, Safety's operations were based on a fifty-two or fifty-three week fiscal year ending on the Saturday closest to March 31. On November 12, 2003, Safety's Audit Committee and Board of Directors determined that it was in Safety's best interest to change Safety's fiscal year end from the last Saturday in the month of March to December 31 of each year.

The Audit Committee also determined to notify Deloitte & Touche LLP that it would not be retained to perform the audit of the financial statements of Safety for the fiscal year ending March 27, 2004 or any transition period and determined to engage the accounting firm of PricewaterhouseCoopers LLP as independent auditors to audit Safety's financial statements for the fiscal period ended December 31, 2003, Safety's new fiscal year end. The Board of Directors of Safety ratified and approved such decision. As a result of the foregoing, Safety's fiscal year end and independent accountants are the same as those of Zapata.

At a meeting on January 26, 2004, Safety's Board of Directors appointed two designees of Zapata, Avram Glazer and Leonard DiSalvo, as members of Safety's Board of Directors.

The Woodville Acquisition. On November 2, 2001, Safety's U.K. subsidiary, Automotive Safety Components International Limited ("ASCIL"), acquired the airbag business (operated under the name of Woodville Airbag Engineering and hereafter referred to as "Woodville") of TISPP UK Limited, a subsidiary of Smiths Group PLC, to expand its European operations. In regards to Safety Components, such acquisition contributed approximately \$7.8 million in sales and had a negative impact of approximately \$1.1 million on

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gross profit and approximately \$1.5 million on operating income for the period from November 3, 2001 to March 30, 2002. The management and business activities of the Woodville operation were consolidated into the ASCIL operation during the first quarter of fiscal 2003. The manufacturing process and production assets were transferred to other European operations of Safety primarily in lower labor cost facilities and countries.

The 2001 Restructuring. On April 10, 2000 (the "Petition Date"), Safety and certain of its U.S. subsidiaries (collectively, the "Safety Filing Group"), filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). On October 11, 2000 (the "Emergence Date"), the Safety Filing Group emerged from Chapter 11 pursuant to the Plan of Reorganization (the "Plan") confirmed by the Bankruptcy Court.

#### AUTOMOTIVE AIRBAG AND FABRICS PRODUCTS

Structure of the Automotive Airbag Industry. Airbag systems consist of various airbag modules and an electronic control module, which are currently

integrated by automakers into their respective vehicles. Airbag modules generally consist of inflators, cushions, housing and possibly trim covers and are assembled by module integrators, most of whom produce a majority of the components required for a complete module. As the industry has evolved, module integrators have outsourced significant portions of non-proprietary components, such as cushions, to those companies specializing in the production of individual components. Safety believes that its module integrator customers will continue to outsource a portion of their cushion requirements as they focus on the development of proprietary technologies. A majority of the module integrators purchase fabric from airbag fabric producers such as Safety.

Characteristic for the industry, Safety supplies airbag cushions to module integrators, most of which also produce a portion of their cushion requirements internally. As a result, Safety may compete with its customers who supply their own internal cushion requirements. However, in most cases Safety's customers do not produce the same cushions for the same car/truck models for which Safety produces cushions.

Another characteristic of the airbag industry is the qualification process for new suppliers. New suppliers that wish to produce and supply airbag cushions or airbag fabric must undergo a rigorous qualification process, which can take in excess of a year. Safety believes that the existence of this qualification process can result in significant re-qualification costs for module integrators that are required to assist the new supplier in meeting automakers' requirements. Additionally, Safety believes module integrators are, like their automaker customers, trying to reduce overall industry costs by limiting the number of suppliers.

Products. Safety's automotive products include passenger, driver and side (thorax) impact airbag cushions, side protection curtains and knee protection cushions manufactured for installation in over 200 car and truck models sold worldwide and airbag fabric for sale to airbag manufacturers. Sales of airbag related products (inclusive of sales of airbag fabric) accounted for approximately 90% of Safety's consolidated net sales in the nine month period from March 30, 2003 to December 31, 2003. Sales of airbag related products (inclusive of sales of airbag fabric) accounted for approximately 91% and 89% of Safety's consolidated net sales in the fiscal years ended March 29, 2003 and March 30, 2002, respectively.

Safety also manufactures a wide array of specialty technical fabrics for consumer and industrial uses. These fabrics include: (i) protective apparel worn by firefighters; (ii) filtration fabrics used in the aluminum, coal, steel, cement, clay and brewing industries; (iii) woven fabrics for use by manufacturers of coated products; (iv) specialty fabrics used in fuel cells, bomb and cargo chutes, oil containment booms and gas diaphragms; (v) release liners used in tire manufacturing; and (vi) protective high-end luggage fabrics, including "ballistics" fabric used in Hartman and Tumi brands of luggage. Sales of technical related products accounted for approximately 10% of Safety's consolidated net sales in the nine month period from March 30, 2003 to December 31, 2003. Sales of technical related products accounted for approximately 9% and 10% of Safety's consolidated net sales in the fiscal years ended March 29, 2003 and March 30, 2002, respectively. The market for Safety's technical related products is highly segmented by product line. Marketing and sales of Safety's technical related products is conducted by Safety's marketing and sales staff based in Greenville, South Carolina. Manufacturing of these products occurs at the South Carolina facility, using much of the

same equipment and manufacturing processes that Safety uses to produce airbag fabric, enabling Safety to take advantage of demand requirements for the various products by leveraging its expenditures on production retooling costs. By manufacturing technical products with much of the same machines that weave airbag fabric, Safety is able to more effectively utilize capacity at its South Carolina plant and lower per unit overhead costs.

Safety attributes its revenues from external customers based on the location of its sale. Summarized financial information by product type is as follows:

PERIOD FROM	YEAR ENDED	YEAR ENDED
MARCH 30, 2003 TO	MARCH 29, 2003	MARCH 30, 2002
DECEMBER 31, 2003		

SAFETY'S REVENUES FROM EXTERNAL CUSTOMERS:	(NINE MONTHS)	(TWELVE MONTHS)	(TWELVE MONTHS)
UNITED STATES			
Airbag Cushions.....	\$ 47,899	\$ 68,022	\$ 59,697
Airbag Fabric.....	25,321	40,235	44,016
Technical Fabric.....	18,669	22,471	21,537
GERMANY			
Airbag Cushions.....	64,994	72,811	46,544
UNITED KINGDOM			
Airbag Cushions.....	26,783	40,799	31,529
Safety's Total Net Sales.....	\$183,666	\$244,338	\$203,323

Customers. Safety sells its airbag cushions to airbag module integrators in North America and Europe for inclusion in specified model cars, generally pursuant to contract requirements. Certain of these customers also manufacture airbag cushions to be used in their production of airbag modules. Safety markets and sells airbag cushions through its direct marketing and sales forces based in South Carolina, California, Mexico, the United Kingdom and Germany.

Safety sells its fabric in North America either directly to a module integrator or, in some cases, to a fabricator (such as Safety's own operations), which sells a sewn airbag to the module integrator. In some cases, particularly when the cushion requires lower air permeability to facilitate more rapid or prolonged inflation, and to eliminate particulate burn-through caused by hot inflators, the fabric must be coated before fabrication into airbags. Safety also sells fabric to coating companies, which then resell the coated fabric to either an airbag fabricator or module integrator. Sales are either made against purchase orders, pursuant to releases on open purchase orders, or pursuant to short-term supply contracts generally having durations of up to twelve months.

Safety has three significant customers -- Autoliv, Takata-Petri and TRW, listed in alphabetical order -- with which it has contractual relationships. Safety supplies airbag cushions and/or airbag fabric to each of these customers based upon releases from formal purchase orders, which typically cover periods of up to twelve months and are subject to periodic negotiation with respect to price and quantity. The loss of any of these customers could have a material adverse effect on Safety.

Suppliers. Safety's principal customers generally require that they approve all suppliers of major airbag components or airbag fabric raw materials, as the case may be. These suppliers are approved after undergoing a rigorous qualification process on their products and manufacturing capabilities. In many cases, only one approved source of supply exists for certain airbag components. In the event that a sole source supplier experiences prolonged delays in product shipments or no longer qualifies as a supplier, Safety would work together with its customers to identify another qualified source of supply. Although alternative sources of supply generally exist, a prolonged delay in the approval by Safety's customers of any such alternative sources of supply could adversely affect Safety's operating results.

The raw materials for Safety's fabric operations largely consist of synthetic yarns provided by DuPont, Acordis, Unifi and KoSa, among others. The primary yarns include nylon, polyester and Nomex. DuPont and

Acordis are the leading suppliers of airbag fabric yarn to both the market and Safety. DuPont supplies a majority of the nylon yarn used in Safety's airbag fabric operations pursuant to purchase orders or releases on open purchase orders. The loss of DuPont as a supplier could have a material adverse effect on Safety.

In addition, in connection with its European operations, Safety has entered into an agreement with a German industrial sewing company and its Romanian subsidiary under which the Romanian subsidiary serves as a manufacturing subcontractor for airbag cushions. Under the terms of this agreement, Safety provides and retains control of the manufacturing equipment, processes and production materials and the subcontractor provides sewing services for a price per standard minute of acceptable units basis.

Significant problems with, or the loss of, any key supplier or



subcontractor (see also "Risks Resulting from Foreign Operations" below for further information) may adversely affect Safety's operating results and ability to meet customer contracts.

Capacity. Safety manufactured and shipped over 18.4 million airbag cushions to Safety's North American and European customers during the nine month period from March 30, 2003 to December 31, 2003. Safety believes it has adequate capacity to manufacture for the anticipated customer requirements of 2004.

Safety's South Carolina facility produced approximately 16.2 million yards of fabric in the nine month period from March 30, 2003 to December 31, 2003. Safety believes it has adequate capacity to manufacture for the anticipated customer requirements of fiscal 2004. Safety utilizes weaving machines that are versatile in their ability to produce a broad array of air restraint and specialty technical fabrics for use in a large number of applications. The ability to interchange the machines between air restraint fabric and other specialty technical fabrics allows Safety to leverage its utilization of plant assets.

Competition. Safety competes with several independent suppliers of airbag cushions in the United States and Europe for sales to airbag module integrators. Safety also competes with plants owned by its airbag module integrator customers, which produce a substantial portion of airbag cushions for their own consumption, although they do not generally manufacture the same airbag cushions for the same vehicle models that Safety manufactures. Most airbag module integrators subcontract a portion of their requirements for airbag cushions. Safety believes that it has good working relationships with its customers due to its high volume and low-cost manufacturing capabilities and consistency of quality products and service.

Safety shares the North American airbag fabric market primarily with Milliken, Takata-Highland, Mastex, Breed and Autoliv. Takata-Highland, Breed and Autoliv, all airbag module integrators, produce fabric for use in their own airbag cushions.

The automotive airbag cushion, airbag fabric and airbag module markets are highly competitive. Some of Safety's current and potential competitors have greater financial and other resources than Safety. Safety competes primarily on the basis of its price, product quality, reliability, and capability to produce a wide range of models of passenger, driver and side impact airbag cushions. In addition, Safety's weaving plant in South Carolina has provided it with some measure of vertical integration, enhancing its ability to compete in the automotive airbag industry. Increased competition, as well as price reductions of airbag systems, would adversely affect Safety's revenues and profitability.

Technical Centers. Safety has technical centers in Greenville, South Carolina, Ensenada, Mexico and Hildesheim, Germany. The center in Hildesheim, Germany has the ability to conduct static and dynamic deployment testing and analysis using high-speed video equipment and includes pendulum-testing capability, a sample shop with manual and CNC sewing equipment, a production-style laser cutter, volumetric measurement and analysis equipment, textile welding and other non-sewn fastening equipment. The center also has a materials laboratory, and can access the services of laboratory and textile personnel at Safety's facility in Greenville, South Carolina. In North America, the module integrators customarily perform the majority of advanced cushion testing; therefore, Safety has not seen a need for an advanced technical center for cushions in North America. However, all necessary validation testing and process development testing is performed in Ensenada, Mexico. The Ensenada, Mexico technical center consists of a testing laboratory and a dedicated prototype cell, complete with a separate staff and equipment.

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Through its textile laboratory located in Greenville, South Carolina, Safety has the ability to test and analyze a wide range of fabrics (airbag or other) under internationally accepted testing standards, including US-ASTM, Europe-DIN and ISO, Asian-JIS and Underwriters NFPA. The laboratory is A2LA and QS 9000 certified, the most important certifications for the industry. All validation testing and analytical testing of fabric is performed at this laboratory. Additionally, the Greenville facility has prototype-manufacturing capabilities.

Qualification and Quality Control. Safety's customers require Safety to meet specific requirements for design validation. Safety and its customers

jointly participate in design and process validations and customers must be satisfied with the reliability and performance prior to awarding a purchase order. All standards and requirements relating to product performance are required to be satisfied before Safety is qualified as a supplier by its customers.

Safety maintains extensive quality control and quality assurance systems in its North American and European automotive facilities, including inspection and testing of all products, and is QS 9000 and ISO 9001 or ISO 9002 certified. Safety is currently in the process of certification for TS16949 in its various locations. The Greenville facility has completed TS16949 certification and all other locations are expected to be certified by December 2004. Safety also performs process capability studies and design of experiments to determine that the manufacturing processes meet or exceed the quality levels required by each customer.

The fabric operation's laboratories have ISO 17025, ASTM, DIN, JIS and A2LA, as well as UL, accreditation. Safety's fabric operation is also certified under the environmental and energy quality program ISO 14001. Safety was the first airbag fabric manufacturer to have its entire business (not just its manufacturing facility) certified under QS 9000.

Governmental Regulations. Airbag systems installed in automobiles sold in the United States must comply with certain government regulations, including Federal Motor Vehicle Safety Standard 208, promulgated by the United States Department of Transportation. Safety's customers are required to self-certify that airbag systems installed in vehicles sold in the United States satisfy these requirements. Safety's operations are subject to various environmental, employee safety and wage and transportation related statutes and regulations. Safety believes that it is in substantial compliance with existing laws and regulations and has obtained or applied for the necessary permits to conduct its business operations.

Product Liability. Safety is engaged in a business that could expose it to possible claims for injury resulting from the failure of products sold by it. In the past, there has been increased public attention to injuries and deaths of children and small adults due to the force of the inflation of airbags. To date, however, Safety has not been named as a defendant in any automotive product liability lawsuit, nor been threatened with any such lawsuit. Safety maintains product liability insurance coverage, which management believes to be adequate. However, a successful claim brought against Safety resulting in a product recall program or a final judgment in excess of its insurance coverage could have a material adverse effect on Safety.

Seasonality. Safety's airbag cushions and airbag fabric business is subject to the seasonal characteristics of the automotive industry, in which, generally, there are seasonal plant shutdowns in the third and fourth quarters of each calendar year.

Backlog. Safety does not reflect an order for airbag cushions or airbag fabric in backlog until it has received a purchase order and a material procurement release that specifies the quantity ordered and specific delivery dates. Generally, these orders are shipped within two to eight weeks of receipt of the purchase order and material release. As a result, Safety does not believe its backlog is a reliable measure of future airbag sales.

Risks Resulting from Foreign Operations. Certain of Safety's consolidated net sales are generated outside the United States. Foreign operations and exports to foreign markets are subject to a number of special risks including, but not limited to, risks with respect to fluctuations in currency exchange rates, economic and political destabilization and other disruption of markets, restrictive actions by foreign governments (such as restrictions on transfer of funds, export duties and quotas, foreign customs and tariffs and unexpected changes in regulatory environments), changes in foreign laws regarding trade and investment, difficulty in obtaining

distribution and support, nationalization, the laws and policies of the United States affecting trade, foreign investment and loans and foreign tax laws. There can be no assurance that one or a combination of these factors will not have a material adverse effect on Safety's ability to increase or maintain its foreign sales or on its future results of operations.

In addition, Safety has a significant portion of its manufacturing

operations in foreign countries and purchases a portion of its raw materials from foreign suppliers. The production costs, profit margins and competitive position of Safety are affected by the strength of the currencies in countries where it manufactures or purchases goods relative to the strength of the currencies in countries where its products are sold.

Certain of Safety's operations generate net sales and incur expenses in foreign currencies. Safety's financial results from international operations may be affected by fluctuations in currency exchange rates. Future fluctuations in certain currency exchange rates could adversely affect Safety's financial results. Safety monitors its risk associated with the volatility of certain foreign currencies against its functional currency, the U.S. dollar. The impact of changes in the relationship of other currencies to the U.S. dollar in the nine month period from March 30, 2003 to December 31, 2003 has resulted in the recognition of other income of approximately \$2.0 million. However, it is unknown what the effect of foreign currency rate fluctuations will have on Safety's financial position or results of operations in the future. In certain situations, Safety utilizes derivative financial instruments designated as cash flow hedges to reduce exposures to volatility of foreign currencies impacting the operation of its business. See Note 24 to the Consolidated Financial Statements included in Item 8 of this report for information regarding derivatives and hedging.

See "Products" above for additional financial information regarding Safety's revenues by geographic area. (For a consolidated table of geographical distribution of revenues, see Note 25 to the Company's Consolidated Financial Statements included in Item 8 of this report.)

Patents. Safety holds twenty-four patents and approval for nine additional patents are pending. All patents relate to technical improvements for enhancement of product performance with respect to Safety's airbag, fabric and technical related products. Provided that all requisite maintenance fees are paid, the patents held by Safety will expire between the years 2014 and 2020.

Engineering, Research & Development. Safety's fabric and airbag cushions operations have maintained an active design and development effort focused toward new and enhanced products and manufacturing processes. Safety designs and engineers its fabrics to meet its customers' specific applications and needs. While the component manufacturer originates most design requirements, Safety is dedicated to improving the quality of existing products, as well as developing new products for all applications. Costs associated with design and development for fabric and airbag cushions were approximately \$1.2 million, \$1.2 million and \$899,000 in the nine month period from March 30, 2003 to December 31, 2003 and the years ended March 29, 2003 and March 30, 2002, respectively.

Employees. At December 31, 2003, Safety employed approximately 2,800 employees. Safety's hourly employees in Mexico are entitled to a federally regulated minimum wage, which is adjusted annually. Safety's employees at its Mexican facility are unionized. In addition, Automotive Safety Components International GmbH & Co. KG, Safety's wholly owned German subsidiary, has a workers' council pursuant to German statutory labor law. Safety has not experienced any work stoppages related to its work force and considers its relations with its employees and all unions currently representing its employees to be good.

#### OMEGA PROTEIN

General. Omega Protein is the largest processor, marketer and distributor of fish meal and fish oil products in the United States. Omega produces and sells a variety of protein and oil products derived from menhaden, a species of wild herring-like fish found along the Gulf of Mexico and Atlantic coasts. The fish is not genetically modified or genetically enhanced. Omega processes several grades of fish meal (regular or "FAQ" meal and specialty meals), as well as fish oil and fish solubles. Omega's fish meal products are primarily used as a protein ingredient in animal feed for swine, cattle, aquaculture and household pets. Fish oil is utilized for animal and aquaculture feeds, industrial applications, and additives to human food products.

Omega's fish solubles are sold primarily to livestock feed manufacturers, aquaculture feed manufacturers and for use as an organic fertilizer. See "-- Products -- Fish Meal" and "Fish Oil."

All of Omega's products contain healthy long-chain Omega-3 fatty acids. Omega-3 fatty acids are commonly referred to as "essential fatty acids" because the human body does not produce them. Instead, essential fatty acids must be obtained from outside sources, such as food or special supplements. Long-chain Omega-3's are also commonly referred to as a "good fat" for their health benefits, as opposed to the "bad fats" that create or aggravate health conditions through long-term consumption. Scientific research suggest that long-chain Omega-3's as part of a balanced diet may provide significant benefits for health issues such as cardiovascular disease, inflammatory conditions and other ailments.

Under its patented production process, Omega Protein produces OmegaPure(TM), a taste-free, odorless refined fish oil that is the only marine source of long-chain Omega-3's directly affirmed by the U.S. Food and Drug Administration ("FDA") as a food ingredient which is Generally Recognized as Safe ("GRAS"). See "-- Products -- Refined Fish Oil -- Food Grade Oils."

Omega Protein operates four menhaden processing plants: two in Louisiana, one in Mississippi and one in Virginia, as well as a fish oil processing facility also located in Virginia. The four plants have an aggregate annual processing capacity as of December 31, 2003 of 950,000 tons of fish. Omega is also currently constructing a new 100-metric ton per day fish oil processing facility in Reedville, Virginia that is expected to be completed in mid-2004 and will replace its existing oil processing facility. See "-- Company Overview -- Meal and Oil Processing Plants" and "Food Grade Oil Processing Plant."

Omega Protein operates through three material subsidiaries: Omega Protein, Inc., Omega Shipyard, Inc. and Omega Protein Mexico, S. de R.L. de C.V. ("Omega Mexico"). Omega Protein, Inc. is Omega's principal operating subsidiary for its menhaden processing business and is the successor to a business conducted since 1913. Omega Shipyard, Inc. owns a drydock facility in Moss Point, Mississippi, which is used to provide shoreside maintenance for Omega's fishing fleet and, subject to outside demand and excess capacity, third-party vessels. Revenues from shipyard work for third-party vessels in 2003 were not material. Omega Mexico is a new subsidiary formed in 2002 for Omega's meal and oil sales and purchases in Mexico. Omega also has a number of other immaterial direct and indirect subsidiaries. Three former subsidiaries, Protein Operating Company, Protein USA Company and Protein Securities Company, were merged into Omega Protein, Inc. in 2003.

Until April 1998, Omega Protein, including its predecessors, was a wholly-owned subsidiary of Zapata. In April 1998, Omega completed an initial public offering of its common stock. Zapata currently owns 59% of Omega's outstanding common stock.

Geographic Information. Omega Protein operates within one industry segment, menhaden fishing, for the production and sale of fish meal, fish solubles and fish oil. Export sales of fish oil and fish meal were approximately \$46.0 million, \$44.0 million and \$35.7 million in 2003, 2002 and 2001, respectively. Such sales were made primarily to European and Asian markets. In 2003, 2002 and 2001, sales to one customer were approximately \$10.8 million, \$10.5 million and \$7.9 million, respectively. This customer differed from year to year.

The following table shows the geographical distribution of Omega Protein's revenues (in thousands) based on location of customers. (For a consolidated table of geographical distribution of revenues, see Note 25 to the Company's Consolidated Financial Statements included in Item 8 of this report.)

	YEARS ENDED DECEMBER 31,					
	2003		2002		2001	
	REVENUES	PERCENT	REVENUES	PERCENT	REVENUES	PERCENT
U.S. ....	\$ 71,877	61.0%	\$ 73,050	62.4%	\$63,063	63.9%
Europe.....	13,098	11.1%	6,517	5.6%	15,438	15.6%
Asia.....	9,103	7.7%	13,336	11.4%	8,651	8.8%
Canada.....	7,697	6.5%	12,898	11.0%	4,741	4.8%

South & Central America.....	6,331	5.4%	6,155	5.3%	3,356	3.4%
Mexico.....	5,985	5.0%	2,586	2.2%	1,924	1.9%
Other.....	3,835	3.3%	2,466	2.1%	1,579	1.6%
	-----	-----	-----	-----	-----	-----
Total.....	\$117,926	100.0%	\$117,008	100.0%	\$98,752	100.0%
	=====	=====	=====	=====	=====	=====

Fishing. During 2003, Omega Protein owned a fleet of 66 fishing vessels and 31 spotter aircraft for use in its fishing operations and also leased additional aircraft where necessary to facilitate operations. During the 2003 fishing season in the Gulf of Mexico, which runs from mid-April through October, Omega operated 30 fishing vessels and 27 spotter aircraft. The fishing area in the Gulf is generally located along the Gulf Coast, with a concentration off the Louisiana and Mississippi coasts. The fishing season along the Atlantic coast begins in early May and usually extends into December. Omega operated 10 fishing vessels and 7 spotter aircraft along the Mid-Atlantic coast, concentrated primarily in and around Virginia and North Carolina. The remaining fleet of fishing vessels and spotter aircraft are not routinely operated during the fishing season and are back-up to the active fleet, used for other transportation purposes or may be in the process of refurbishment in Omega's shipyard. Subsequent to the 1999 fishing season, Omega Protein embarked on a program of cost-cutting measures which included, among other items, utilization of carry vessels and a reduction in the number of fishing vessels and spotter planes deployed. Since 1999, the deployment of fishing vessels and spotter planes has been reduced by 13 vessels and 8 planes.

Menhaden usually school in large, tight clusters and are commonly found in warm, shallow waters. Spotter aircraft locate the schools and direct the fishing vessels to them. The principal fishing vessels transport two 40-foot purse boats, each carrying several fishermen and one end of a 1,500-foot net. The purse boats encircle the school and capture the fish in the net. The fish are then pumped from the net into refrigerated holds of the fishing vessel or onto a carry vessel, and then are unloaded at Omega's processing plants.

Meal and Oil Processing Plants. During 2003, Omega operated four processing plants, two in Louisiana, one in Mississippi and one in Virginia, where the menhaden are processed into three general products types: fish meal, fish oil and fish solubles. As of December 31, 2003, Omega's four active processing plants had an aggregate annual capacity to process approximately 950,000 tons of fish. Omega's processing plants are located in coastal areas near Omega's fishing fleet. Annual volume processed varies depending upon menhaden catch and demand. Each plant maintains a dedicated dock to unload fish, fish processing equipment and storage capacity.

The fish are unloaded from the fishing vessels into storage boxes and then conveyed into steam cookers. The fish are then passed through presses to remove most of the oil and water. The solid portions of the fish are dried and ground into fish meal. The liquid that is produced in the cooking and pressing operations contains oil, water, dissolved protein and some fish solids. This liquid is decanted to remove the solids and is put through a centrifugal oil and water separation process. The separated fish oil is a finished product called crude oil. The separated water and protein mixture is further processed through evaporators to recover the soluble protein, which can be sold as a finished product or added to the solid portions of the fish for processing into fish meal.

Food-Grade Oil Processing Plant. In April 2003, Omega Protein commenced building a new 100-metric ton per day fish oil processing facility at its Reedville, Virginia plant. The project is expected to be completed by mid-2004. The food-grade facility will include state-of-the-art processing equipment and controls that will allow Omega to refine, bleach, winterize and deodorize its menhaden fish oil and results in refined oil and will more than triple its existing refined fish oil production capacity. The new facility will provide Omega with automated packaging and refrigerated on-site storage capacity. The new complex also will have a new fully equipped lipids laboratory which will enhance the development of Omega-3 oils and food products. Overall, Omega expects to invest approximately \$16 million in the new facility. Omega's existing oil processing facility in Reedville will continue in operation until the new facility is operational.

Products. Omega Protein sells three general types of products: fish meal, fish oil and fish solubles.

Fish Meal. Fish meal, the principal product made from menhaden, is sold primarily as a high-protein feed ingredient. It is used as a protein supplement in feed formulated for pigs and other livestock, aquaculture and household pets. Each use requires certain standards to be met regarding quality and protein content, which are determined by the freshness of the fish and by processing conditions such as speed and temperatures. Omega produces fish meal of several different types:

Special Select(TM). Special Select(TM) is a premium grade low temperature processed fish meal. The quality control guidelines are very stringent, producing a higher protein level and higher digestibility and a lower total volatile nitrogen ("TVN") and histamine count. These guidelines require that only the freshest fish and the most gentle drying process be used. Special Select(TM) is targeted for monogastrics, including baby pigs, turkey poult, mink, shrimp and trout.

SeaLac(TM). SeaLac(TM) is similar to Special Select(TM) in its freshness (low TVN) and gentle drying (high digestibility). During the processing however, Omega Protein removes most of the soluble protein. This step allows the amount of rumen undegradable protein to be maximized while still maintaining excellent digestibility. This product is made specifically for dairy and beef cattle, sheep, goats and other ruminants requiring bypass protein.

FAQ Meal. FAQ (Fair Average Quality) Meal, Omega's commodity grade fish meal, guarantees a protein content of at least 60%. This product typically is used in protein blends for poultry, catfish, pets and other animals.

Fish Oil. Omega Protein produces crude unrefined fish oil, refined fish oil and food grade oils.

Unrefined Fish Oil. Unrefined fish oil (also referred to as crude fish oil) is Omega's basic fish oil product. This grade of fish oil has not undergone any portion of the refining process. Omega Protein's markets for crude fish oil have changed over the past decade. In the early 1990's, Omega's main crude fish oil market, which accounted for greater than 90% of Omega's production, was utilized by manufacturers of hydrogenated oils for human consumption such as margarine and shortening. In 2003, Omega estimates that approximately 60% of its crude fish oil was sold as a feed ingredient to the aquaculture industry. The growth of the worldwide aquaculture industry has resulted in increasing demand for fish oils in order to improve feed efficiency, survivability and health of farm-raised fish species.

Refined Fish Oil. Omega Protein's refined fish oils come in three basic grades and also includes crude fish oils of special quality or that may require custom packaging or special additives.

Feed Grade Oils. Feed grade menhaden oil is processed and refined to offer a high Omega-3 oil for use in premium pet, aquaculture and livestock feeds, as well as agricultural and attractant applications. The processing reduces oxidation while enhancing stable Omega-3 fatty acids for incorporation in the final feed to enhance skin and coat conditioning, reproductive performance, and increasing immunity. Both kosher and organic products are available.

SeaCide(TM). One new product that Omega has developed from refined fish oil is SeaCide(TM). SeaCide(TM) is a unique blend of refined menhaden oil, cottonseed oil and an organic emulsifier developed for use against target pests and diseases that occur in a variety of field crops, orchards, vineyards and

greenhouse operations. SeaCide(TM) is an all natural organic alternative to chemical insecticides and fungicides, is less phytotoxic than petroleum based oils, is compatible with most fertilizers, and is versatile enough for use on virtually any crop.

Food Grade Oils. Omega Protein has developed a patented process to fully refine menhaden oil to remove flavor, odor, and pro-oxidants and offer a naturally high long-chain Omega-3 content. Omega's main product in this grade is OmegaPure(TM). Food applications for OmegaPure(TM) are

designed to deliver a stable, odorless, flavorless source of Omega-3 fatty acids to enhance human nutrition. These applications include mainstream consumer foods, medical care foods and dietary supplements. OmegaPure(TM) also is kosher-certified and organic.

Omega-3 fatty acids exist in two forms: long-chain and short-chain. Short-chain Omega-3's (or alpha-linolenic acid ("ALA")), are generally found in canola oil, soy beans and flaxseed, and generally require five to ten times as much concentration to approach the same benefit levels as long-chain Omega-3's. Long-chain Omega-3 fatty acids are generally found in marine sources and consist of two main types: eicosapentaenoic acid ("EPA") and docosahexaenoic acid ("DHA"). EPA is a fatty acid that generally reduces inflammatory responses and has been linked to the alleviation of symptoms from asthma, arthritis, psoriasis and other inflammatory conditions. DHA is a major structural fatty acid in the brain and the eye's retina. DHA is important for proper brain and eye development in infants and has been shown to support cardiovascular health in adults.

Various scientific studies have linked consumption of Omega-3 fatty acids to a number of nutritional and health benefits, such as heart health, treatment of arthritis and other inflammatory diseases, improving brain and eye function and treatment of depression. For example, in November 2002, the American Heart Association ("AHA") issued a Scientific Statement entitled "Fish Consumption, Fish Oil, Omega-3 Fatty Acids, and Cardiovascular Disease." The Scientific Statement outlines the findings of a comprehensive report that examined the cardiovascular health benefit of Omega-3 fatty acids from fish sources, specifically DHA and EPA. The report concluded that consumption of such Omega-3 fatty acids, either through diet or supplements, reduces the incidence of cardiovascular disease. The statement refers to studies that have indicated the following to be associated with the intake of Omega-3 fatty acids: decreased risk of sudden death and arrhythmia, decreased thrombosis (blood clot), decreased triglyceride levels, decreased growth of atherosclerotic plaque, improved arterial health and lower blood pressure. The Scientific Statement concludes that Omega-3 fatty acids have been shown in epidemiological and clinical trials to reduce the incidence of heart disease.

Menhaden oil currently is the only marine source of long-chain Omega-3's directly affirmed by the FDA as a Generally Recognized As Safe (or "GRAS") food ingredient for direct human consumption. The FDA has approved menhaden oil use in 17 different food categories such as margarine, salad dressings, condiments, yogurt, ice cream, cheese, prepared meats, sauces, soups, crackers, cookies, cereals and bakery products. In February 2002, the FDA posted for public comment a proposed regulation that would add additional food categories to the list already approved for the inclusion of rich menhaden oil. In January 2004, the FDA published a tentative final rule for public comment which would increase to 30 the number of food categories approved for inclusion of menhaden oil, subject to the condition that menhaden oil is not used in combination with other oils that are a significant source of EPA and DHA.

Several additional developments have occurred over the last year that Omega believes could also benefit its sales efforts for OmegaPure(TM).

- In May 2003, the White House Office of Management and Budget requested that the U.S. Department of Agriculture ("USDA") and the Department of Health and Human Services further incorporate the large body of recent public health evidence linking food consumption patterns to health and disease as the USDA's Dietary Guidelines for Americans is revised for its scheduled 2005 release and to update the USDA's Food Guide Pyramid, which was introduced in 1992. The letter stated that "Both epidemiologic and clinical studies find that an increase in consumption of Omega-3 fatty acids results in reduced deaths due to Coronary Heart Disease ("CHD"). The recent revision of the American Heart Association's (AHA's) dietary guidelines recognizes this evidence by recommending consuming

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fish, which is high in Omega-3 fatty acids, at least twice weekly to reduce the risk of CHD. In addition, the AHA recommends the inclusion of oils and other food sources high in Omega-3 fatty acids."

- In July 2003, a U.S. Senate committee report stated that "learning disabilities and behavioral disorders have been linked to low serum levels of Omega-3 fatty acids. Therefore, particular attention should be paid to developing food choices that are high in Omega-3 fatty acids."

- Omega was successful in working with a large supplier of school meals to make available OmegaPure(TM) fortified foods in 38 school districts in south Texas starting in February 2004. Omega hopes to expand the availability of these and additional OmegaPure(TM) fortified products into other school systems in other states.

Industrial Grade Oils. Industrial grade menhaden oil is refined and processed to enhance the unique fatty acid range, making it desirable for a number of drying and lubricating applications including coolant transfer, chemical raw material, drying and rustproofing paints, drilling fluids and leather treatment chemicals.

Fish Solubles. Fish solubles are a liquid protein product used as an additive in fish meal and are also marketed as an independent product to animal feed formulators and the fertilizer industry. Omega's soluble-based products are:

Neptune(TM) Fish Concentrate. This aqua grade liquid protein is composed of low molecular weight, water-soluble compounds such as free amino acids, peptides and nucleotides that are attractants for a variety of aquaculture feeds. The product is utilized in both shrimp and finfish diets to improve attractability and thus consumption and conversion. Neptune(TM) Fish Concentrate also can be added directly to grow-out ponds as a fertilizer to help feed plankton and other natural food sources.

OmegaGrow(TM). OmegaGrow(TM) is a liquid soil or foliar-applied fertilizer for plant nutrition. OmegaGrow(TM) is approved for organic uses by the Organic Materials Review Institute ("OMRI"). OmegaGrow(TM) is a free-flowing product that has been filtered through an 80-mesh screen and can be applied by sprayers or through irrigation systems.

OmegaGrow Plus(TM). OmegaGrow Plus(TM) is a liquid foliar-applied fertilizer for plant nutrition that also helps to control insect and fungus problems. This product has additional oil content of 25% to 30% which is greater than the 7% to 10% oil content typically found in OmegaGrow(TM). These higher levels are detrimental to soft-bodied insects, as well as fungal diseases in citrus and vegetable crops. OmegaGrow Plus(TM) can be used as a replacement for petroleum-based oil sprays.

Distribution System. Omega Protein's distribution system of warehouses, tank storage facilities, vessel loading facilities, trucks, barges and railcars allows Omega to service customers throughout the United States and also foreign locations. Omega owns and leases warehouses and tank storage space for storage of its products, generally at terminals along the Mississippi River and Tennessee River. See "-- Properties." Omega generally contracts with third-party trucking, vessel, barge and railcar companies to transport its products to and from warehouses and tank storage facilities and directly to its customers.

Historically, approximately 35% to 40% of Omega's FAQ grade fish meal was sold on a two-to-twelve-month forward contract basis. The balance of FAQ grade fish meal and other products was substantially sold on a spot basis through purchase orders. In 2002, Omega Protein began a similar forward sales program for its specialty grade meals and crude fish oil due to increasing demand for these products. During 2003, approximately 50% of its specialty meals and crude fish oil had been sold on a forward contract basis. Omega's annual revenues are highly dependent on both annual fish catch and inventories and, in addition, inventory is generally carried over from one year to the next year. Omega determines the level of inventory to be carried over based on prevailing market prices of the products, and sales volumes that will fluctuate from quarter to quarter and year to year. Omega's fish meal products have a useable life of approximately one year from date of production; however, Omega Protein typically attempts to empty its warehouses of the previous season's meal products by the second or third month of the new fishing season. Omega's crude fish oil products do not lose efficacy unless exposed to oxygen and, therefore, their storage life typically is longer than that of fish meal.

Customers and Marketing. Most of Omega Protein's marine protein products are sold directly to about 400 customers by Omega's marketing department, while a smaller amount is sold through independent sales agents. Product inventory was \$30.2 million as of December 31, 2003 versus \$32.0 million on December 31, 2002.

Omega's fish meal is sold primarily to domestic feed producers for



utilization as a high-protein ingredient for the swine, aquaculture, dairy and pet food industries. Fish oil sales primarily involve export markets where the fish oil is used for aquaculture feeds and is refined for use as a hydrogenated edible oil.

Omega Protein's products are sold both in the U.S. and internationally. International sales consist mainly of fish oil sales to Norway, Canada, China, Chile and Mexico. Omega's sales in these foreign markets are denominated in U.S. dollars and not directly affected by currency fluctuations. Such sales could be adversely affected by changes in demand resulting from fluctuations in currency exchange rates.

A number of countries in which Omega currently sells products impose various tariffs and duties, none of which have a significant impact on Omega's foreign sales. Certain of these duties are being reduced annually for certain countries under the North American Free Trade Agreement and the Uruguay Round Agreement of the General Agreement on Tariffs and Trade. In all cases, Omega's products are shipped to its customers either by FOB shipping point or CIF terms, and therefore, the customer is responsible for any tariffs, duties or other levies imposed on Omega's products sold into these markets.

During the off season, Omega fills purchase orders from the inventory it has accumulated during the fishing season. Prices for Omega Protein's products tend to be lower during the fishing season when product is more abundant than in the off season. Throughout the entire year, prices are often significantly influenced by supply and demand in world markets for competing products, primarily other global sources of fish meal and oil, and also soybean meal for its fish meal products, and vegetable oils for its fish oil products when used as an alternative to vegetable oils.

Quality Control. Omega Protein believes that maintaining high standards of quality in all aspects of its manufacturing operations play an important part in its ability to attract and retain customers and maintain its competitive position. To that end, Omega has adopted strict quality control systems and procedures designed to test the quality aspects of its products, such as protein content and digestibility. Omega Protein regularly reviews, updates and modifies these systems and procedures as appropriate.

Purchases and Sales of Third-Party Meal and Oils. Omega has from time to time purchased fish meal and fish oil from other domestic and international manufacturers. Omega has generally resold those products to international customers. These purchase and resale transactions have been ancillary to Omega Protein's base manufacturing and sales business and revenues resulting from these activities have historically not been material.

During 2002, Omega developed a business plan to expand its purchase and resale of other manufacturers' fish meal and fish oil products and engaged a full-time consultant to implement a business plan which focused initially on the purchase and resale of Mexican fish meal and fish oil. In 2002, revenues generated from these types of transactions represented less than 1% of total Company revenues. During 2003, Omega's fish catch and resultant product inventories were reduced, primarily due to adverse weather conditions. Omega supplemented its inventories and subsequent sales by purchasing other fish meal products (primarily Panamanian and Mexican fish meal and U.S. menhaden oil). Although operating margins from these activities are less than the margins typically generated from Omega's base domestic production, these operations provide Omega with a source of fish meal and oil to sell into other markets where it has not historically had a presence. During 2003, Omega purchased products totaling approximately 12,500 tons, or approximately 5% of total volume sales.

Insurance. Omega Protein maintains insurance against physical loss and damage to its assets, coverage against liabilities to third parties it may incur in the course of its operations, as well as workers' compensation, United States Longshoremen's and Harbor Workers' Compensation Act and Jones Act coverage. Assets are insured at replacement cost, market value or assessed earning power. Omega Protein's limits for liability coverage are statutory or \$50 million. The \$50 million limit is comprised of several excess liability policies,

which are subject to deductibles, underlying limits and exclusions. Omega believes its insurance coverage to be in such form, against such risks, for such amounts and subject to such deductibles and self-retentions as are prudent and normal for its operations. Omega does not carry insurance against terrorist

attacks, or against business interruption, in large part because of the high costs of such insurance. A general hardening of the world insurance markets in recent years has made insurance more costly and is likely to continue to increase Omega's cost of insurance. Depending on the magnitude of the increase in insurance premiums, Omega may elect to increase its deductibles and self-retentions in order to achieve lower insurance premium costs. These higher deductibles and self-retentions will expose Omega to greater risk of loss if claims occur.

Competition. The marine protein and oil business is subject to significant competition from producers of vegetable and other animal protein products and oil products such as Archer Daniels Midland and Cargill. In addition, but to a lesser extent, Omega Protein competes with smaller domestic privately-owned menhaden fishing companies and international marine protein and oil producers, including Scandinavian herring processors and South American anchovy and sardine processors. Many of these competitors have greater financial resources and more extensive operations than Omega.

Omega competes on price, quality and performance characteristics of its products, such as protein level and amino acid profile in the case of fish meal. The principal competition for Omega's fish meal and fish solubles is from other global production of marine proteins as well as other protein sources such as soybean meal and other vegetable or animal protein products. Omega believes, however, that these other non-marine sources are not complete substitutes because fish meal offers nutritional values not contained in such other sources. Other globally produced fish oils provide the primary market competition for Omega Protein's fish oil, as well as soybean and palm oil, from time to time.

Fish meal prices have historically borne a relationship to prevailing soybean meal prices, while prices for fish oil are generally influenced by prices for vegetable fats and oils, such as soybean and palm oils. Thus, the prices for Omega's products are established by worldwide supply and demand relationships over which Omega has no control and tend to fluctuate significantly over the course of a year and from year to year.

Regulation. Omega Protein's operations are subject to federal, state and local laws and regulations relating to the locations and periods in which fishing may be conducted as well as environmental and safety matters. At the state and local level, certain state and local government agencies have either enacted legislation and to prohibit, restrict or regulate menhaden fishing within their jurisdictional waters. In January 2002, the State of New Jersey enacted legislation which extended an existing 1.2 mile no-fishing zone for menhaden an additional 1.8 miles offshore. Omega historically has caught an immaterial amount of its fish catch in the newly closed area and believes that this restriction will have no material effect on Omega's operations or financial results. Omega remains able to conduct its fishing operations off the New Jersey coast outside this new three-mile limit.

Omega Protein, through its operation of fishing vessels, is subject to the jurisdiction of the U.S. Coast Guard, the National Transportation Safety Board and the U.S. Customs Service. The U.S. Coast Guard and the National Transportation Safety Board set safety standards and are authorized to investigate vessel accidents and recommend improved safety standards. The U.S. Customs Service is authorized to inspect vessels at will.

Omega Protein's operations are subject to federal, state and local laws and regulations relating to the protection of the environment, including the federal Clean Water Act, which imposes strict controls against the discharge of pollutants in reportable quantities, and along with the Oil Pollution Act, imposes substantial liability for the costs of oil removal, remediation and damages. Omega's operations also are subject to the federal Clean Air Act, as amended; the federal Comprehensive Environmental Response, Compensation, and Liability Act, which imposes liability, without regard to fault, on certain classes of persons that contributed to the release of any "hazardous substances" into the environment; and the federal Occupational Safety and Health Act ("OSHA"). The implementation of continuing safety and environmental regulations from these authorities could result in additional requirements and procedures for Omega and it is possible that the costs of these requirements and procedures could be material.

Superfund Amendment and Reauthorization Act and similar state statutes require Omega to organize information about hazardous materials used or produced in its operations. Certain of this information must be provided to employees, state and local governmental authorities and local citizens. Numerous other environmental laws and regulations, along with similar state laws, also apply to the operations of Omega, and all such laws and regulations are subject to change.

Omega Protein has made, and anticipates that it will make in the future, expenditures in the ordinary course of its business in connection with environmental matters. Such expenditures have not been material in the past and are not expected to be material in the future. However, there is no assurance that environmental laws and regulations enacted in the future will not require material expenditures or otherwise adversely affect Omega Protein's operations.

Omega Protein continually monitors regulations which affect fish meal and fish oil in the United States and in those foreign jurisdictions where it sells its products. In some cases, particularly in Europe, regulators have mandated various environmental contaminant levels which, on occasion, certain of Omega's products do not meet. In those instances, Omega has either negotiated a lower price with the customer for that product lot or has sold the product lot in another market where the regulatory standards are met. To date, such regulations have not had a material adverse effect on Omega's business, but it is possible they may do so in the future. In that event, Omega would likely install contaminant cleaning technology which would involve undetermined amounts of capital expenditures and possibly higher costs to produce its product.

Omega Protein's harvesting operations are subject to the Shipping Act of 1916 and the regulations promulgated thereunder by the Department of Transportation, Maritime Administration which require, among other things, that Omega Protein be incorporated under the laws of the U.S. or a state, Omega's chief executive officer be a U.S. citizen, no more of Omega's directors be non-citizens than a minority of the number necessary to constitute a quorum and at least 75% of Omega's outstanding capital stock (including a majority of Omega's voting capital stock) be owned by U.S. citizens. If Omega fails to observe any of these requirements, it will not be eligible to conduct its harvesting activities in U.S. jurisdictional waters. Such a loss of eligibility would have a material adverse effect on Omega's business, results of operations and financial condition.

To protect against such loss of eligibility, Omega's Articles of Incorporation (i) contain provisions limiting the aggregate percentage ownership by non-citizens of each class of Omega's capital stock to no more than 25% of the outstanding shares of each such class (the "Permitted Percentage") so that any purported transfer to non-citizens of shares in excess of the Permitted Percentage will be ineffective as against Omega for all purposes (including for purposes of voting, dividends and any other distribution, upon liquidation or otherwise), (ii) provide for a dual stock certificate system to determine such ownership pursuant to which certificates representing shares of Company Common Stock bear legends that designate such certificates as either "citizen" or "non-citizen" depending on the citizenship of the owner, and (iii) permit Omega's Board of Directors to make such determinations as may reasonably be necessary to ascertain such ownership and implement restrictive limitations on those shares that exceed the Permitted Percentage (the "Excess Shares"). For example, Omega's Board is authorized, among other things, to redeem for cash (upon written notice) any Excess Shares in order to reduce the aggregate ownership by non-citizens to the Permitted Percentage.

Omega Protein believes that during the past five years it has substantially complied with all material statutes and regulations applicable to its operations, the failure to comply with which would have had a material adverse impact on its operations.

Employees. As of December 31, 2003, during its off-season, Omega Protein employed approximately 450 persons. As of August 31, 2003, during the peak of the 2003 fishing season, Omega employed approximately 950 persons. Approximately 140 employees at Omega's Virginia facility are represented by an affiliate of the United Food and Commercial Workers Union. During the past five years Omega has not experienced any strike or work stoppage which has had a material impact on its operations. Omega considers its employee relations to be generally satisfactory.

In December 2000, Zap.Com exited the Internet business and terminated all salaried employees and third party contractual relationships. Currently, Zap.Com does not have any existing business operations, other than maintaining its status as a public shell company. Zap.Com is likely to search for assets or businesses that it can acquire so that it can become an operating company. Zap.Com may also consider developing a new business suitable for its situation.

Employees. As of December 31, 2003, Zap.Com had two employees, Avram Glazer, President and CEO, and Leonard DiSalvo, VP-Finance and Chief Financial Officer. Neither Mr. Glazer nor Mr. DiSalvo receive a salary from Zap.Com and currently devote a significant portion of their business time to Zapata, where they hold the same offices. Both of these officers, however, devote such time to Zap.Com's affairs as is required to perform their duties to Zap.Com.

FINANCIAL INFORMATION ABOUT SEGMENTS

Information required by this section is incorporated by reference from Note 25 to the Company's Consolidated Financial Statements included in Item 8 of this Report.

ITEM 2. PROPERTIES

ZAPATA CORPORATE

Zapata's corporate headquarters are located in Rochester, New York where the Company leases approximately 3,000 square feet of office space. Additional leased space includes 5,000 square feet of office space located in New York City which had been previously used by a former subsidiary of the Company. Due to the termination of all Internet operations, Zapata is in the process of finding a third party to sublease the New York City office space. Zapata believes its facilities and those of its subsidiaries are adequate and suitable for its current level of operations.

SAFETY COMPONENTS

Safety's corporate headquarters are located in Greenville, South Carolina in a facility owned by the Company, adjacent to its Safety Components Fabric Technologies, Inc. ("SCFTI") manufacturing facility. Safety owns or leases five facilities in which it manufactures airbag and technical fabrics related products, with total plant area of approximately 1.2 million square feet (including administrative, warehouse, engineering and research and development areas housed at its locations). Below is an overview of Safety's properties at its airbag and technical fabrics related products facilities as of December 31, 2003.

LOCATION	FLOOR AREA (SQ. FT.)	OWNED/ LEASED	LEASE EXPIRATION	
Ensenada, Mexico (airbag cushions).....	97,000	Leased	2005	(1) ( )
Ensenada, Mexico (airbag cushions).....	43,000	Leased	2007	(1) ( ) (2) (7)
Greenville, South Carolina (airbag and technical fabrics).....	826,000	Owned	N/A	(1) ( ) (3) (7)
Hildesheim, Germany (airbag cushions).....	70,000	Owned	N/A	(1) ( ) (7)
Jevicko, Czech Republic (airbag cushions).....	100,000	Owned	N/A	(4) ( )
Otay Mesa, California (airbag cushions).....	16,000	Leased	2006	(5) ( ) (7)
Crumlin, Wales (airbag cushions).....	60,000	Leased	2008	(6) ( ) (7)

- (1) Manufacturing, research and development and office space
- (2) Lease also provides for five-year renewal option
- (3) Location of corporate offices
- (4) Manufacturing and office space
- (5) Finished goods distribution center and office space

(6) Research and development and office space

(7) Location of marketing and sales offices

OMEGA PROTEIN

Administrative and Executive Offices. Omega leases office space from unaffiliated third parties in Hammond, Louisiana for its administrative offices and in Houston, Texas for its executive offices.

Plants. Omega owns its plants in Reedville, Virginia, Moss Point, Mississippi and Abbeville, Louisiana (except for a small leased portion of the Abbeville facility), as well as its Morgan City, Louisiana property which was formerly operated as a plant. Omega leases from unaffiliated third parties the real estate on which its Cameron, Louisiana plant is located. The Cameron plant lease provides for a 10 year term ending on June 30, 2012 (with one 10-year renewal option) and annual rent of \$64,000.

Warehouse and Storage. Omega owns, as well as leases from unaffiliated third parties, warehouses and tank space for storage of its products, generally at terminals located along the Mississippi River and Tennessee River. Omega's material storage facilities are located at:

LOCATION -----	APPROXIMATE FISH MEAL AND FISH OIL CAPACITY -----	OWNED/LEASE -----
Reedville, Virginia.....	29,950 short tons	Owned
Abbeville, Louisiana.....	14,500 short tons	Owned
Moss Point, Mississippi.....	10,900 short tons	Owned
Morgan City, Louisiana.....	10,000 short tons	Owned
St. Louis, Missouri.....	10,000 short tons	Owned
Avondale, Louisiana.....	25,000 metric tons	Leased
Cameron, Louisiana.....	13,900 short tons	Leased
East Dubuque, Illinois.....	11,000 short tons	Leased
Guntersville, Alabama.....	10,000 short tons	Leased
Norfolk, Virginia.....	2,500 metric tons	Leased

Shipyard. Omega owns a 49.4 acre shipyard facility in Moss Point, Mississippi which includes two dry docks, each with a capacity of 1,300 tons. The shipyard is used for routine maintenance and vessel refurbishment on its fishing vessels and for shoreside maintenance services to third-party vessels if excess capacity exists.

ZAP.COM

Zap.Com's headquarters are located in Rochester, New York, in space subleased to it by Zapata on a month-to month basis. Zapata has advised Zap.Com that it will not charge rent or other fees for the use of this space for future periods until further notice.

ITEM 3. LEGAL PROCEEDINGS

LITIGATION

Zapata and Omega Protein were named as defendants in a lawsuit instituted on March 10, 2003 in the District Court of Clark County, Nevada by Omega Protein shareholder Robert Strougo. Plaintiff brought the action individually and as a putative class action on behalf of all Omega Protein stockholders. No class period was identified. Also named as defendants in the lawsuit were Avram A. Glazer, Chairman, President and CEO of Zapata and Darcie Glazer, a director of Zapata, both of whom are also directors of Omega Protein, and all other Omega Protein directors. Plaintiff claims that the individual defendants and Zapata breached their fiduciary duties to Omega Protein's stockholders by not properly considering a so-called offer sent via e-mail to Zapata by Hollingsworth, Rothwell & Roxford, a Florida partnership. On July 30, 2003, the court granted Zapata's motion to dismiss the Complaint and denied the Plaintiffs' cross-motion for leave to amend.

On October 20, 2003 an order of dismissal signed by Judge Leavitt was filed in the district court for Clark County, Nevada dismissing its claims against Zapata pursuant to NRC 12(b)(5), for failure to state a claim upon which relevancy may be granted and deny its counter-motion to amend on the basis of futility. Zapata filed applications to recover its costs and attorney fees. Plaintiff appealed the court's decision on November 20, 2003. Thereafter, Plaintiff and Zapata agreed that Plaintiff would withdraw his appeal in exchange for Zapata withdrawing its claim for attorney fees and costs. On February 10, 2004, the Court, based on the stipulation of the parties, dismissed the appeal and directed each party to bear their own costs and attorney fees. Accordingly, this matter is now concluded.

Omega Protein and each of its directors were named as defendants in a lawsuit instituted in September 2003 in a Texas state court by purported Omega stockholder Joseph Chaput. The lawsuit alleged that the defendants breached their fiduciary duties to Omega's stockholders by not properly considering an acquisition offer sent in August 2003 by Ferrari Investments and requested injunctive relief. In December 2003, the plaintiff dismissed the lawsuit voluntarily with no cost to Omega or its directors.

Zapata is involved in litigation relating to claims arising out of its past and current operations in the normal course of business. Zapata maintains insurance coverage against such potential ordinary course claims in an amount in which it believes to be adequate. While the results of any ultimate resolution cannot be predicted, in the opinion of Zapata's management, based upon discussions with counsel, any losses resulting from these matters will not have a material adverse effect on Zapata's results of operations, cash flow or financial position.

#### ENVIRONMENTAL MATTERS

Like similar companies, the operations and properties of Zapata's subsidiaries are subject to a wide variety of increasingly complex and stringent federal, state, local and international laws and regulations, including those governing the use, storage, handling, generation, treatment, emission, release, discharge and disposal of certain materials, substances and wastes, the remediation of contaminated soil and groundwater, and the health and safety of employees (collectively, "Environmental Laws"). Such laws may impose joint and several liability and may apply to conditions at properties presently or formerly owned or operated by an entity or its predecessor as well as to conditions of properties at which wastes or other contamination attributable to an entity or its predecessor have been sent or otherwise come to be located. The nature of the operations of Zapata's operating subsidiaries exposes them to the risk of claims with respect to such matters and there can be no assurance that violations of such laws have not occurred or will not occur or that material costs or liabilities will not be incurred in connection with such claims. Based upon its experience to date, Zapata believes that the future cost of compliance with existing Environmental Laws and liability for known environmental claims pursuant to such Environmental Laws, will not have a material adverse effect on Zapata's financial position, results of operations or cash flows. However, future events, such as new information, changes in existing Environmental Laws or their interpretation, and more vigorous enforcement policies of regulatory agencies, may give rise to additional expenditures or liabilities that could be material.

Low levels of contaminants were found at Safety's facility in Greenville, South Carolina (the "Greenville facility") during groundwater sampling in 1998. In February 1999, the Greenville facility received a notice letter from the South Carolina Department of Health and Environmental Control ("DHEC") regarding the groundwater contamination. Over the past four years Safety Components has performed groundwater monitoring and implemented a program for in-site remediation of the groundwater. As a result, Safety received a "no further action" letter from DHEC in its fiscal year ended March 29, 2003, ending the DHEC investigation. An undiscounted reserve of \$277,000 has been included in "other long-term liabilities" on the accompanying consolidated balance sheets for estimated future environmental expenditures related to the Greenville facility for conditions existing prior to Safety's ownership of the facility. Such reserve was established at the time Safety acquired the facility, and the amount was determined by reference to the results of a Phase II study performed at the Greenville facility. The Greenville facility has also been identified along with numerous other parties as a Potentially Responsible Party at the Aquatech Environmental, Inc. Superfund Site. Safety believes that it is a de minimis party with respect to the site and that future clean-up costs incurred will not be material.

Although no assurances can be given in this regard, in the opinion of Safety's management, no material expenditures beyond those accrued will be required for Safety's environmental control efforts and the final outcome of these matters will not have a material adverse effect on Safety's financial position or results of future operations. Safety believes that it currently is in compliance with applicable environmental regulations in all material respects. Safety's management's opinion is based on the advice of independent consultants on environmental matters.

Zapata and its subsidiaries are subject to various possible claims and lawsuits regarding environmental matters in addition to those discussed above. Zapata's management believes that costs, if any, related to these matters will not have a material adverse effect on the consolidated results of operations, cash flows or financial position of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of Zapata's stockholders during the fourth quarter of 2003.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Zapata's common stock is listed on the New York Stock Exchange ("NYSE") and trades under the symbol "ZAP." The high and low sales prices for the common stock, as reported in the consolidated transactions reporting system, for each quarterly period for the last two fiscal years, are shown in the following table.

	HIGH -----	LOW -----
YEAR ENDED DECEMBER 31, 2003		
First Quarter.....	\$41.00	\$30.69
Second Quarter.....	49.40	33.75
Third Quarter.....	62.40	48.37
Fourth Quarter.....	58.51	49.00
YEAR ENDED DECEMBER 31, 2002		
First Quarter.....	\$33.80	\$19.60
Second Quarter.....	30.30	24.76
Third Quarter.....	30.30	24.60
Fourth Quarter.....	30.45	25.70

The Company has not declared any dividends since the Company's Board of Directors determined in 1998 to discontinue dividend payments. The Company may use all or a significant portion of its cash assets in the acquisition of new operating businesses or for the repurchase of stock as discussed below. See "Item 1 -- Description of Business -- Zapata Corporate Business Acquisitions." In deciding whether to declare dividends, the Company's Board of Directors will consider the Company's operating results, cash flow, financial condition, capital requirements, general business condition of its future operating businesses and such other factors, as the Board deems relevant. The rights of the holders of common stock to receive dividends or other payments with respect thereto in the future will be subject to the prior and superior rights of holders of Zapata's Preferred Stock and Preference Stock then outstanding. Zapata has authorized Preferred Stock and Preference Stock, none of which are outstanding as of the date of this report.

On December 6, 2002, the Board of Directors authorized the Company to purchase up to 500,000 shares of its outstanding common stock in the open market or privately negotiated transactions. The shares may be purchased from time to time as determined by the Company. Any purchased shares would be placed in treasury and may subsequently be reissued for general corporate purposes. The repurchases will be made only at such times as are permissible under the federal securities laws. No time limit has been placed on the

repurchased has been fixed. Zapata reserves the right to discontinue the repurchase program at any time and there can be no assurance that any repurchases will be made. As of the date of this report, no shares have been repurchased under this program.

As of March 5, 2004, there were approximately 2,950 holders of record of common stock. This number does not include the stockholders for whom shares are held in a "nominee" or "street" name.

The following table sets forth information as of December 31, 2003, with respect to compensation plans under which equity securities of the Company are authorized for issuance:

PLAN CATEGORY	NUMBER OF SECURITIES TO BE	WEIGHTED-AVERAGE	NUMBER OF SECURITIES REMAINING
	ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (A))
	(IN THOUSANDS)		(IN THOUSANDS)
Equity compensation plans approved by security holders.....	170	\$44.40	739
Equity compensation plans not approved by security holders.....	--	--	--
Total.....	170	\$44.40	739
	===	=====	===

#### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected historic consolidated financial information of the Company for the periods and as of the dates presented and should be read in conjunction with the Company's Consolidated Financial Statements and the related notes thereto included in Item 8 of this Report and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of this Report. All amounts are in thousands, except for per share amounts.

	FOR THE YEAR ENDED DECEMBER 31,				
	2003 (1)	2002 (2)	2001 (3) (4)	2000 (5) (6) (7)	1999 (8)
<b>Income Statement Data:</b>					
Revenues.....	\$181,429	\$117,008	\$ 98,836	\$ 84,140	\$ 93,666
Operating income (loss).....	6,790	15,797	1,692	(38,386)	(33,886)
Net income (loss) to common stockholders.....	892	6,473	4,434	(25,988)	(20,332)
<b>Earnings (loss) per share:</b>					
Basic.....	0.37	2.71	1.85	(10.88)	(8.51)
Diluted.....	0.37	2.70	1.85	(10.88)	(8.51)
Cash dividend paid.....	--	--	--	--	--
Common stock dividends paid, per share.....	--	--	--	--	--
<b>Cash Flow Data:</b>					
Capital expenditures.....	15,451	7,803	1,972	8,452	15,665
<b>Balance Sheet Data:</b>					
Working capital.....	\$140,305	\$148,580	\$133,736	\$100,628	\$170,126
Property and equipment, net.....	125,695	80,842	82,239	89,374	91,052
Total assets.....	359,039	284,977	271,677	261,859	299,814
Current maturities of long-term debt.....	5,780	1,270	1,296	1,227	1,146
Long-term debt.....	29,422	14,239	15,510	14,827	16,069
Stockholders' equity.....	182,537	175,262	169,851	164,995	196,245

(1) During 2003, the Company purchased approximately 84% of the common stock of Safety Components. Accordingly, balance sheet data related to Safety has



been included in the Company's consolidated balance sheet since the date of acquisition. The Company began consolidating amounts related to Safety's income statement and cash flow in the fourth quarter of 2003.

- (2) During 2002, the Company received a federal tax refund of approximately \$17.3 million primarily related to losses realized on the sale in 2001 of certain non-investment grade securities and the Company's Viskase shares.
- (3) Based on adverse market conditions and the sale of non-investment grade securities during 2001, the Company recognized impairment charges of approximately \$11.8 million.
- (4) The Company sold its Viskase shares September 2001. See Note 2 above.
- (5) In connection with the termination of its Internet businesses in December 2000, Zap.Com recorded the necessary charges to write down applicable investments in long-lived assets (which consisted mainly of its capitalized software costs) to fair value, and to record estimated liabilities, including costs associated with the termination of various contracts. These charges totaled \$1.5 million. In addition, Charged Productions, Inc. (a former subsidiary of the Company) incurred a one-time charge of approximately \$434,000 related to asset write-downs and approximately \$182,000 related to contract termination expenses.
- (6) Based on adverse market conditions, the Company recorded impairment losses of \$13.2 million during 2000 related to its non-investment grade holdings.
- (7) During 2000, Omega Protein recorded inventory write-downs of \$18.1 million for market declines in the inventory values of Omega Protein's fish meal and fish oil.
- (8) During 1999, Omega Protein recorded inventory write-downs of \$18.2 million for market declines in the inventory values of Omega Protein's fish meal and fish oil. Omega also recorded a pre-tax charge of \$2.3 million during 1999 for the write-down of certain impaired in-line processing assets at its Morgan City, Louisiana plant.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the Company's financial condition and results of operations. This discussion should be read in conjunction with the Company's Consolidated Financial Statements included in Item 8 of this Report. This discussion contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below in "Significant Factors That Could Affect Future Performance and Forward-Looking Statements," as well as those discussed in this section and elsewhere in this report.

#### GENERAL

Zapata is a holding company which currently has two operating companies, Safety Components International, Inc. ("Safety Components" or "Safety") and Omega Protein Corporation ("Omega Protein" or "Omega"). As of December 31, 2003, the Company had an 83% ownership interest in Safety Components and a 59% ownership interest in Omega Protein. Safety Components trades on the over-the-counter electronic bulletin board under the symbol "SAFY" and Omega Protein trades on the New York Stock Exchange under the symbol "OME." In addition, Zapata owns 98% of Zap.Com Corporation ("Zap.Com"), which is a public shell company and trades on the over-the-counter electronic bulletin board under the symbol "ZPCM."

#### ZAPATA CORPORATE

On September 23, 2003, Zapata purchased 2,663,905 shares of Safety Components International, Inc. common stock in privately negotiated transactions for \$30.9 million. On October 7, 2003, Zapata purchased an additional 1,498,489 shares of Safety common stock in privately negotiated transactions. These additional shares were purchased for \$16.9 million and increased the Company's ownership percentage of Safety's outstanding common stock to approximately 84% at that time. The Company accounted for these transactions

under the purchase method and began consolidating amounts related to Safety's assets and liabilities as of September 30, 2003 and operational information in the fourth quarter of 2003.

Under the SEC rules, financial statements filed with the SEC companies following a more than 95% change in ownership have to be restated to reflect the purchaser's push-down basis of accounting. Push down accounting is the establishment of a new accounting and reporting basis for a subsidiary company in its separate financial statements based on the purchase price paid by the parent company to acquire a controlling interest in the outstanding voting stock of the subsidiary company. Push-down is not allowed in the event of a less than 80% change in control. If 80% or more, but no more than 95% change in control occurred, application of the push-down basis is at the company's discretion. Because Zapata acquired more than 80%, but less than 95% of Safety's shares and voting power, Zapata had the choice of whether to apply push-down basis of accounting, and has elected not to do so. Accordingly, all of the purchase accounting adjustments are maintained on Zapata's books and records and are reflected in our "Safety Components" segment. If push-down basis had been applied, all of the purchase accounting fair value adjustments would have been made on the separate books and records of Safety Components.

Zapata continues to explore ways to enhance Zapata stockholder value through its 59% owned consolidated subsidiary Omega Protein. Possible transactions include the sale, merger or another significant strategic transaction involving Omega, purchases of Omega stock through the open market or private transactions.

In December 2002, the Board of Directors authorized the Company to purchase up to 500,000 shares of its outstanding common stock in the open market or privately negotiated transactions. No time limit has been placed on the duration of the program and no minimum number or value of shares to be repurchased has been fixed. As of the date of this report, no shares have been repurchased under this program.

Zapata continues to evaluate strategic opportunities for the use of its capital resources, including the acquisition of other operating businesses, funding of start-up proposals and possible stock repurchases. As of the date of this report, Zapata is not a party to any agreements related to the acquisition of an operating business, business combination or for the sale or other transaction related to any of its subsidiaries. There can be no assurance that any of these possible transactions will occur or that they will ultimately be advantageous to Zapata or enhance Zapata stockholder value.

#### SAFETY COMPONENTS

Safety Components is a leading, low-cost, independent supplier of automotive airbag fabric and cushions and technical fabrics with operations in North America and Europe. Safety Components sells airbag fabric domestically and cushions worldwide to the major airbag module integrators that outsource such products. Safety Components also manufactures value-added technical fabrics used in a variety of niche industrial and commercial applications such as ballistics material for luggage, filtration, military tents and fire service apparel. The ability to interchange airbag and specialty technical fabrics using the same equipment and similar manufacturing processes allows Safety to more effectively utilize its manufacturing assets and lower per unit overhead costs.

As the automotive airbag industry has evolved, module integrators have outsourced significant portions of non-proprietary components, such as cushions, to companies like Safety Components specializing in the production of individual components. Safety believes that its module integrator customers will continue to outsource a portion of their cushion requirements as they focus on the development of proprietary technologies. Safety also believes that a majority of the module integrators purchase fabric from airbag fabric producers such as Safety. Like the automotive supply industry generally, Safety continues to experience significant competitive pressure. For example, Safety supplies airbag cushions and/or airbag fabric to its three most significant customers based upon releases from formal purchase orders, which typically cover periods of up to twelve months and are subject to periodic negotiation with respect to price and quantity. Safety expects that its customers, including these significant customers, will continue to seek to negotiate lower prices for our products. Although Safety believes that it has good working relationships with its customers due to its high

volume and low-cost manufacturing capabilities and consistency of quality products and service, it cannot give assurances that purchases by its module integrator customers will continue at their current levels.

OMEGA PROTEIN

Omega Protein is the largest U.S. producer of protein-rich meal and oil derived from marine sources. Omega's products are produced from menhaden (a herring-like fish found in commercial quantities), and include FAQ grade and value-added specialty fish meals, crude and refined fish oils and regular and value-added fish solubles. Omega's fish meal products are used as nutritional feed additives by animal feed manufacturers and by commercial livestock producers. Omega's crude fish oil is sold to food producers and feed manufacturers and its refined fish oil products are used in food production and certain industrial applications. Fish solubles are sold as protein additives for animal feed and as fertilizers.

Omega's harvesting season generally extends from May through December on the mid-Atlantic coast and from April through October on the Gulf coast. During the off season and the first few months of each fishing season, Omega fills purchase orders from the inventory it has accumulated during the previous fishing season. Prices for Omega's products tend to be lower during the fishing season when product is more abundant than in the off season. Throughout the entire year, prices are significantly influenced by supply and demand in world markets for competing products, particularly other globally produced fish meal and fish oil as well as other animal proteins and soybean meal for its fish meal products and vegetable fats and oils for its fish oil products when used as an alternative to vegetable fats and oils.

The fish catch is processed into FAQ grade fish meal, specialty fish meals, fish oils and fish solubles at Omega's four operating plants located in Virginia, Mississippi and Louisiana. Omega utilized 40 fishing vessels and 34 spotter craft in the harvesting operations during 2003. Menhaden are harvested offshore the U.S. mid-Atlantic and Gulf of Mexico coasts. In 2000, Omega converted several of its fishing vessels to "carry vessels" which do not engage in active fishing but instead carry fish from Omega's offshore fishing vessels to its plants. Utilization of carry vessels increases the amount of time that certain of Omega's fishing vessels remain offshore fishing productive waters and therefore increases Omega's fish catch per vessel employed. The carry vessels have reduced crews and crew expenses and incur less maintenance cost than the actual fishing vessels.

HARVESTING AND PRODUCTION. The following table summarizes Omega's harvesting and production for the indicated periods:

	YEARS ENDED		
	2003	2002	2001
	-----	-----	-----
Fish catch (tons) (1).....	543,404	607,221	627,623
Production (tons):			
Fish meal			
Regular grade.....	40,795	34,661	57,833
Special Select.....	73,098	96,657	74,905
Sea-Lac.....	29,308	25,483	24,144
Oil			
Crude.....	53,813	68,616	91,127
Refined.....	5,616	6,232	4,418
Solubles.....	5,821	10,323	11,094
	-----	-----	-----
Total Production.....	208,451	241,972	263,521
	=====	=====	=====

(1) Fish catch has been converted to tons using the National Marine Fisheries Service ("NMFS") fish catch conversion ratio of 670 pounds per 1,000 fish.

During 2003, Omega experienced a poor fish catch (approximately 11% below expectations and a similar reduction from 2002), combined with poor oil yields. The reduced fish catch was primarily attributable to

adverse weather conditions and the poor oil yields due to the reduced fat content of the fish. As a result of the poor fish catch and reduced yields, Omega experienced significantly higher per unit product costs, (approximately 15% increase) during 2003 compared to 2002. The impact of higher cost inventories and fewer volumes available for sale will be carried forward and will adversely affect Omega's earnings through the first and second quarter of 2004.

Markets. During 1999 and continuing through 2000, world grain and oilseed markets were burdened by excess supplies relative to demand which, in turn, resulted in prices for most major commodities being sharply lower than in previous years. Correspondingly, Omega's product prices were adversely impacted during these periods, resulting in decreased gross margins. During 1999 and again during 2000, Omega determined that the costs of its fish meal and fish oil product inventories were in excess of those products' realization value by approximately \$18.2 million and \$18.1 million, respectively. This realization was due mainly to the continuing depressed market values of world protein markets and particularly, animal and oilseed oil markets. The average prices received for Omega's fish meal and fish oil products were approximately 28% and 48% lower, respectively, during 1999 as compared to 1998. Price decreases continued during 2000 and fish meal and fish oil prices were approximately 7% and 20%, respectively, lower than 1999 average prices. Also impacting 2000 and contributing to the write-down of inventories was the reduced crude fish oil production yields (approximately 38% lower yields compared to 1999) experienced during the majority of the 2000 fishing season in the Gulf of Mexico. These reduced yields were primarily a result of the reduced fat content in the fish.

The depressed pricing conditions of years 1999 and 2000 continued into the early months of 2001 before making significant improvements late in 2001 and continuing throughout 2002 and 2003. These price increases were the result of diminished global fish meal and fish oil inventories as opposed to a weaker world demand for other competing products. Management believes that it is possible that these price increases have reached a plateau and stabilized at this time. Future product price volatility will depend upon the perceived international availability of fish meal and fish oil inventories. Accordingly, gross profit margins may vary in the future.

Pricing for Omega's products has been volatile in the past several years and is attributable mainly to the international availability, or the perceived international availability, of fish meal and fish oil inventories. In an effort to reduce price volatility and to generate higher, more consistent profit margins, in fiscal 2000 Omega embarked on a quality control program designed to increase its capability of producing higher quality fish meal products and, in conjunction therewith, enhanced its sales efforts to penetrate premium product markets. Since 2000, Omega's sales volumes of specialty meal products have increased approximately 18%. Future volumetric growth in specialty meal sales will be dependant upon increased harvesting efforts and market demand. Additionally, Omega is attempting to introduce its refined fish oil into the food market. Omega has made sales, which to date have not been material, of its refined fish oil, trademarked OmegaPure(TM), to food manufacturers in the United States and Canada at prices that provide substantially improved margins over the margins that can be obtained from selling non-refined crude fish oil. Omega cannot estimate, however, the size of the actual domestic or international markets for Omega Pure(TM) or how long it may take to develop these markets.

Historically, approximately 35% to 40% of Omega's FAQ fish meal was sold on a two-to-twelve-month forward contract basis. The balance of regular grade and other products was substantially sold on a spot basis through purchase orders. Omega began a similar forward sales program for its specialty grade meals and crude fish oil for 2002 due to increasing demand for these products. During 2003, approximately 50% of its specialty meals and crude fish oil had been sold on a forward contract basis. Omega's annual revenues are highly dependent on both annual fish catch and inventories and, in addition, inventory is generally carried over from one year to another year. Omega determines the level of inventory to be carried over based on prevailing market prices of the products and anticipated customer usage and demand during the off season. Thus, production volume does not necessarily correlate with sales volume in the same year and sales volumes will fluctuate from quarter to quarter. Omega's fish meal products have a useable life of approximately one year from date of production. Practically, however, Omega typically attempts to empty its warehouses of the previous season's products by the second or third month of the new fishing

season. Omega's crude fish oil products do not lose efficacy unless exposed to oxygen and therefore, their storage life typically is longer than that of fish meal.

The following table sets forth Omega's revenues by product (in millions) and the approximate percentage of total revenues represented thereby, for the indicated periods:

	YEARS ENDED DECEMBER 31,					
	2003		2002		2001	
	REVENUES	PERCENT	REVENUES	PERCENT	REVENUES	PERCENT
Regular Grade.....	\$ 26.5	22.5%	\$ 19.3	16.5%	\$20.6	20.9%
Special Select.....	39.5	33.5	43.0	36.8	33.6	34.0
SeaLac.....	14.5	12.3	12.4	10.6	10.4	10.5
Crude Oil.....	31.5	26.7	35.5	30.3	28.4	28.7
Refined Oil.....	3.8	3.2	4.2	3.6	2.5	2.5
Fish Solubles.....	2.1	1.8	2.6	2.2	2.5	2.5
Nets and Other.....	--	--	--	--	0.8	0.9
Total.....	\$117.9	100.0%	\$117.0	100.0%	\$98.8	100.0%

Omega Protein announced in April 2003, that it had committed to build a new 100 metric ton per day fish oil processing facility at its Reedville, Virginia location. Construction on the project began in June 2003, with projected completion in the summer of 2004 and will cost approximately \$16 million. Omega currently anticipates that it will fund the project through its available cash balances.

Omega's principal raw material is menhaden, a species of fish that inhabits coastal and inland tidal waters in the United States. Menhaden are undesirable for direct human consumption due to their small size, prominent bones and high oil content. Certain state agencies impose resource depletion restrictions on menhaden pursuant to fisheries management legislation or regulations. To date, Omega has not experienced any material adverse impact on its fish catch or results of operations as a result of these restrictions.

Omega from time to time considers potential transactions including, but not limited to, enhancement of physical facilities to improve production capabilities and the acquisition of other businesses. Certain of the potential transactions reviewed by Omega would, if completed, result in its entering new lines of business (generally including certain businesses to which Omega sells its products such as pet food manufacturers, aquaculture feed manufacturers, fertilizer companies and organic foods distributors) although historically, reviewed opportunities have been generally related in some manner to Omega's existing operations. Although Omega does not, as of the date hereof, have any commitment with respect to a material acquisition or transaction (other than the previously announced fish oil processing facility in Reedville, Virginia), it could enter into such agreements in the future.

A general hardening of the world insurance markets in recent years has made Omega's insurance more costly in recent years and is likely to continue to increase the Company's cost of insurance. In response, the Company has elected to increase its deductibles and self-retentions in order to achieve lower insurance premium costs. These higher deductibles and self-retentions will expose Omega Protein to greater risk of loss if claims occur.

Seasonal and Quarterly Results. Omega's menhaden harvesting and processing business is seasonal in nature. Omega generally has higher sales during the menhaden harvesting season (which includes the second and third quarter of each year) due to increased product availability, but prices during the fishing season tend to be lower than during the off-season. As a result, Omega's quarterly operating results have fluctuated in the past and may fluctuate in the future. In addition, from time to time Omega defers sales of inventory based on worldwide prices for competing products that affect prices for Omega's products which may affect comparable period comparisons.

In December 2000, Zap.Com exited the Internet business and terminated all salaried employees and third party contractual relationships. Currently, Zap.Com does not have any existing business operations, other

than maintaining its status as a public shell company. Zap.Com is likely to search for assets or businesses that it can acquire so that it can become an operating company. Zap.Com may also consider developing a new business suitable for its situation.

#### CONSOLIDATED RESULTS OF OPERATIONS

The following tables summarize Zapata's consolidating results of operations (in thousands):

	ZAPATA CORPORATE	SAFETY COMPONENTS (1)	OMEGA PROTEIN	ZAP.COM	CONSOLIDATED
	-----	-----	-----	-----	-----
YEAR ENDED DECEMBER 31, 2003					
Revenues.....	\$ --	\$63,503	\$117,926	\$ --	\$181,429
Cost of revenues.....	--	55,525	99,028	--	154,553
	-----	-----	-----	-----	-----
Gross profit.....	--	7,978	18,898	--	26,876
Operating expense:					
Selling, general and administrative.....	3,574	6,903	9,484	125	20,086
	-----	-----	-----	-----	-----
Operating (loss) income.....	(3,574)	1,075	9,414	(125)	6,790
	-----	-----	-----	-----	-----
Other income (expense)					
Interest income (expense), net.....	749	(409)	(691)	22	(329)
Other, net.....	--	1,130	(119)	--	1,011
	-----	-----	-----	-----	-----
(Loss) income before income taxes and minority interest.....	(2,825)	1,796	8,604	(103)	7,472
Provision for income taxes.....	(211)	(716)	(2,806)	--	(3,733)
Minority interest in net income of consolidated subsidiaries(2).....	--	(542)	(2,307)	2	(2,847)
	-----	-----	-----	-----	-----
Net (loss) income to common stockholders.....	\$ (3,036)	\$ 538	\$ 3,491	\$ (101)	\$ 892
	=====	=====	=====	=====	=====

	ZAPATA CORPORATE	SAFETY COMPONENTS (1)	FOOD	ZAP.COM	CONSOLIDATED
	-----	-----	-----	-----	-----
YEAR ENDED DECEMBER 31, 2002					
Revenues.....	\$ --	\$ --	\$117,008	\$ --	\$117,008
Cost of revenues.....	--	--	89,305	--	89,305
	-----	-----	-----	-----	-----
Gross profit.....	--	--	27,703	--	27,703
Operating expense:					
Selling, general and administrative.....	2,712	--	9,040	154	11,906
	-----	-----	-----	-----	-----
Operating (loss) income.....	(2,712)	--	18,663	(154)	15,797
	-----	-----	-----	-----	-----
Other income (expense)					
Interest income (expense), net.....	1,383	--	(595)	34	822
Other, net.....	--	--	(222)	--	(222)
	-----	-----	-----	-----	-----
(Loss) income before income taxes and minority interest.....	(1,329)	--	17,846	(120)	16,397
Benefit (provision) for income taxes.....	557	--	(5,677)	--	(5,120)
Minority interest in net income of					

consolidated subsidiaries(2).....	--	--	(4,807)	3	(4,804)
Net (loss) income to common stockholders.....	\$ (772)	\$ --	\$ 7,362	\$ (117)	\$ 6,473
	=====	=====	=====	=====	=====

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	CORPORATE	SAFETY COMPONENTS (1)	FOOD	INTERNET	CONSOLIDATED
	-----	-----	-----	-----	-----
YEAR ENDED DECEMBER 31, 2001					
Revenues.....	\$ --	\$ --	\$98,752	\$ 84	\$98,836
Cost of revenues.....	--	--	84,682	--	84,682
	-----	-----	-----	-----	-----
Gross profit.....	--	--	14,070	84	14,154
Operating expense:					
Selling, general and administrative.....	3,066	--	8,409	1,158	12,633
Impairment of long-lived assets.....	208	--	--	24	232
Contract termination expense.....	--	--	--	(403)	(403)
	-----	-----	-----	-----	-----
Operating (loss) income.....	(3,274)	--	5,661	(695)	1,692
	-----	-----	-----	-----	-----
Other income (expense)					
Interest income (expense), net.....	3,882	--	(485)	96	3,493
Realized (loss) on non-invest grade securities.....	(11,841)	--	--	--	(11,841)
Other, net.....	--	--	(151)	--	(151)
	-----	-----	-----	-----	-----
(Loss) income before income taxes and minority interest.....	(11,233)	--	5,025	(599)	(6,807)
Benefit (provision) for income taxes.....	13,909	--	(1,140)	--	12,769
Minority interest in net income of consolidated subsidiaries(2).....	--	--	(1,532)	4	(1,528)
	-----	-----	-----	-----	-----
Net income (loss) to common stockholders.....	\$ 2,676	\$ --	\$ 2,353	\$ (595)	\$ 4,434
	=====	=====	=====	=====	=====

(1) Due to the timing of the acquisition, Safety's revenues have been included in Zapata's consolidated results only for the quarter ended December 31, 2003. Safety's fourth quarter contribution to Zapata's consolidated net income was impacted by purchase accounting adjustments, the largest of which related to inventory. As of the date of the acquisition, and consistent with the purchase method of accounting, Zapata recorded Safety's inventory at fair value. This fair value was approximately \$2.8 million greater than the carrying value recorded by Safety. As all of the related inventory was sold by December 31, 2003, Zapata recorded the entire amount of the fair value mark-up as a charge to cost of goods sold during the fourth quarter of 2003. Net of tax effects, this charge reduced Zapata's consolidated net income by approximately \$1.7 million.

(2) Minority interest represents the minority stockholders' interest in the net income (loss) of each segment.

For more information concerning segments, see Note 25 to the Company's Consolidated Financial Statements included in Item 8 of this Report.

#### 2003 COMPARED TO 2002

Zapata reported consolidated net income of \$892,000 or \$0.37 per share on revenues of \$181.4 million for the year ended December 31, 2003 as compared to consolidated net income of \$6.5 million or \$2.71 per share on revenues of \$117.0 million in 2002. The increase in revenues is a result of the consolidation of Safety's revenues for the quarter ended December 31, 2003 into Zapata's consolidated results. On a consolidated basis, the decrease in consolidated net income is a result of decreased net income at Omega Protein, partially offset by

the consolidation of one quarter of Safety's net income.

The following presents a more detailed discussion of the consolidated operating results:

Revenues. Consolidated revenues increased \$64.4 million from \$117.0 million in 2002 to \$181.4 million in 2003. This increase was attributable to the acquisition of Safety Components and the consolidation of Safety's revenues of \$63.5 million for the quarter ended December 31, 2003. Omega's revenues increased \$918,000 or 1%, from \$117.0 million in 2002 to \$117.9 million in 2003. The increase in revenues was primarily

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due to higher selling prices of 7% and 1% for Omega's fish meal and fish oil, respectively. Omega attributes the higher fish meal and oil prices to lower available world supplies of fish meal and fish oil and higher prices for other competing proteins and fats. 2003 sales volumes for Omega's fish meal held constant, whereas fish oil volumes declined 12% respectively. Omega attributes the lower 2003 sales volumes to a 11% reduction in fish catch and a 14% reduction in total fish meal and fish oil production during 2003, partially offset by purchased products.

Cost of revenues. Zapata's consolidated cost of revenues for the year ended December 31, 2002 was \$154.6 million, a \$65.3 million increase from \$89.3 million in 2002. This increase was primarily attributable to the acquisition of Safety Components and the consolidation of Safety's cost of revenues for the quarter ended December 31, 2003. In addition, as of the date of the acquisition, and consistent with the purchase method of accounting, Zapata recorded Safety's inventory at fair value. The fair value was approximately \$2.8 million greater than the carrying value recorded by Safety. As all of the related inventory was sold by December 31, 2003, the entire amount of the fair value mark-up was recorded as a charge to cost of goods sold during the fourth quarter of 2003. Additionally, Omega's cost of sales increased as a percentage of revenues to 84% in 2003 as compared to 76% in 2002. Omega's increase in cost of sales as a percentage of revenues was primarily due to higher 2003 cost of production due to reduced fish catch brought about by adverse weather conditions along the Atlantic Coast and Gulf of Mexico, combined with lower oil yields for Gulf of Mexico fish. Omega's purchased meal and crude fish oil products (approximately 5% of sold volumes) were purchased at prices higher than Omega's cost of production.

Selling, general and administrative. Consolidated selling, general, and administrative expenses increased \$8.2 million from \$11.9 million in 2002 to \$20.1 million in 2003. This increase was primarily attributable to the acquisition of Safety Components and the consolidation of \$6.9 million of selling, general and administrative costs related to Safety for the quarter ended December 31, 2003. In addition, Zapata's pension expense increased over the prior year, partially offset by a decrease in expenses under a consultancy and retirement agreement entered into in 1981 with a former executive officer of the Company. Due to recent market conditions and plan assumptions, Zapata Corporate recorded pension expense of approximately \$508,000 for the year ended December 31, 2003 as compared to pension income of approximately \$703,000 in the prior year. Additionally, Omega's selling, general and administrative expenses increased \$444,000 over the prior year and was attributable to increases in employee-related costs and marketing expenses.

Interest income, net. Net interest income decreased \$1.2 million from interest income of \$822,000 in 2002 to net interest expense of \$329,000 in 2003. This decrease was primarily attributable to the acquisition of Safety Components and the consolidation of Safety's net interest expense of \$409,000 for the quarter ended December 31, 2003. In addition, interest income at Zapata Corporate and Omega Protein decreased as a result of lower interest rates on cash, cash equivalents and short-term investments as compared to 2002.

Income taxes. The Company recorded a consolidated provision for income taxes of \$3.7 million for the year ended December 31, 2003 as compared to a provision of \$5.1 million for the year ended December 31, 2002. The consolidated provision for the year ended December 31, 2003 was primarily the result of Omega's provision of \$2.8 million resulting from the generation of operating income. The current year's decrease in the income tax provision was primarily the result in the decrease in taxable income generated by Omega Protein during the current year as compared to the prior year. Additionally, during 2003 Zapata finalized its audit with the Internal Revenue Service for the tax years ended



September 30, 1997 through 2001. This resulted in a net tax benefit of approximately \$3.1 million relating to a federal refund and the elimination of certain tax contingencies. This benefit was offset by the recognition of a deferred tax liability of approximately \$4.5 million associated with the excess of book basis over tax basis attributable to Zapata's investment in Omega Protein.

Minority interest. Minority interest from the consolidated statements of operations represents the minority stockholders' interest in the net income of the Company's subsidiaries (approximately 16% of Safety Components, approximately 41% of Omega Protein and approximately 2% of Zap.Com). In 2003, minority interest was a \$2.8 million reduction to net income for Zapata's share in the net incomes of Safety Components and Omega Protein, partially offset by Zapata's share in the net loss of Zap.Com.

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## 2002 COMPARED TO 2001

Zapata reported consolidated net income of \$6.5 million or \$2.71 per share on revenues of \$117.0 million for the year ended December 31, 2002 compared to consolidated net income of \$4.4 million or \$1.85 per share on revenues of \$98.8 million in 2001. Increased consolidated revenues and consolidated income resulted primarily from the improved performance of Omega Protein. Omega's net income for the year ended December 31, 2002 was \$12.2 million as compared to \$3.9 million in the prior year. On a consolidated basis, Omega Protein's improved operating performance was offset by a reduction in interest income recognized by Zapata Corporate.

The following presents a more detailed discussion of the consolidated operating results:

Revenues. Consolidated revenues increased \$18.2 million from \$98.8 million in 2001 to \$117.0 million in 2002. This increase was primarily attributable to higher selling prices of 15% and 41% of Omega Protein's fish meal and fish oil, respectively. Omega attributes the higher fish meal and oil prices to strong worldwide demand for fish meal and competing fish oil markets rebounding from historic low levels.

Cost of revenues. Zapata's consolidated cost of revenues for the year ended December 31, 2002 was \$89.3 million, a \$4.6 million increase, or 5% from \$84.7 million in 2001. Cost of sales as a percentage of revenues was 76% for 2002 as compared to 86% in 2001. The 10% decrease in cost of revenues as a percentage of revenue was due primarily to an increase in the selling price of Omega's fish meal and fish oil products, respectively.

Selling, general and administrative. Consolidated selling, general, and administrative expenses decreased \$727,000 or 6%, from \$12.6 million in 2001 to \$11.9 million in 2002. This decrease was primarily due to a reduction in expenses recognized for Directors and Officers Liability Insurance at Zap.Com of \$447,000 and reduced insurance receivables write-offs at Omega. These decreases were partially offset by expenses related to the terminated self-tender offer at Zapata Corporate and Omega's increased employee related costs attributable to health care and retirement programs.

Impairment of long-lived assets. The Company recorded no impairment charges on long-lived assets for the year ended December 31, 2002, as compared to \$232,000 in the prior year consisting primarily of the write-down to zero of Charged's investment in the LLC.

Contract termination (settlement) expense. The Company recorded no contract termination (settlement) expense for the year ended December 31, 2002. For the year ended December 31, 2001, Zap.Com favorably settled its disputes over two of its contracts and reversed previous accruals into income of \$403,000 resulting from the settlement amounts being less than the associated accrued liabilities recognized in 2000. These contracts had no future value to Zap.Com after they ceased Internet operations.

Interest income, net. Net interest income decreased \$2.7 million from net interest income of \$3.5 million in 2001 to \$822,000 in 2002. This decrease was a result of decreased interest income at Zapata Corporate and Omega Protein resulting from significantly lower interest rates on short-term U.S. Government Agency securities as compared to rates in 2001. Omega incurred interest expense, net of \$595,000 in 2002 as compared to \$485,000 in the prior year.

Realized loss on non-investment grade securities. The Company held no investment grade securities during 2002. Realized loss on non-investment grade securities for the year ended December 31, 2001 was \$11.8 million, resulting from the sale of non-investment grade securities.

Income taxes. The Company recorded a consolidated provision for income taxes of \$5.1 million in 2002 as compared to a consolidated benefit of \$12.8 million in 2001. The consolidated provision was comprised primarily of Omega's provision of \$5.7 million resulting from increased taxable income, partially offset by a \$557,000 benefit at Zapata Corporate. The consolidated benefit in 2001 resulted from the sale of the Company's non-investment grade securities and its Viskase shares, partially offset by Omega's tax provision.

Minority interest. Minority interest from the consolidated statements of operations represents the minority stockholders' interest in the net income of the Company's subsidiaries (approximately 40% in Omega

Protein and approximately 2% in Zap.Com). In 2002, minority interest was a \$4.9 million reduction of Zapata's share in the net income of Omega Protein, offset by a reduction in Zapata's share in the net loss of Zap.Com. In 2001, minority interest was a \$1.5 million reduction of Zapata's share in the net income of Omega Protein, offset by a reduction in Zapata's share in the net loss of Zap.Com.

LIQUIDITY AND CAPITAL RESOURCES

Zapata, Safety Components, Omega Protein and Zap.Com are separate public companies. Accordingly, the capital resources and liquidity of Safety Components, Omega Protein and Zap.Com are legally independent of Zapata. The working capital and other assets of Safety Components, Omega Protein and Zap.Com are dedicated to their respective operations and are not expected to be readily available for the general corporate purposes of Zapata, except for any dividends that may be declared and paid to their respective stockholders. The credit facilities of Safety Components and Omega Protein prohibit any dividends from being declared or paid with respect to its outstanding capital stock, including the shares held by Zapata. For the foreseeable future, Zapata does not expect to receive cash dividends on its Safety Components, Omega Protein or Zap.Com shares.

The following tables summarizes information about Zapata's consolidated contractual obligations (in thousands) as of December 31, 2003 and the effect such obligations are expected to have on its consolidated liquidity and cash flow in future periods:

ZAPATA CONSOLIDATED CONTRACTUAL OBLIGATIONS	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS
Long-term and short-term debt obligations(1).....	\$34,174	\$ 5,307	\$13,775	\$4,725	\$10,367
Capital lease obligations(2).....	1,028	473	538	17	--
Operating lease obligations(3).....	5,245	2,108	2,098	801	238
Consulting agreements(4).....	4,009	1,583	2,185	225	16
Minimum pension liability(5).....	7,687	--	--	--	7,687
Construction commitment(6).....	9,300	9,300	--	--	--
Purchase obligations(7).....	4,845	4,845	--	--	--
Total contractual obligations.....	\$66,288	\$23,616	\$18,596	\$5,768	\$18,308

(1) As of December 31, 2003, Zapata had \$34.2 million in consolidated indebtedness, of which \$15.0 and \$19.2 related to Safety Components and Omega Protein, respectively. Zapata has neither guaranteed nor otherwise agreed to be liable for the repayment of this debt. For more information concerning debt, see Note 12 to the Company's Consolidated Financial

Statements included in Item 8 of this Report.

- (2) As of December 31, 2003, Zapata had \$1.0 million in consolidated capital lease obligations, all of which related to Safety Components. Zapata has neither guaranteed nor otherwise agreed to be liable for the repayment of these obligations. For more information concerning capital lease obligations see Note 17 to the Company's Consolidated Financial Statements included in Item 8 of this Report.
- (3) For more information concerning operating leases, see Note 17 to the Company's Consolidated Financial Statements included in Item 8 of this Report.
- (4) For more information concerning the consulting agreement with Malcolm Glazer, see Note 22 to the Company's Consolidated Financial Statements included in Item 8 of this Report. Other amounts in this category are related to a consultancy and retirement agreement entered into in 1981 with a former executive officer of the Company.
- (5) For more information concerning minimum pension liabilities, see Note 13 to the Company's Consolidated Financial Statements included in Item 8 of this Report.
- (6) Omega announced on April 15, 2003 that it had committed to build a new 100-metric ton per day fish oil processing facility at its Reedville, Virginia location. Construction on the project began in June 2003, with

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projected completion in summer of 2004 and a projected cost of approximately \$16 million. Omega currently anticipates that it will fund the project through its available cash balances. As of December 31, 2003 Omega had incurred \$6.7 million related to its Reedville processing facility.

- (7) Amount represents Safety's remaining notional amounts of their outstanding derivative foreign contracts. For more information concerning derivatives, see Note 24 to the Company's Consolidated Financial Statements included in Item 8 of this Report.

Omega Protein anticipates making approximately \$18.4 million of capital expenditures during 2004, a significant portion of which will be used to build a new 100 metric ton per day fish oil processing facility and to refurbish vessels and plant assets and to repair certain equipment. Safety Components anticipates making approximately \$8.3 million of capital expenditures during 2004. These expenditures will be made to sustain Safety's growth of operations.

#### ZAPATA CORPORATE

Because Zapata does not guarantee or otherwise assume the liabilities of Safety Components, Omega Protein or Zap.Com or have any investment commitments to these majority-owned subsidiaries, it is useful to separately review the cash obligations of Zapata exclusive of its majority-owned subsidiaries ("Zapata Corporate").

Zapata Corporate's current source of liquidity is its cash, cash equivalents and short-term investments and the interest income it earns on these funds. Zapata expects these assets to continue to be a source of liquidity except to the extent that they may be used to fund any acquisitions of operating companies, the minority interest of controlled subsidiaries, or repurchases of Zapata stock. Zapata Corporate's investments consist of U.S. Government agency securities and cash equivalents. As of December 31, 2003, Zapata Corporate's cash, cash equivalents and short- and long-term investments were \$31.6 million as compared to \$85.0 million as of December 31, 2002. This decline resulted primarily from the purchase of Safety Components common stock for \$47.8 million during 2003. Due to the purchase of Safety common stock, interest income is expected to be lower in the future, depending on market conditions and other factors.

In addition to its cash, cash equivalents, short-term investments and interest income, Zapata Corporate has a potential secondary source of liquidity in its publicly traded securities of Safety Components, Omega Protein and Zap.Com. These holdings constitute "restricted stock" under SEC Rule 144 and may only be sold in the public market pursuant to an effective registration statement under the Securities Act of 1933 and under any required state

securities laws or pursuant to an available exemption. These and other securities law restrictions could prevent or delay any sale by Zapata of these securities or reduce the amount of proceeds that might otherwise be realized therefrom. Currently, all of Zapata's equity securities holdings are eligible for sale under Rule 144. Zapata also has demand and piggyback registration rights for its Omega Protein and Zap.Com shares. The low trading volumes for Safety Components, Omega Protein and Zap.Com common stock may make it difficult for Zapata to sell any significant number of shares in the public market.

Zapata Corporate's liquidity needs are primarily for operating expenses, litigation, insurance costs and possible Zapata stock repurchases. Zapata Corporate may also invest a significant portion of its cash, cash equivalents and short-term investments in the purchase of operating companies. Zapata management believes that, based on current levels of operations and anticipated growth, cash flow from operations, together with other available sources of funds, will be adequate to fund its operational and capital requirements for at least the next twelve months. Depending on the size and terms of future acquisitions of operating companies or of the minority interest of controlled subsidiaries, Zapata may raise additional capital through the issuance of equity or debt. There is no assurance, however, that such capital will be available at the time, in the amounts necessary or with terms satisfactory to Zapata.

The following table summarizes information about Zapata Corporate's contractual obligations (in thousands) as of December 31, 2003, and the effects such obligations are expected to have on Zapata Corporate's liquidity and cash flow in future periods:

ZAPATA CORPORATE CONTRACTUAL OBLIGATIONS	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS
Operating lease obligations(1).....	\$ 307	\$ 255	\$ 52	\$ --	\$ --
Consulting agreements(2).....	4,009	1,583	2,185	225	16
Minimum pension liability(3).....	849	--	--	--	849
Total contractual obligations.....	\$5,165	\$1,838	\$2,237	\$225	\$865

- (1) For more information concerning operating leases, see Note 17 to the Company's Consolidated Financial Statements included in Item 8 of this Report.
- (2) For more information concerning the consulting agreement with Malcolm Glazer, see Note 22 to the Company's Consolidated Financial Statements included in Item 8 of this Report. Other amounts in this category are related to a consultancy and retirement agreement entered into in 1981 with a former executive officer of the Company.
- (3) For more information concerning minimum pension liabilities, see Note 13 to the Company's Consolidated Financial Statements included in Item 8 of this Report.

In the absence of unforeseen developments, Zapata believes that it has sufficient liquidity to fund Zapata Corporate's operating expenses and other operational requirements at least for the 12 months following the date of this report. For more information concerning debt, see Note 12 to the Company's Condensed Consolidated Unaudited Financial Statements included in Item 1 of this report.

OFF-BALANCE SHEET ARRANGEMENTS

The Company and its subsidiaries do not have any off-balance sheet arrangements that are material to its financial position, results of operations or cash flows. The Company is a party to guarantees to its officers, directors and to certain outside parties. For further discussion of these guarantees, see

Note 17 to the Consolidated Financial Statements included in Item 8 of this report. In addition, Safety enters into derivative foreign contracts. See Note 24 to the Consolidated Financial Statements included in Item 8 of this report for additional information related to derivatives and hedging.

#### SUMMARY OF CASH FLOWS

The following table summarizes Zapata's consolidating cash flow information (in thousands):

YEAR ENDED DECEMBER 31, 2003	ZAPATA CORPORATE	SAFETY COMPONENTS (1)	OMEGA PROTEIN	ZAP.COM	CONSOLIDATED
CASH (USED IN) PROVIDED BY					
Operating activities.....	\$ (5,498)	\$ 7,922	\$ 11,818	\$ (154)	\$ 14,088
Investing activities, net of cash acquired.....	(37,367)	5,311	(14,768)	--	(46,824)
Financing activities.....	10	(9,412)	4,836	--	(4,566)
Effect of exchange rate changes on cash and cash equivalents.....	--	555	38	--	593
Net (decrease) increase in cash and cash equivalents.....	\$ (42,855)	\$ 4,376	\$ 1,924	\$ (154)	\$ (36,709)

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YEAR ENDED DECEMBER 31, 2002	ZAPATA CORPORATE	SAFETY COMPONENTS (1)	OMEGA PROTEIN	ZAP.COM	CONSOLIDATED
CASH PROVIDED BY (USED IN)					
Operating activities.....	\$12,548	--	\$20,680	\$ (103)	\$ 33,125
Investing activities.....	(5,916)	--	(7,746)	--	(13,662)
Financing activities.....	--	--	(1,297)	--	(1,297)
Net increase (decrease) in cash and cash equivalents.....	\$ 6,632	\$ --	\$11,637	\$ (103)	\$ 18,166

YEAR ENDED DECEMBER 31, 2001	ZAPATA CORPORATE	SAFETY COMPONENTS (1)	OMEGA PROTEIN	ZAP.COM	CONSOLIDATED
CASH PROVIDED BY (USED IN)					
Operating activities.....	\$ 2,074	\$ --	\$15,144	\$ (594)	\$16,624
Investing activities.....	27,350	--	(1,486)	--	25,864
Financing activities.....	--	--	752	--	752
Net increase (decrease) in cash and cash equivalents.....	\$29,424	\$ --	\$14,410	\$ (594)	\$43,240

(1) Due to the timing of the acquisition, Safety's cash flow information has been included in Zapata's consolidated cash flows for the quarter ended December 31, 2003. In 2004, the Company will consolidate Safety's cash flow information for the full year which may have a material affect on the Company's consolidated cash flows.

Net cash provided by operating activities. Consolidated cash provided by operating activities was \$14.1 million and \$33.1 million for the years ended December 31, 2003 and 2002 respectively. The decrease in consolidated cash provided by operating activities was primarily due to a federal income tax

refund of \$17.3 million that was received during 2002 by Zapata Corporate. This refund caused Zapata Corporate to have a significant amount of cash provided by operating activities during 2002. The decrease in cash provided by Omega Protein's operating activities was primarily due the timing of changes in the balances of certain assets and liabilities and lower net income. On a consolidated basis, this decrease was largely offset by cash provided by Safety Component's operating activities.

Consolidated cash provided by operating activities was \$33.1 million for the year ended December 31, 2002 as compared to \$16.6 million for the prior year. The increase was primarily due to Zapata's receipt of a federal income tax refund of \$17.3 million during 2002 and Omega Protein's increase in net income for the year ended December 31, 2002 as compared to year ended December 31, 2001.

Net cash used in investing activities. Consolidated cash used in investing activities was \$46.8 million and \$13.7 million for the years ended December 31, 2003 and 2002 respectively. The increase in consolidated cash used in investing activities was primarily due to the Company's purchase of 84% of Safety Components common stock for \$47.8 million in 2003. Omega Protein anticipates making approximately \$18.4 million of capital expenditures during 2004, a significant portion of which will be used to build a new 100 metric ton per day fish oil processing facility and to refurbish vessels and plant assets and to repair certain equipment. Omega anticipates that it will fund these expenditures through its available cash balances. Safety Components anticipates making approximately \$8.3 million of capital expenditures during 2004. These expenditures will be made to sustain Safety's growth of operations. Safety anticipates that it will fund these expenditures through a combination of cash flows from operations, equipment financing and the use of its line of credit.

On a consolidated basis, Zapata had net cash used in investing activities of \$13.7 million for the year ended December 31, 2002 as compared to net cash provided by investing activities of \$25.9 million for the year ended December 31, 2001. Variations in the Company's consolidated net cash (used in) provided by investing activities are typically the result of the change in the mix of cash and cash equivalents and short and long-term investments during the period. All highly liquid investments with original maturities of three months or less

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are considered to be cash equivalents and all investments with original maturities of greater than three months are classified as either short or long-term investments. Accordingly, the net cash usage was primarily due to the increase in purchases of short-term investments during 2002 as compared to 2001, the purchase of long-term investments during 2002, and Omega's increase in capital expenditures during 2002.

Net cash used in financing activities. Consolidated cash used in financing activities was \$4.6 million and \$1.3 million for the years ended December 31, 2003 and 2002 respectively. The increase in consolidated cash used in financing activities was primarily due to Safety's net repayment on borrowings, partially offset by Omega's net borrowings and cash proceeds from the exercise of stock options.

On a consolidated basis, Zapata had net cash used in financing activities of \$1.3 million for the year ended December 31, 2002 as compared to net cash provided by financing activities of \$752,000 for the year ended December 31, 2001. The change from net cash provided by operating activities to net cash used in financing activities was due to Omega's debt repayments during 2002 and the lack of Omega Protein borrowings during 2002 as compared to 2001.

#### RECENT ACCOUNTING PRONOUNCEMENTS

In December 2003, the Financial Accounting Standards Board ("FASB") revised Statement on Financial Accounting Standard ("SFAS") No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." It does not change the measurement or recognition of pension and other postretirement benefit plans. It requires additional disclosures to those in the original SFAS No. 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. It also requires disclosure of the components of net periodic benefit cost in interim financial statements. The revised disclosure requirements are required for financial statements with fiscal years ending after December 15, 2003 and the interim-period requirements are effective for interim periods beginning

after December 15, 2003. The adoption of this statement did not have an effect on the Company's financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This statement is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this statement did not have a material impact on the Company's financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. In addition, all provisions of this statement should be applied prospectively. The provisions of this statement that relate to SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. The adoption of this statement did not have a material effect on the Company's financial position, results of operations or cash flows.

In January 2003, the FASB issued FIN No. 46 (Revised December 2003), "Consolidated of Variable Interest Entities." This standard clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, and addresses consolidation by business enterprises of variable interest entities (more commonly known as Special Purpose Entities or SPE's). FIN No. 46R requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risk among the parties involved. FIN No. 46R also enhances the disclosure requirements related to variable interest entities. The disclosure requirements of this interpretation are effective for all financial

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statements issued after January 31, 2003. The consolidation requirements of this interpretation are effective for the first reporting period ending after December 15, 2003. The adoption of this statement did not have a material impact on the Company's financial position, results of operations or cash flows.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN No. 45), which expands previously issued accounting guidance and disclosure requirements for certain guarantees. The Interpretation requires an entity to recognize an initial liability for the fair value of an obligation assumed by issuing a guarantee. The provision for initial recognition and measurement of the liability will be applied on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 did not have a material impact on the Company's financial position, results of operations or cash flows.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure, an amendment of FASB Statement No. 123." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this Statement amends APB Opinion No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial information. Although the Company continues to account for stock-based compensation according to APB 25, the Company has adopted the required disclosure provisions for interim financial reporting under SFAS No. 148. As a result of the Company's continued use of the intrinsic value method of accounting for stock-based compensation, the transition provisions did not have

an effect of the Company's financial position, results of operations or cash flows upon adoption of SFAS 148.

At the end of June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires that obligations associated with the retirement of a tangible long-lived asset be recorded as a liability when those obligations are incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an asset retirement obligation, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The Company adopted SFAS No. 143 on January 1, 2003. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of Zapata's financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect amounts reported therein. The following lists our current accounting policies involving significant management judgment and provides a brief description of these policies:

**Acquisition Accounting.** The Company accounts for acquisitions using the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations." Under the purchase method, the Company is required to record the net assets acquired at the estimated fair value at the date of acquisition. The determination of the fair value of the assets acquired and liabilities assumed requires the Company to make estimates and assumptions that affect the Company's financial statements. In addition, depending on the specific facts and circumstances, goodwill and other intangible assets, including those intangible assets with finite lives could result from an acquisition. Different estimates and assumptions regarding these assets, specifically the estimated fair values and lives, could result in materially different amortization expense over the estimated lives of such assets.

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For example, the Company's acquisition Safety Components resulted in the creation of a customer relationship intangible asset valued at approximately \$7.8 million. While the useful life of this customer relationship asset is not limited by contract or any other economic, regulatory or other known factors, a useful life of 4 years was determined based on the average duration of established airbag programs in place as of the date of acquisition. As it related to this specific asset, if a useful life of 3 years was estimated, the Company would have recognized an additional \$162,000 of amortization expense during 2003 and would recognize an additional \$648,000 in 2004 and 2005, no difference during 2006, and \$1.5 million less amortization expense during 2007.

**Litigation reserves.** The establishment of litigation reserves requires judgments concerning the ultimate outcome of pending litigation against the Company and its subsidiaries. In applying judgment, management utilizes opinions and estimates obtained from outside legal counsel to apply the standards of SFAS No. 5 "Accounting for Contingencies." Accordingly, estimated amounts relating to certain litigation have met the criteria for the recognition of a liability under SFAS No. 5. Other litigation for which a liability has not been recognized is reviewed on an ongoing basis in conjunction with the standards of SFAS No. 5. A liability is recognized for all associated legal costs as incurred. Liabilities for litigation settlements, legal fees and changes in these estimated amounts may have a material impact on the Company's financial position, results of operations or cash flows.

For example, in a recently settled claim against Zapata and a non-operating wholly-owned subsidiary of Zapata which commenced during the 1990's, the Company had been carrying a reserve of \$1.0 million due to the uncertainty regarding the Company's insurance coverage as it related to the claim. During July 2003, a court granted summary judgment to Zapata and our subsidiary holding that the insurance carrier owed a duty to defend and indemnify both Zapata and our subsidiary in this matter. Based on the court's decision, Zapata reversed the



entire \$1.0 million reserve into income during 2003.

Deferred income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in earnings in the period that includes the enactment date. Additionally, taxing jurisdictions could retroactively disagree with the Company's tax treatment of certain items, and some historical transactions have income tax effects going forward. Accounting rules require these future effects to be evaluated using current laws, rules and regulations, each of which can change at any time and in an unpredictable manner.

The Company reduces its deferred tax assets to an amount that it believes is more likely than not to be realized. In so doing, the Company estimates future taxable income in determining if any valuation allowance is necessary. While the Company believes it is more likely than not that it will be able to realize its amount of estimated net deferred income tax assets, it is possible that the facts and circumstances on which the Company's estimates and judgments are based could change, which could result in additional income tax expense in the future to recognize or increase the associated valuation allowances.

Benefit plan assumptions. On a consolidated basis, the Company has three defined benefit plans, under which participants earn a retirement benefit based upon a formula set forth in each plan. The Company records income or expense related to these plans using actuarially determined amounts that are calculated under the provisions of SFAS No. 87, "Employers' Accounting for Pensions." Key assumptions used in the actuarial valuations include the discount rate and the anticipated rate of return on plan assets. These rates are based on market interest rates, and therefore fluctuations in market interest rates could impact the amount of pension income or expense recorded for these plans. Despite the Company's belief that its estimates are reasonable for these key actuarial assumptions, future actual results will likely differ from the Company's estimates, and these differences could materially affect the Company's future financial statements either unfavorably or favorably.

The discount rate enables a company to state expected future cash flows at a present value on the measurement date. Both Zapata and Omega Protein have little latitude in selecting this rate; it is based on the

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yield on high-quality fixed income investments at the measurement date. A lower discount rate increases the present value of benefit obligations and increases pension expense. On a consolidated basis, a 50 basis point reduction in the discount rate would increase pension expense by \$87,000 in 2004.

To determine the expected long-term rate of return on pension plan assets, Zapata and Omega Protein consider a variety of factors including historical returns and asset class return expectations based on each Company's plan's current asset allocation. On a consolidated basis, a 50 basis point reduction in the expected return on assets would increase pension expense by \$183,000 in 2004.

Safety's Foreign Currency Translation. Financial statements of substantially all of Safety's foreign operations are prepared using the local currency as the functional currency. In accordance with SFAS No. 52, "Foreign Currency Translation," translation of these foreign operations to United States dollars occurs using the current exchange rate for balance sheet accounts and a weighted average exchange rate for results of foreign operations. Translation gains or losses are recognized in "accumulated other comprehensive loss" as a component of stockholders' equity in the accompanying consolidated balance sheets. For Safety's subsidiary in Mexico, whose financial statements are prepared using the United States dollar as the functional currency, the translation effects of the financial statements are included in the results of operations.

Safety's operations in Mexico, Germany, the United Kingdom and the Czech Republic expose Safety to currency exchange rate risks associated with the volatility of certain foreign currencies against its functional currency, the U.S. dollar. In the quarter ended December 31, 2003, the nine month period from March 30, 2003 to December 31, 2003 and the year ended March 29, 2003 the impact

of changes in the relationship of other currencies to the U.S. dollar resulted in the recognition of other income of approximately \$739,000, \$2.0 million and \$3.5 million, respectively. In prior years, the relationship of other currencies to the U.S. dollar has not had a material effect on Safety's Consolidated Financial Statements. It is unknown what effect foreign currency rate fluctuations will have on Safety's financial position or results of operations in the future. If, however, there were a sustained decline of these currencies versus the U.S. dollar, the Consolidated Financial Statements could be materially adversely affected.

Omega's lower-of-cost-or-market inventory analysis. Inventory is stated at the lower of cost or market. Omega Protein's fishing season runs from mid-April to the first of November in the Gulf of Mexico and from the beginning of May into December in the Atlantic. Government regulations generally preclude Omega Protein from fishing during the off-seasons.

Omega Protein's inventory cost system considers all costs associated with an annual fish catch and its processing, both variable and fixed and including both costs incurred during the off-season and during the fishing season. Omega Protein's costing system allocates cost to inventory quantities on a per unit basis as calculated by a formula that considers total estimated inventoriable costs for a fishing season (including off-season costs) to total estimated fish catch and the relative fair market value of the individual products produced. Omega Protein adjusts the cost of sales, off-season costs and inventory balances at the end of each quarter based on revised estimates of total inventoriable costs and fish catch. Omega Protein's lower-of-cost-or-market-value analyses at year-end and at interim periods compare the total estimated per unit production cost of Omega's expected production to the projected per unit market prices of the products. The impairment analyses involve estimates of, among other things, future fish catches and related costs, and expected commodity prices for the fish products. These estimates, which management believes are reasonable and supportable, involve estimates of future activities and events which are inherently imprecise and for which actual results may differ materially. Revisions in such estimates or actual results could materially impact Omega Protein's results of operation and financial position.

Omega's deferral of off-season costs. During the off-seasons, in connection with the upcoming fishing seasons, Omega Protein incurs costs (i.e., plant and vessel related labor, utilities, rent and depreciation) that are directly related to Omega's infrastructure. These costs accumulate in inventory and are applied as elements of the cost of production of Omega Protein's products throughout the fishing season ratably based on Omega's monthly fish catch and the expected total fish catch for the season.

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Omega's accounting for self-insurance retentions. Omega Protein carries insurance for certain losses relating to its vessels and Jones Act liabilities for employees aboard its vessels (collectively, "Vessel Claims Insurance"). The typical Vessel Claims Insurance policy contains an annual aggregate deductible ("AAD") for which Omega remains responsible, while the insurance carrier is responsible for all applicable amounts which exceed the AAD. It is Omega's policy to accrue current amounts due and record amounts paid out on each claim. Once payments exceed the AAD, Omega records an insurance receivable for a given policy year. Omega Protein provides reserves for those portions of the AAD for which Omega remains responsible by using an estimation process that considers Omega Protein, Inc. specific and industry data as well as Omega Protein management's experience assumptions and consultation with outside counsel. Omega Protein management's current estimated range of liabilities related to such cases is based on claims for which Omega's management can estimate the amount and range of loss. Omega Protein has recorded the minimum estimated liability related to those claims, where there is a range of loss. As additional information becomes available, Omega will assess the potential liability related to its pending litigation and revise its estimates. Such revisions in estimates of the potential liability could materially impact Omega Protein's results of operation and financial position.

The Company continually updates and assesses the facts and circumstances regarding these critical accounting matters and other significant accounting matters affecting estimates in its financial statements. See "Significant Factors That Could Affect Future Performance and Forward-Looking Statements."

SIGNIFICANT FACTORS THAT COULD AFFECT FUTURE PERFORMANCE AND FORWARD-LOOKING STATEMENTS

1. Zapata believes that its results of operations, cash flows and financial condition could be negatively impacted by certain risks and uncertainties, including, without limitation, the risks and uncertainties identified in Zapata's other public reports and filings made with the SEC, press releases and public statements made by authorized officers of Zapata from time to time and those risks and uncertainties set forth below.

- Risks associated with the fact that a significant portion of Zapata's assets have consisted of securities, including equity and other interests in its operating companies. This could subject Zapata to the registration requirements of the Investment Company Act of 1940 (the "Investment Company Act"). The Investment Company Act requires registration of, and imposes substantial restrictions on, certain companies that engage, or propose to engage, primarily in the business of investing, reinvesting, owning, holding or trading in securities, or that fail certain statistical tests concerning a company's asset composition and sources of income. Zapata intends to actively participate in the management of its operating companies, consistent with applicable laws, contractual arrangements and other requirements. Accordingly, Zapata believes that it is primarily engaged in a business other than investing, reinvesting, owning, holding or trading in securities. Further, Zapata endeavors to ensure that its holdings of investment securities constitute less than 40% of its total assets (excluding Government securities and cash) on an unconsolidated basis. Zapata intends to monitor and attempt to adjust the nature of its interests in and involvement with operating companies in order to avoid subjecting Zapata to the registration requirements of the Investment Company Act. There can be no assurance, however, that Zapata's business activities will not ultimately subject Zapata to the Investment Company Act. If Zapata were required to register as an investment company under the Investment Company Act, it would become subject to regulations that would have a material adverse impact on its financial position, results of operations and cash flows.
- Risks associated with the personal holding company penalty tax. Section 541 of the Internal Revenue Code of 1986, as amended (the "IRC"), subjects a corporation, which is a "personal holding company" as defined in the IRC, to a 15% penalty tax on "undistributed personal holding company income" in addition to the corporation's normal income tax. Generally, undistributed personal holding company income is based on taxable income, subject to certain adjustments, most notably a reduction for Federal incomes taxes. Personal holding company income is comprised primarily of passive investment income plus, under certain circumstances, personal service income. Zapata and its domestic subsidiaries (other than Omega) could become subject to the penalty tax if (i) 60% or more of its adjusted ordinary gross income is personal holding company income and (ii) 50% or more of its

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outstanding common stock is owned, directly or indirectly, by five or fewer individuals at any time during the last half of the taxable year. The Company believes that five or fewer of Zapata's stockholders hold 50% or more of its outstanding common stock for purposes of IRC Section 541. However, as of December 31, 2003, Zapata and its domestic subsidiaries (other than Omega) had no undistributed personal holding company income and therefore has not recorded a personal holding company tax liability. There can be no assurance that Zapata will not be subject to this tax in the future, that in turn may materially and adversely impact the Company's financial position, results of operations and cash flows.

- Risks associated with a change of ownership pursuant to Section 382 of the Internal Revenue Code. Such risks could significantly or possibly eliminate Zapata's utilization of its net operating losses and/or alternative minimum tax credits. An ownership change for this purpose is generally a change in the majority ownership of a company over a three year period.
- Risk that our officers, directors and majority stockholder exert substantial influence over Zapata. Members of our Board of Directors, our executive officers together with members of their families and entities that may be deemed affiliates of or related to such persons or entities, and our majority stockholder beneficially own approximately 47% of our outstanding common shares. Accordingly, these stockholders may be able to elect all members of our Board of Directors and determine the outcome of

certain corporate actions requiring stockholder approval, such as any future issuances of common stock or other securities, merger and acquisition decisions, declaration of dividends, and the election of directors. This level of ownership may have a significant effect in delaying, deferring, or preventing a change in control of Zapata and may adversely affect the voting and other rights of other holders of our common shares.

In addition, should our majority stockholder obtain 50% or more of the voting interests of our common stock, any action requiring a simple-majority stockholder vote could be determined solely by our majority stockholder. If 50% or more of the voting interests of our common stock is held by one individual or group, the Company may also be eligible for the NYSE's "controlled company" exemption. As a controlled company, Zapata would not be required to comply with certain NYSE regulations, such as the new requirement to have a majority of independent directors on the Company's Board of Directors.

- Risks related to the costs of defending litigation and the risk of unanticipated material adverse outcomes in such litigation or any other unfavorable outcomes or settlements. There can be no assurance that Zapata will prevail in any pending litigation and to the extent that the Company sustains losses growing out of any pending litigation which are not presently reserved or otherwise provided for or insured against, its business, results of operation and/or financial condition could be adversely affected.
- Risks associated with future acquisitions of operating companies. Any future acquisitions could be material in size and scope, as since the Company has not yet identified any additional assets, property or business that it may acquire or develop, potential investors in the Company will have virtually no substantive information about any such new business upon which to base a decision whether to invest in the Company. In any event depending upon the size and structure of any future acquisitions, stockholders may not have the opportunity to vote on the transaction, or access to any information about any new business until such time as a transaction is completed and the Company files a report with the SEC disclosing the nature of such transaction and/or business. For example, during September and October, 2003, stockholders were informed through press releases and SEC filings that the Company had acquired a significant stake in Safety Components. Such transactions materially affect the Company's financial position, results of operations and cash flows. In the Safety Components acquisition, the Company utilized approximately \$47.8 million of its cash, cash equivalents and short-term investments and the acquisition contributed an additional \$63.5 million to the Company's consolidated revenues for the fourth quarter of 2003.

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There is no assurance that the Company will be successful in identifying any suitable future acquisition opportunities. If the Company does identify any additional potential acquisition opportunities, there is no assurance that the acquisition will be consummated, and if the acquisition does occur, there is no assurance that it will be successful in enhancing the Company's business or will increase the Company's earnings or not materially adversely affect the Company's financial condition. The Company faces significant competition for acquisition opportunities, which may inhibit its ability to complete suitable transactions or increase the cost that must be paid. Future acquisitions could also divert substantial management time, result in short term reductions in earnings or special transactions or other charges and may be difficult to integrate with existing operations or assets. We may, in the future, issue additional shares of common stock or other securities in connection with one or more acquisitions, which may dilute our stockholders. Depending upon the size and number of any future acquisitions, the Company may also borrow money to fund its acquisitions. In that event, the Company's stockholders would be subject to the risks normally associated with leveraged transactions, including the inability to service the debt or the dedication of a significant amount of cash flow to service the debt, limitations on the Company's ability to secure future financing and the imposition of certain operating restrictions.

2. Risks associated with Safety Components that may impact Zapata include

the following, any of which could have a material adverse impact on Safety's financial position, results of operations and cash flows:

- The impact of competitive products and pricing, dependence of revenues upon several major module suppliers; worldwide economic conditions; the results of cost savings programs being implemented; domestic and international automotive industry trends, including the marketplace for airbag related products; the ability of Safety Components to effectively control costs and to satisfy customers on timeliness and quality; approval by automobile manufacturers of airbag cushions currently in production; pricing pressures and labor strikes.
- Our nominees on the Safety Components' Board of Directors do not comprise a majority of the board members. Therefore, we do not have the ability to directly influence the management of Safety Components and cannot be assured that the actions taken by the Safety Components Board of Directors will necessarily be consistent with Zapata's best interest.

3. Risks associated with Omega Protein that may impact Zapata include the following, any of which could have a material adverse impact on Omega's financial position, results of operations and cash flows:

- Omega's ability to meet its raw material requirements through its annual menhaden harvest, which is subject to fluctuation due to natural conditions over which Omega has no control, such as varying fish population, adverse weather conditions and disease.
- The impact on Omega if its spotter aircraft are prohibited or restricted from operating in their normal manner during Omega's fishing season. For example, as a direct result of the September 11, 2001 terrorist attacks, the Secretary of Transportation issued a federal ground stop order that grounded certain aircraft (including Omega's fish-spotting aircraft) for approximately nine days. This loss of spotter aircraft coverage severely hampered Omega's ability to locate menhaden fish during this nine-day period and thereby reduced its amount of saleable product.
- The impact on the prices for Omega's products of worldwide supply and demand relationships over which Omega has no control and which tend to fluctuate to a significant extent over the course of a year and from year to year. The products that influence the supply and demand relationship are world supplies of fish meal made from other fish species, animal proteins and fats, palm oil, soy meal and oil, and other edible oils.
- The impact of a violation by the Company of federal, state and local laws and regulations relating to menhaden fishing and the protection of the environment and the health and safety of its employees or of the adoption of new laws or regulations at federal, state or local levels that restrict or prohibit menhaden or purse-seine fishing, or stricter interpretations of existing laws or regulations that materially adversely affect the Company's business.

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- The impact of the enactment of increasingly stringent regulations regarding contaminants in fish meal or fish oil by foreign countries or the United States. More stringent regulations may result in: (1) Omega's incurrence of additional capital expenditures on contaminant reduction technology in order to meet the requirements of those jurisdictions, and possibly higher production costs for its products, or (2) Omega's withdrawal from marketing its products in those jurisdictions.
- The impact on Omega if it cannot harvest menhaden in U.S. jurisdictional waters if Omega fails to comply with U.S. citizenship ownership requirements.
- Risks inherent in Omega's attempt to expand into sales of refined, food grade fish oils for consumption in the U.S., including the unproven market for this product.
- Fluctuations in Omega's quarterly operating results due to the seasonality of Omega's business and Omega's deferral of sales of inventory based on worldwide prices for competing products.
- The ability of Omega to retain and recruit key officers and qualified personnel, vessel captains and crewmembers.

- Risks associated with the strength of local currencies of the countries in which its products are sold, changes in social, political and economic conditions inherent in foreign operations and international trade, including changes in the law and policies that govern foreign investment and international trade in such countries, changes in U.S. laws and regulations relating to foreign investment and trade, changes in tax or other laws, partial or total expatriation, currency exchange rate fluctuations and restrictions on currency repatriation, the disruption of labor, political disturbances, insurrection or war and the effect of requirements of partial local ownership of operations in certain countries.
- Risks related to unanticipated material adverse outcomes in any pending litigation or any other unfavorable outcomes or settlements. There can be no assurance that Omega will prevail in any pending litigation and to the extent that Omega sustains losses growing out of any pending litigation which are not presently reserved or otherwise provided for or insured against, its business, results of operation and financial condition could be adversely affected.
- In the future the Company may undertake acquisitions, although there is no assurance this will occur. Further, there can be no assurance that the Company will be able to profitably manage future businesses it may acquire or successfully integrate future businesses it may acquire into the Company without substantial costs, delays or other problems which could have a material adverse effect on the Company's business, results of operations and financial condition.
- A general hardening of the world insurance markets in recent years has made the Company's insurance more costly and is likely to continue to increase the Company's cost of insurance. The Company has elected to increase its deductibles and self-retentions in order to achieve lower insurance premium costs. These higher deductibles and self-retentions will expose the Company to greater risk of loss if claims occur.

4. Risks associated with the foreign operations of our controlled subsidiaries that may impact Zapata include the following, any of which could have a material adverse impact on any such subsidiary's financial position, results of operations and cash flows: the strength of local currencies of the countries in which its products are sold, changes in social, political and economic conditions inherent in foreign operations and international trade, including changes in the law and policies that govern foreign investment and international trade in such countries, changes in U.S. laws and regulations relating to foreign investment and trade, changes in tax or other laws, partial or total expatriation, currency exchange rate fluctuations and restrictions on currency repatriation, the disruption of labor, political disturbances, insurrection or war and the effect of requirements of partial local ownership of operations in certain countries.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

EQUITY PRICE RISK

As the Company considers its holdings of Safety Components, Omega Protein and Zap.Com common stock to be a potential source of secondary liquidity, the Company is subject to equity price risk to the extent of fluctuations in the market prices and trading volumes of these securities. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

INTEREST RATE RISK

Zapata Corporate and Zap.Com hold investment grade securities including a mix of U.S. Government or Government agency obligations, certificates of deposit, money market deposits and commercial paper rated A-1 or P-1. In addition, Omega Protein holds certificates of deposit and commercial quality grade investments rated A-2 P-2 or better with companies and financial institutions. As the majority of the Company's consolidated investment grade

securities constitute short-term U.S. Government agency securities, the Company does not believe that the value of these instruments have a material exposure to interest rate risk. However, changes in interest rates do affect the investment income the Company earns on its cash equivalents and marketable securities and, therefore, impacts its cash flows and results of operations. Accordingly, there is inherent roll-over risk for the Company's investment grade securities as they mature and are renewed at current market rates. Using the Company's consolidated investment grade security balance of \$73.3 million at December 31, 2003 as a hypothetical constant cash balance, an adverse change of 1% in interest rates would decrease interest income by approximately \$733,000 during a twelve-month period.

#### MARKET RISK

To the extent that amounts borrowed under Safety's Amended Congress Facilities and certain other facilities are outstanding, Safety has market risk relating to such amounts because the interest rates under the Amended Congress Facilities and those certain other facilities are variable. As of December 31, 2003, Safety's interest rate, inclusive of credit fees under the Amended Congress Facilities approximated 4.00%. Due to the variability of the interest rates, a hypothetical increase or decrease in the interest rates of 100 basis points relating to the Amended Congress Facilities may result in an addition to or reduction in interest expense of approximately \$200,000 on an annual basis. Omega Protein is exposed to minimal market risk associated with interest rate movements on its borrowings. A one percent increase or decrease in the levels of interest rates on Omega's variable rate debt would not result in a material change to the Company's results of operations.

#### CURRENCY EXCHANGE RATES AND FORWARD CONTRACTS

Safety's operations in Mexico, Germany, the United Kingdom and the Czech Republic expose Safety to currency exchange rate risks. Safety monitors its risk associated with the volatility of certain foreign currencies against its functional currency, the U.S. dollar. The impact of changes in the relationship of other currencies to the U.S. dollar in the period from March 30, 2003 to December 31, 2003 has resulted in Safety's recognition of other income of approximately \$2.0 million. It is unknown what the effect of foreign currency rate fluctuations will have on Safety's financial position or results of operations in the future. If, however, there were a sustained decline of these currencies versus the U.S. dollar, the consolidated financial statements could be materially adversely affected.

Derivative financial instruments are utilized by Safety to reduce exposures to volatility of foreign currencies impacting the operations of its business. Safety does not enter into financial instruments for trading or speculative purposes.

Certain operating expenses at Safety's Mexican facilities are paid in Mexican pesos. To reduce exposure to fluctuations in the U.S. dollar and Mexican peso exchange rates, Safety periodically enters into forward contracts to buy Mexican pesos for periods and amounts consistent with the related, underlying forecasted

cash outflows. These contracts are designated as hedges at inception and are monitored for effectiveness on a routine basis. At December 31, 2003, Safety had outstanding forward exchange contracts that mature between January and March 2004 to purchase Mexican pesos with an aggregate notional amount of approximately \$2.7 million. The fair values of these contracts at December 31, 2003, totaled approximately \$52,000, which is recorded as a liability on Safety's balance sheet in "other current liabilities." Safety recorded a credit to earnings of approximately \$47,000 for the nine month period from March 30, 2003 to December 31, 2003 and the unrealized loss on these forward contracts of approximately \$52,000 was included in "accumulated other comprehensive income" at December 31, 2003.

Certain intercompany sales at Safety's Czech facility are denominated and settled in Euros. To reduce exposure to fluctuation in the Euro and Czech Koruna exchange rates, Safety periodically enters into forward contracts to buy Czech Korunas for periods and amounts consistent with the related, underlying forecasted cash inflows associated with the intercompany sales. These contracts are designated as hedges at inception and are monitored for effectiveness on a routine basis. At December 31, 2003, Safety had outstanding forward exchange

contracts that mature between January and March 2004 to purchase Czech Korunas with an aggregate notional amount of approximately \$2.1 million. The fair values of these contracts at December 31, 2003 totaled approximately \$100,000, which is recorded as a liability on Safety's balance sheet in "other current liabilities." Safety recorded a charge to earnings of approximately \$47,000 for the nine month period from March 30, 2003 to December 31, 2003 and the unrealized loss on these forward contracts of approximately \$89,000 was included in "accumulated other comprehensive income" at December 31, 2003.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders  
of Zapata Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Zapata Corporation and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. 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 auditing standards generally accepted in the United States of America, 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 our opinion.

PRICEWATERHOUSECOOPERS LLP

Rochester, New York  
March 16, 2004

ZAPATA CORPORATION

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	DECEMBER 31, 2003	DECEMBER 31, 2002
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 43,934	\$ 80,643
Short-term investments.....	29,351	35,928
Accounts receivable, net.....	58,011	13,070
Inventories, net.....	63,957	41,939
Prepaid expenses and other current assets.....	6,045	4,015
	-----	-----
Total current assets.....	201,298	175,595
	-----	-----
Investments and other assets:		
Long-term investments, available for sale.....	--	4,016
Intangible assets, net.....	8,121	--
Other assets.....	23,925	24,524
	-----	-----
Total investments and other assets.....	32,046	28,540
Property, plant and equipment, net.....	125,695	80,842
	-----	-----
Total assets.....	\$359,039	\$284,977
	=====	=====



LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current maturities of long-term debt.....	\$ 5,780	\$ 1,270
Accounts payable.....	27,935	2,718
Accrued and other current liabilities.....	27,278	23,027
	-----	-----
Total current liabilities.....	60,993	27,015
	-----	-----
Long-term debt.....	29,422	14,239
Pension liabilities.....	7,687	11,835
Other liabilities and deferred taxes.....	9,698	1,608
Minority interest.....	68,702	55,018
	-----	-----
Total liabilities.....	176,502	109,715
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par; 200,000 shares authorized; none issued or outstanding.....	--	--
Preference stock, \$.01 par; 1,800,000 shares authorized; none issued or outstanding.....	--	--
Common stock, \$0.01 par, 16,500,000 shares authorized; 3,070,325 and 3,069,859 shares issued; 2,391,315 and 2,390,849 shares outstanding, respectively.....	31	31
Capital in excess of par value.....	163,490	162,037
Retained earnings.....	51,108	50,216
Treasury stock, at cost, 679,010 shares.....	(31,668)	(31,668)
Accumulated other comprehensive loss.....	(424)	(5,354)
	-----	-----
Total stockholders' equity.....	182,537	175,262
	-----	-----
Total liabilities and stockholders' equity.....	\$359,039	\$284,977
	=====	=====

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

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ZAPATA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FOR THE YEARS ENDED DECEMBER 31,		
	2003	2002	2001
	-----	-----	-----
Revenues.....	\$181,429	\$117,008	\$ 98,836
Cost of revenues.....	154,553	89,305	84,682
	-----	-----	-----
Gross profit.....	26,876	27,703	14,154
Operating expenses:			
Selling, general and administrative.....	20,086	11,906	12,633
Impairment of long-lived assets.....	--	--	232
Contract termination settlement.....	--	--	(403)
	-----	-----	-----
Total operating expenses.....	20,086	11,906	12,462
	-----	-----	-----
Operating income.....	6,790	15,797	1,692
	-----	-----	-----
Other (expense) income:			
Interest (expense) income, net.....	(329)	822	3,493
Realized loss on non-investment grade securities.....	--	--	(11,841)
Other, net.....	1,011	(222)	(151)
	-----	-----	-----
Income (loss) before income taxes and minority interest.....	682	600	(8,499)
(Provision) benefit for income taxes.....	7,472	16,397	(6,807)
Minority interest in net income of consolidated subsidiaries.....	(3,733)	(5,120)	12,769
	-----	-----	-----
Net income to common stockholders.....	(2,847)	(4,804)	(1,528)
	-----	-----	-----
Net income to common stockholders.....	\$ 892	\$ 6,473	\$ 4,434
	=====	=====	=====
Earnings per share:			

Basic.....	\$ 0.37	\$ 2.71	\$ 1.85
	=====	=====	=====
Diluted.....	\$ 0.37	\$ 2.70	\$ 1.85
	=====	=====	=====
Weighted average common shares outstanding:			
Basic.....	2,391	2,391	2,391
	=====	=====	=====
Diluted.....	2,405	2,395	2,391
	=====	=====	=====

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

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ZAPATA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

	FOR THE YEARS ENDED DECEMBER 31,		
	2003	2002	2001
	-----	-----	-----
Cash flows from operating activities:			
Net income to common stockholders.....	\$ 892	\$ 6,473	\$ 4,434
Adjustments to reconcile net income to common stockholders to net cash provided by operating activities:			
Depreciation and amortization.....	15,963	11,074	9,824
Amortization of purchase accounting adjustments.....	2,983	--	--
Loss (gain) on disposal of assets.....	14	32	(146)
Provisions for losses on receivables.....	300	707	1,473
Stock option modification expense.....	--	127	--
Impairment of long-lived assets.....	--	--	232
Realized loss on non-investment grade securities.....	--	--	11,841
Minority interest in net income of consolidated subsidiaries.....	2,847	4,804	1,528
Deferred income taxes.....	4,790	5,353	3,230
Changes in assets and liabilities, net of effects of purchase of Safety Components International, Inc.:			
Accounts receivable.....	(7,643)	9,489	(10,573)
Inventories.....	(1,036)	(4,269)	(638)
Prepaid expenses and other current assets.....	(851)	(1,093)	421
Accounts payable.....	5,006	1,114	(1,161)
Pension liabilities.....	(4,148)	7,022	6,148
Accrued liabilities and other current liabilities.....	(2,622)	(3,994)	(3,313)
Other assets and liabilities.....	(2,587)	(3,714)	(6,676)
	-----	-----	-----
Total adjustments.....	13,196	26,652	12,190
	-----	-----	-----
Net cash provided by operating activities.....	14,088	33,125	16,624
	-----	-----	-----
Cash flows from investing activities:			
Payment for purchase of Safety Components International, Inc., net of cash acquired.....	(42,010)	--	--
Proceeds from disposition of assets.....	162	19	435
Purchase of short-term investments.....	(29,351)	(35,832)	(33,948)
Purchase of long-term investments.....	--	(3,994)	--
Proceeds from maturities of long-term investments.....	3,994	--	5,965
Proceeds from maturities of short-term investments.....	35,832	33,948	55,384
Capital expenditures.....	(15,451)	(7,803)	(1,972)
	-----	-----	-----
Net cash (used in) provided by investing activities...	(46,824)	(13,662)	25,864
	-----	-----	-----
Cash flows from financing activities:			
Principal payments of short- and long-term obligations.....	(13,723)	(1,297)	(1,237)
Proceeds from borrowing.....	7,461	--	1,989
Proceeds from stock option exercises.....	1,696	--	--
	-----	-----	-----
Net cash (used in) provided by financing activities...	(4,566)	(1,297)	752
	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents.....	593	--	--
	-----	-----	-----

Net (decrease) increase in cash and cash equivalents.....	(36,709)	18,166	43,240
Cash and cash equivalents at beginning of period.....	80,643	62,477	19,237
	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 43,934	\$ 80,643	\$ 62,477
	=====	=====	=====
Cash paid during the year for:			
Interest.....	\$ 1,448	\$ 1,116	\$ 1,097
	=====	=====	=====
Income taxes.....	\$ 528	\$ 32	\$ 14
	=====	=====	=====
Supplemental disclosure of non-cash investing and financing activities:			
Fair value of assets acquired.....	\$101,530	\$ --	\$ --
Cash paid for the common stock.....	(47,807)	--	--
	-----	-----	-----
Liabilities assumed.....	\$ 53,723	\$ --	\$ --
	=====	=====	=====

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

ZAPATA CORPORATION  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(IN THOUSANDS)

	COMPREHENSIVE INCOME	COMMON STOCK SHARES	COMMON STOCK AMOUNT	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL STOCKHOLDERS' EQUITY
	-----	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 2000.....		3,067	\$31	\$161,755	\$39,389	\$(31,668)	\$(4,512)	\$164,995
Net income.....	4,434	--	--	--	4,434	--	--	4,434
Realized loss on securities.....	--	--	--	--	--	--	4,412	4,412
Effect of reverse stock split.....	--	3	--	40	(40)	--	--	--
Minimum pension liability adjustment, net of tax effects and minority interest.....	(4,024)	--	--	--	--	--	(4,024)	(4,024)
Effect of subsidiary equity transactions.....	--	--	--	74	(40)	--	--	34
	-----	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income.....	\$ 410							
	=====	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 2001.....		3,070	\$31	\$161,869	\$43,743	\$(31,668)	\$(4,124)	\$169,851
Net income.....	6,473	--	--	--	6,473	--	--	6,473
Minimum pension liability adjustment, net of tax effects and minority interest.....	(772)	--	--	--	--	--	(1,244)	(1,244)
Effect of subsidiary equity transactions.....	--	--	--	41	--	--	--	41
Stock option modification.....	--	--	--	127	--	--	--	127
Unrealized gain on securities, net of tax effects.....	14	--	--	--	--	--	14	14
	-----	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income.....	\$5,715							
	=====	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 2002.....		3,070	\$31	\$162,037	\$50,216	\$(31,668)	\$(5,354)	\$175,262
Net income.....	892	--	--	--	892	--	--	892
Minimum pension liability adjustment, net of tax effects and minority interest.....	1,701	--	--	--	--	--	1,701	1,701
Effect of subsidiary equity transactions.....	--	--	--	1,443	--	--	--	1,443
Stock option exercise, net of tax effects.....	--	--	--	10	--	--	--	10
Effect of subsidiary currency translation adjustment, net of tax effects and minority interest.....	3,249	--	--	--	--	--	3,249	3,249
Effect of subsidiary loss on derivatives, net of tax effects and minority interest.....	(6)	--	--	--	--	--	(6)	(6)
Reclassification adjustment for gain on securities realized in net income, net of tax effects.....	(14)	--	--	--	--	--	(14)	(14)

Total comprehensive income.....	----- \$5,822 =====							
Balance at December 31, 2003.....		3,070	\$31	\$163,490	\$51,108	\$ (31,668)	\$ (424)	\$182,537
		=====	===	=====	=====	=====	=====	=====

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BUSINESS AND ORGANIZATION

Zapata Corporation ("Zapata" or "the Company") is a holding company which currently has two operating companies, Safety Components International, Inc. ("Safety Components" or "Safety") and Omega Protein Corporation ("Omega Protein" or "Omega"). As of December 31, 2003, Zapata had an 83% ownership interest in Safety and a 59% ownership interest in Omega. In addition, Zapata owns 98% of Zap.Com Corporation ("Zap.Com"), a public shell company.

Safety Components is a leading, low-cost, independent supplier of automotive airbag fabric and cushions and technical fabrics with operations in North America and Europe. Safety Components sells airbag fabric domestically and cushions worldwide to the major airbag module integrators that outsource such products. Safety Components also manufactures value-added technical fabrics used in a variety of niche industrial and commercial applications such as ballistics material for luggage, filtration, military tents and fire service apparel. The ability to interchange airbag and specialty technical fabrics using the same equipment and similar manufacturing processes allows Safety to more effectively utilize its manufacturing assets and lower per unit overhead costs. Safety Components trades on the over-the-counter electronic bulletin board under the symbol "SAFY."

Omega Protein produces and markets a variety of products produced from menhaden (a herring-like species of fish found in commercial quantities in the U.S. coastal waters of the Atlantic Ocean and Gulf of Mexico), including regular grade and value-added specialty fish meals, crude and refined fish oils and regular and value-added fish solubles. Omega's fish meal products are primarily used as a protein ingredient in animal feed for swine, cattle, aquaculture and household pets. Fish oil is utilized for animal and aquaculture feeds, industrial applications, as well as for additives to human food products. Omega's fish solubles are sold primarily to livestock feed manufacturers, aquaculture feed manufacturers and for use as an organic fertilizer. Omega Protein trades on the New York Stock Exchange under the symbol "OME."

In December 2000, Zap.Com exited the Internet business and terminated all salaried employees and third party contractual relationships. Currently, Zap.Com does not have any existing business operations, other than maintaining its status as a public shell company. Zap.Com is likely to search for assets or businesses that it can acquire so that it can become an operating company. Zap.Com may also consider developing a new business suitable for its situation. Zap.Com trades on the over-the-counter electronic bulletin board under the symbol "ZPCM."

As used throughout this report, "Zapata Corporate" is defined as Zapata Corporation exclusive of its majority owned subsidiaries Safety Components, Omega Protein and Zap.Com.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include Zapata and its wholly and majority-owned domestic and foreign subsidiaries (collectively, "Zapata" or the "Company"). Consolidated financial statements are financial statements of a parent company and its subsidiaries presented as if the entities were a single economic unit. Although the assets, liabilities, revenues, and expenses of all entities are combined to provide a single set of financial statements, certain eliminations and adjustments are made. These eliminations are necessary to ensure that only arm's-length transactions between independent parties are reflected in the consolidated statements; transactions between related parties

are eliminated. In addition, when the parent company consolidates non-wholly owned subsidiaries, minority interest on the consolidated balance sheets and statements of operations represents the minority stockholders' (those other than the parent company) interest in the net assets and net income of such subsidiaries.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

FISCAL YEAR

Zapata and its consolidated subsidiaries have fiscal years ending on December 31st with calendar quarter-end dates. Safety's operations were formerly based on a fifty-two or fifty-three week fiscal year ending on the Saturday closest to March 31st. Subsequent to the Company's purchase of Safety, Safety changed its fiscal year to end on December 31 to coincide with Zapata's fiscal year end.

CASH AND CASH EQUIVALENTS

The Company invests certain of its excess cash in government and corporate debt instruments. All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. The recorded amounts for cash equivalents approximate fair market value due to the short-term nature of these financial instruments.

SHORT-TERM INVESTMENTS

The Company invests certain of its excess cash in government debt instruments. All highly liquid investments with original maturities of greater than three months but not longer than one year are considered short-term investments, available for sale. Accrued interest receivable is recorded on short-term investments so that the original cost plus accrued interest approximates fair market value due to the short-term nature of these investments. As such, no unrealized holding gains or losses are recorded as a separate component of accumulated other comprehensive (loss) income.

INVENTORIES

Safety Components' inventories represent direct materials, labor and overhead costs incurred for products not yet delivered and are stated at the lower of cost (first-in, first-out) or market.

Omega Protein's inventory is stated at the lower of cost or market. Omega Protein's fishing season runs from mid-April to the first of November in the Gulf of Mexico and from the beginning of May into December in the Atlantic. Government regulations preclude Omega Protein from fishing during the off-seasons.

Omega Protein's inventory cost system considers all costs associated with an annual fish catch and its processing, both variable and fixed, including both costs incurred during the off-season and during the fishing season. Omega Protein's costing system allocates cost to inventory quantities on a per unit basis as calculated by a formula that considers total estimated inventoriable costs for a fishing season (including off-season costs) to total estimated fish catch and the relative fair market value of the individual products produced. Omega Protein adjusts the cost of sales, off-season costs and inventory balances at the end of each quarter based on revised estimates of total inventoriable costs and fish catch. Omega Protein's lower-of-cost-or-market-value analyses at year-end and at interim periods compares the total estimated per unit production cost of expected production to the projected per unit market prices of the products. The impairment analyses involve estimates of, among other things, future fish catches and related costs, and expected commodity prices for the fish products. These estimates, which management believes are reasonable and supportable, involve estimates of future activities and events which are inherently imprecise and from which actual results may differ materially.

During the off-seasons, in connection with the upcoming fishing seasons, Omega Protein incurs costs (i.e., plant and vessel related labor, utilities, rent, repairs, and depreciation) that are directly related to Omega's infrastructure. These costs accumulate in inventory and are applied as elements of the cost of production of Omega Protein's products throughout the fishing

season ratably based on Omega's monthly fish catch and the expected total fish catch for the season.

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

LONG-TERM INVESTMENTS

The Company accounts for its long-term investments in marketable securities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." SFAS No. 115 establishes the accounting and reporting requirements for all debt securities and for investments in equity securities that have readily determinable fair values. All marketable securities must be classified as one of the following: held-to-maturity, available-for-sale or trading. The Company classifies its marketable securities as available-for-sale and, as such, carries the investments at fair value, with unrealized holding gains and losses reported in stockholders' equity as a separate component of accumulated other comprehensive (loss) income. The cost of securities sold is based on the specific identification method. Realized gains and losses, and declines in value determined to be other than temporary, are included in interest income (expense) in the statement of operations.

INTANGIBLES ASSETS

Intangible assets consist of Safety Components' patents and customer intangibles related to the Company's acquisition of Safety Components common stock. Both patents and customer intangibles are stated at fair value less accumulated amortization. At December 31, 2003, all patents were held by Safety Components. These patents relate to technical improvements for enhancement of product performance with respect to Safety's airbag, fabric and technical related products. Relationship intangibles represent the present value of the projected future earnings associated with business expected to be generated from Safety's existing customers as of the date of acquisition. This asset is being amortized over 4 years which represents the average duration of established airbag programs in place as of the date of acquisition.

ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS

The Company accounts for impairments and disposals of long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Pursuant to the provisions of SFAS No. 144, the Company reviews the recoverability of its long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future cash flows. If these cash flows are less than the carry amount of the asset or asset group, an impairment loss is recognized for the difference between estimated fair value and carrying value. Fair values are based on assumptions and estimates of future cash flows and the fair value of long-lived assets.

PENSION PLANS

Annual costs of pension plans are determined actuarially based on SFAS No. 87, "Employers' Accounting for Pensions." The Company applies revised SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" disclosure requirements for its pensions and other postretirement benefit plans.

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Consolidated property, plant and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line method. Estimated useful lives of assets acquired, determined as of the date of acquisition, are as follows:

Buildings.....	20 - 40 years
Fishing vessels.....	15 - 20 years
Machinery and equipment.....	4 - 10 years
Furniture and fixtures.....	3 - 10 years

Leasehold improvements are depreciated over the lesser of their useful life or the lease term; replacements and major improvements are capitalized; maintenance and repairs are charged to expense as incurred. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the statement of operations.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

The consolidated financial statements include financial instruments whereby the fair market value of such instruments may differ from amounts reflected on a historical basis. Financial instruments of the Company consist of cash deposits, accounts receivable, advances to affiliates, accounts payable, certain accrued liabilities and long-term debt. The carrying amount of the Company's long-term debt at December 31, 2003 and 2003 approximated fair market value based on prevailing market rates. The Company's other financial instruments generally approximate their fair values based on the short-term nature of these instruments.

#### DERIVATIVE FINANCIAL INSTRUMENTS

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires the recognition of all derivative instruments as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge and, if so, the type of hedge. For derivatives designated as cash flow hedges, to the extent effective, changes in fair value are recognized in accumulated other comprehensive loss until the hedged item is recognized in earnings. Ineffectiveness is recognized immediately in earnings. For derivatives designated as fair value hedges, changes in fair value are recognized in earnings.

Safety Components utilizes derivative financial instruments to reduce exposures to volatility of foreign currencies impacting the operations of its business. Safety does not enter into financial instruments for trading or speculative purposes. See Note 24 for further information regarding derivative instruments.

#### DEFERRED FINANCING COSTS

Costs incurred in connection with financing activities are deferred and amortized over the lives of the respective debt instruments using the straight-line method (which approximates the effective interest method), and are charged to interest expense in the accompanying consolidated statements of operations.

#### COMPREHENSIVE INCOME

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive income and its components within the financial statements. Other comprehensive income is comprised of charges to stockholders' equity, other than contributions from or distributions to stockholders,

excluded from the determination of net income. The Company's other comprehensive income is comprised of foreign currency translations, gain or loss on derivatives, unrealized holding gains and losses on the Company's long-term

investments and additional minimum pension liability adjustment.

#### REVENUE RECOGNITION

Safety Components and Omega Protein recognize revenue from product sales when goods have been shipped and the risk of loss has passed. Additionally, Safety accrues for sales returns and other allowances at the time of shipment based upon historical experience.

#### ADVERTISING COSTS

The costs of advertising are expensed as incurred in accordance with Statement of Position 93-7 "Reporting on Advertising Costs" and are included as a component of selling, general and administrative expenses in the accompanying consolidated statements of operations.

#### RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are charged to operations when incurred and are included as a component of selling, general and administrative expenses in the accompanying consolidated statements of operations.

#### INSURANCE

Omega Protein carries insurance for certain losses relating to its vessels and Jones Act liabilities for employees aboard its vessel. Omega provides reserves for those portions of the annual aggregate deductible for which Omega remains responsible by using an estimation process that considers Omega Protein-specific and industry data as well as management's experience, assumptions and consultation with outside counsel. Omega Protein management's current estimated range of liabilities related to such cases is based on claims for which management can estimate the amount and range of loss. Omega has recorded the minimum estimated liability related to those claims where there is a range of loss. As additional information becomes available, Omega Protein will assess the potential liability related to its pending litigation and revise its estimates. Such revisions in estimates of the potential liability could materially impact Omega Protein's results of operation and financial position.

#### INCOME TAXES

Zapata and Omega each file a separate consolidated U.S. federal income tax return. Zapata's consolidated U.S. federal income tax return includes subsidiaries in which Zapata owns in excess of 80% of the voting interests. Accordingly, Zap.Com and Safety Components (beginning with the fourth quarter of 2003) will be included in Zapata's consolidated U.S. federal income tax return.

The Company utilizes the liability method to account for income taxes. This method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of existing temporary differences between the financial reporting and tax reporting basis of assets and liabilities, and operating loss and tax credit carry-forwards for tax purposes. Valuation allowances are recognized to reduce deferred tax assets to an amount that is more likely than not to be realized. As Safety Components will be included in the consolidated federal return of Zapata, the assessment of Safety's tax liabilities, deferred tax assets and liabilities, and valuation allowance are calculated on a consolidated basis that includes Zapata's and Zap.Com's activities and results of operations. With respect to Safety's foreign operations, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial

#### ZAPATA CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards.

#### ENVIRONMENTAL EXPENDITURES

Environmental expenditures that result from the remediation of an existing condition caused by past operations that will not contribute to current or future revenues are expensed. Expenditures that extend the life of the related property or prevent future environmental contamination are capitalized.



Undiscounted liabilities are recognized for remedial activities when the cleanup is probable and the cost can be reasonably estimated.

FOREIGN CURRENCY TRANSLATION

Financial statements of substantially all of Safety's foreign operations are prepared using the local currency as the functional currency. Translation of these foreign operations to United States dollars occurs using the current exchange rate for balance sheet accounts and a weighted average exchange rate for results of foreign operations.

Translation gains or losses are recognized in "accumulated other comprehensive income (loss)" as a component of stockholders' equity in the accompanying consolidated balance sheets.

Safety's subsidiary in Mexico prepares its financial statements using the United States dollar as the functional currency. Since the Mexican subsidiary does not have external sales and does not own significant amounts of inventory or fixed assets, Safety has determined that the United States dollar is the appropriate functional currency. Accordingly, the translation effects of the financial statements are included in the results of operations. During the periods presented herein, such amounts were not significant.

STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation according to Accounting Principles Board Opinion No. 25 and the related interpretations under Financial Accounting Standards Board ("FASB") Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation." The Company adopted the required disclosure provisions under Statement of Financial Accounting Standards No. 148 and continues to use the intrinsic value method of accounting for stock-based compensation. Had compensation expense for the Company's stock option grants been determined based on fair value at the grant date using the

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Black-Scholes option-pricing model, the Company's net income and earnings per share (basic and diluted) would have been as follows:

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
	-----	-----	-----
Net income, as reported.....	\$ 892	\$6,473	\$4,434
Add: Stock-based employee compensation expense determined under APB No. 25, included in reported net income, net of tax effects.....	--	79	--
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax effects:			
Zapata Corporate.....	53	50	38
Safety Components.....	--	--	--
Omega Protein.....	247	701	788
Zap.Com.....	--	56	126
	-----	-----	-----
Total pro forma charge.....	300	728	952
	-----	-----	-----
Pro forma net income.....	\$ 592	\$5,745	\$3,482
	=====	=====	=====
Earnings per share:			
Basic -- as reported.....	\$0.37	\$ 2.71	\$ 1.85
	=====	=====	=====
Basic -- pro forma.....	\$0.25	\$ 2.40	\$ 1.46
	=====	=====	=====
Diluted -- as reported.....	\$0.37	\$ 2.70	\$ 1.85
	=====	=====	=====
Diluted -- pro forma.....	\$0.25	\$ 2.40	\$ 1.46
	=====	=====	=====

Due to the timing of the acquisition, Safety's stock-based employee compensation expense has been included in Zapata's amounts beginning in the fourth quarter of 2003. However, Safety reported no stock-based employee compensation expense for the fourth quarter of 2003.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results in future periods could differ from these estimates.

#### CONCENTRATIONS OF CREDIT RISK

Zapata invests the majority of its excess cash, cash equivalents and short-term investments in U.S. Government Agency Securities and therefore has significantly reduced its future exposure to market risk.

Safety Components is subject to a concentration of credit risk consisting of its trade receivables and typically has a limited customer base that accounts for a significant portion of its trade receivables. Safety performs ongoing credit evaluations of its customers and generally does not require collateral. Safety evaluates potential losses for uncollectible accounts and such losses have historically been immaterial and within management's expectations.

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#### ZAPATA CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Omega Protein has cash deposits concentrated primarily in one major bank. Also, Omega has Certificates of Deposit and commercial quality grade investments rated A-2 P-2 or better with companies and financial institutions. As a result of the forgoing, Omega believes that credit risk in such investments is minimal.

Omega's customer base generally remains consistent from year to year. Omega performs ongoing credit evaluations of its customers and generally does not require material collateral. Omega maintains reserves for potential credit losses and such losses have historically been within management's expectations.

#### RECLASSIFICATION

Certain reclassifications of prior year information have been made to conform to the current presentation.

#### NOTE 3. ACQUISITIONS

On September 23, 2003, Zapata purchased 2,663,905 shares of Safety Components International, Inc. common stock for \$30.9 million and purchased an additional 1,498,489 shares of Safety common stock on October 7, 2003. These additional shares were purchased for \$16.9 million and increased the Company's ownership percentage of Safety's outstanding common stock to approximately 84% at the time.

The Company accounted for these transactions under the purchase method and began consolidating amounts related to Safety's assets and liabilities as of September 30, 2003. Due to the timing of the acquisition, the Company began consolidating amounts related to Safety's results of operations in the fourth quarter of 2003. The Company engaged a third-party valuation firm to assist in the assessment of the fair values of the assets and liabilities acquired to determine the allocation of the total purchase price.

The following represents the final purchase price allocation associated with the 84% acquisition of Safety Components common stock:

(IN THOUSANDS)

Current assets.....	\$58,223
Property, plant, and equipment.....	32,167
Patents.....	579
Contract intangibles.....	203
Relationship intangibles.....	7,774
Other assets.....	2,584
	-----
Total assets acquired.....	101,530
Current liabilities.....	34,237
Long-term liabilities.....	19,486
	-----
Total liabilities acquired.....	53,723
	-----
Net assets acquired.....	\$47,807
	=====

In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", and as clarified by Emerging Issues Task Force Issue 02-17, "Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination," contract and relationship intangibles were recognized in conjunction with the assessment of the fair values of the assets acquired. The value of contract intangibles was determined based on purchase orders on hand as of the date of acquisition. Consistent with Safety's historical experience, contractual purchase orders are established each week based on the following week's requirements. Accordingly, the value of the contract intangible asset was determined based on purchase orders which represented approximately one week's sales. Based on the short-term nature of these purchase orders, contract intangibles were fully amortized as of December 31, 2003. Customer relationship intangibles represent the present value of the projected future earnings associated with business expected to be

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

generated from Safety's existing customers as of the date of acquisition. The discount rate utilized in the calculation of customer relationship intangibles incorporated a company specific risk factor to account for the uncertainty of future results duplicating historical performance and to account for general market uncertainties. While the useful life of this customer relationship asset is not limited by contract or any other economic, regulatory or other known factors, a useful life of 4 years was determined based on the average duration of established airbag programs in place as of the date of acquisition.

The following table sets forth the unaudited pro forma condensed consolidated summary financial information for the years ended December 31, 2003 and 2002. This information gives effect to the acquisition of 84% of Safety Components common stock as if it had occurred as of the beginning of each of the periods presented. These statements are presented after giving effect to certain adjustments for compensation agreements, forgone interest and related income tax effects which are based upon currently available information and upon certain assumptions that the Company believes are reasonable. These pro forma amounts do not purport to present what the Company's consolidated results of operations would have been if the aforementioned transaction had in fact occurred at the beginning of the periods indicated, nor do they project the Company's consolidated results of operations for any future period.

	FOR THE YEARS ENDED DECEMBER 31,	
	2003	2002
	(UNAUDITED)	(UNAUDITED)
	(IN THOUSANDS EXCEPT PER SHARE DATA)	
Revenues.....	\$365,067	\$354,625
Income before income taxes and minority interest.....	19,179	28,640
Income from continuing operations.....	6,817	12,430
Income from continuing operations per share:		
Basic.....	\$ 2.85	\$ 5.20

Diluted.....	\$ 2.83	\$ 5.19
Weighted average common shares outstanding:		
Basic.....	2,391	2,391
Diluted.....	2,405	2,395

NOTE 4. SHORT-TERM INVESTMENTS

Short-term investments are summarized as follows:

	DECEMBER 31, 2003	DECEMBER 31, 2002
	-----	-----
	(IN THOUSANDS)	
Federal National Mortgage Association Discount Note.....	\$21,024	\$25,061
Federal Home Loan Mortgage Corporation Discount Note.....	7,822	5,455
Federal Home Loan Bank Discount Note.....	--	1,413
Federal Farm Credit Bank.....	--	2,483
Commercial Paper.....	505	1,516
	-----	-----
	\$29,351	\$35,928
	=====	=====

Interest rates on these investments ranged from 0.99% -- 1.06% and 1.26% -- 1.88% at December 31, 2003 and 2002, respectively.

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	DECEMBER 31, 2003	DECEMBER 31, 2002
	-----	-----
	(IN THOUSANDS)	
Trade.....	\$52,180	\$11,853
Insurance.....	2,646	755
Income tax.....	3,430	650
Other To.....	905	341
	-----	-----
	59,161	13,599
Less: Allowance for doubtful accounts.....	(1,150)	(529)
	-----	-----
	\$58,011	\$13,070
	=====	=====

As a result of the 2003 acquisition, consolidated accounts receivable as of December 31, 2003 include amounts attributable to Safety Components. Accordingly, no such amounts are included as of December 31, 2002.

As a result of the completion of Zapata's Internal Revenue Service audit of the tax fiscal years ended September 30, 1997-2001, the Company recorded a net income tax receivable of \$974,000 during 2003.

NOTE 6. INVENTORIES

Inventories are summarized as follows:

DECEMBER 31, 2003	DECEMBER 31, 2002
-----	-----

(IN THOUSANDS)

SAFETY COMPONENTS:

Raw materials.....	\$ 6,273	\$ --
Work-in-process.....	7,089	--
Finished goods.....	10,190	--
	-----	-----
Total Safety Components inventory.....	\$23,552	\$ --
	-----	-----

OMEGA PROTEIN:

Fish meal.....	\$21,963	\$21,564
Fish oil.....	7,666	9,583
Fish solubles.....	600	843
Off season cost.....	5,348	5,464
Other materials and supplies.....	4,828	4,485
	-----	-----
Total Omega Protein inventory.....	\$40,405	\$41,939
	-----	-----
Total consolidated inventory.....	\$63,957	\$41,939
	=====	=====

As a result of the 2003 acquisition, consolidated inventory as of December 31, 2003 includes amounts attributable to Safety Components. Accordingly, no such amounts are included as of December 31, 2002.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 7. LONG-TERM INVESTMENTS

The Company held no long-term investments as of December 31, 2003. As of December 31, 2002, Zapata Corporate held available for sale securities with a total cost of approximately \$4.0 million, market value of approximately \$4.0 million and an unrealized gain of \$22,000, which was reflected as a component of accumulated other comprehensive income, net of tax. These investment grade securities were obligations of the Federal Home Loan Bank, an agency of the U.S. Government and matured in 2003.

NOTE 8. INTANGIBLE ASSETS

Intangible assets, net are summarized as follows:

	DECEMBER 31, 2003		DECEMBER 31, 2002	
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION
	-----		-----	
	(IN THOUSANDS)		(IN THOUSANDS)	
Patents.....	1,213	(380)	--	--
Customer relationship intangibles.....	7,774	(486)	--	--
	-----	-----	-----	-----
	8,987	(866)	--	--
	=====	=====	=====	=====

As a result of the 2003 acquisition, consolidated intangible assets as of December 31, 2003 include amounts attributable to Safety Components. Accordingly, no such amounts are included as of December 31, 2002.

Amortization expense for the years ended December 31, 2003, 2002 and 2001 was approximately \$714,000, \$0 and \$0, respectively. Estimated amortization expense for each of the next five fiscal years is as follows (in thousands):

2004.....	2,024
2005.....	2,024
2006.....	2,024
2007.....	1,538

As of December 31, 2003, all patents were held by Safety Components. These patents relate to technical improvements for enhancement of product performance with respect to Safety's airbag, fabric and technical related products.

Customer relationship intangibles represent the present value of the projected future earnings associated with business expected to be generated from Safety's existing customers as of the date of acquisition. The discount rate utilized in the calculation of customer relationship intangibles incorporated a company specific risk factor to account for the uncertainty of future results duplicating historical performance and to account for general market uncertainties.

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## ZAPATA CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NOTE 9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net are summarized as follows:

	DECEMBER 31, 2003	DECEMBER 31, 2002
	----- (IN THOUSANDS)	
Land.....	\$ 7,730	\$ 6,261
Building and improvements.....	18,342	9,038
Machinery and equipment.....	118,447	63,449
Fishing vessels.....	82,573	75,153
Furniture and fixtures.....	3,589	2,108
Construction in progress.....	8,487	3,292
	239,168	159,301
	-----	-----
Less: Accumulated depreciation and impairment.....	(113,473)	(78,459)
	-----	-----
	\$ 125,695	\$ 80,842
	=====	=====

As a result of the 2003 acquisition, consolidated property, plant and equipment as of December 31, 2003 include amounts attributable to Safety Components. Additionally, Safety's depreciation expense has been included in Zapata's consolidated results only for the quarter ended December 31, 2003. Depreciation expense for years ended December 31, 2003, 2002 and 2001 was \$12.8 million, \$9.2 million, and \$8.6 million, respectively.

## NOTE 10. OTHER ASSETS

Other assets are summarized as follows:

	DECEMBER 31, 2003	DECEMBER 31, 2002
	----- (IN THOUSANDS)	
Fishing nets.....	\$ 877	\$ 1,216
Prepaid pension cost.....	16,322	16,830
Deferred tax asset.....	415	3,115
Insurance receivable, net of allowance for doubtful accounts of \$1.8 million.....	1,394	2,548
Safety Components Executive Deferral Program.....	3,345	--
Other.....	1,572	815
	-----	-----
	\$23,925	\$24,524
	=====	=====

As a result of the 2003 acquisition, consolidated other assets as of December 31, 2003 include amounts attributable to Safety Components. Accordingly, no such amounts are included as of December 31, 2002.

Omega Protein's amortization expense for fishing nets amounted to approximately \$985,000, \$688,000 and \$732,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

Omega carries insurance for certain losses relating to its vessels and Jones Act liability for employees aboard its vessels (collectively, "Vessel Claims Insurance"). The typical Vessel Claims Insurance policy contains an annual aggregate deductible ("AAD") for which Omega remains responsible, while the insurance carrier is responsible for all applicable amounts which exceed the AAD. It is Omega's policy to accrue current amounts due and record amounts paid out on each claim. Once payments exceed the AAD, Omega records an insurance receivable for a given policy year.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

For more information concerning the Safety Components International, Inc. Executive Deferral Program, see Note 20.

NOTE 11. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities are summarized as follows:

	DECEMBER 31, 2003	DECEMBER 31, 2002
	-----	-----
	(IN THOUSANDS)	
Salary and benefits.....	\$ 8,935	\$ 7,065
Insurance.....	5,258	5,625
Taxes, other than income tax.....	12	443
Trade creditors.....	2,135	2,513
Federal and state income taxes.....	5,462	2,412
Litigation reserves.....	1,414	3,423
Other.....	4,062	1,546
	-----	-----
	\$27,278	\$23,027
	=====	=====

As a result of the 2003 acquisition, consolidated accrued and other current liabilities as of December 31, 2003 include amounts attributable to Safety Components. Accordingly, no such amounts are included as of December 31, 2002.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 12. DEBT

Long-term debt consisted of the following:

	DECEMBER 31, 2003	DECEMBER 31, 2002
	-----	-----
	(IN THOUSANDS)	
SAFETY COMPONENTS:		
Congress revolving credit facility due on October 8, 2006, interest at a variable rate of 4.0% at December 31, 2003.....	\$ 4,628	\$ --
Congress Term A loan, due on October 8, 2006, interest at a variable rate of 4.0% at December 31, 2003.....	4,176	--

KeyCorp equipment note due August, 2005, interest rate of 1.3% over LIBOR (2.6% at December 31, 2003).....	2,690	--
HBV Bank Czech Republic mortgage note due March, 2007, interest rate of 1.7% over EURIBOR (2.3% at December 31, 2003).....	3,509	--
Capital equipment notes payable, with various interest rates ranging from 7.6% to 10.0%, maturing at various dates through March 2008	1,028	--
	-----	-----
Total Safety Components' debt.....	16,031	--
Less: current maturities.....	(4,214)	--
	-----	-----
	\$11,817	\$ --
	-----	-----
OMEGA PROTEIN:		
U.S. Government guaranteed obligations (Title XI loan) collateralized by a first lien on certain vessels and certain plant assets:		
Amounts due in installments through 2016, interest from 5.7% to 7.6%.....	\$18,658	\$14,531
Amounts due in installments through 2014, interest at Eurodollar rates (1.6% and 2.3% at December 31, 2003 and 2002, respectively, plus 4.5%).....	441	933
Other debt at 7.9% at December 31, 2003 and 2002.....	72	45
	-----	-----
Total Omega Protein's debt.....	19,171	15,509
Less: current maturities.....	(1,566)	(1,270)
	-----	-----
	\$17,605	\$14,239
	-----	-----
Total consolidated long-term debt.....	\$29,422	\$14,239
	=====	=====

As a result of the 2003 acquisition, consolidated long-term debt as of December 31, 2003 includes amounts attributable to Safety Components. Accordingly, no such amounts are included as of December 31, 2002. As of December 31, 2003 and 2002, the estimated fair value of debt obligations approximated book value.

#### SAFETY COMPONENTS

On October 8, 2003, Safety executed an amendment to its credit facility (the "Congress Facility") with Congress Financial Corporation (Southern), a subsidiary of Wachovia Bank, National Association ("Congress"). As amended, Safety has an aggregate, \$35.0 million revolving credit facility with Congress (the "Congress Revolver") expiring October 8, 2006. Under the Congress Revolver, Safety may borrow up to the lesser of (a) \$35.0 million or (b) 85% of eligible accounts receivable, plus 60% of eligible finished goods, plus

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#### ZAPATA CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

50% of eligible raw materials. The amount borrowed under the Congress Revolver at December 31, 2003 was \$4.6 million. The Congress Revolver also includes a \$5.0 million letter of credit facility, under which Safety had \$497,000 outstanding pursuant to letters of credit at December 31, 2003.

In addition, the amendment provided for a term facility (the "Congress Term A loan") under which \$4.2 million was borrowed at December 31, 2003. The Congress Term A loan is payable in equal monthly installments of approximately \$72,000, with the unpaid principal amount due on October 8, 2006. Additional amounts are not available for borrowing under the Congress Term A loan. In addition to the Congress Revolver and Congress Term A, the amendment also provided for an additional \$4.5 million term loan (the "Congress Term B loan" and, collectively with the Congress Revolver and the Congress Term A loan, the "Amended Congress Facilities") which is undrawn and is currently fully available. At December 31, 2003, Safety's availability for additional borrowings (based on the maximum allowable limit) under the Congress Revolver and the Congress Term B loan was approximately \$34.9 million.

The interest rate on the Congress Revolver and Congress Term A is variable, depending on the amount of Safety's Excess Availability (as defined in the Amended Congress Facilities) at any particular time and the ratio of Safety's EBITDA, less certain capital expenditures made by Safety, to certain fixed



charges of Safety (the "Fixed Charge Coverage Ratio"). Safety may make borrowings based on the prime rate as described in the Amended Congress Facilities (the "Prime Rate") or the LIBOR rate as described in the Amended Congress Facilities, in each case with an applicable margin applied to the rate. The Congress Term B loan bears interest at the Prime Rate plus 3%. At December 31, 2003, the margin on Prime Rate loans was 0.0% and the margin on LIBOR rate loans was 2.0%. Safety is required to pay a monthly unused line fee of 0.25% on the unutilized portion of the Congress Revolver and a monthly fee equal to 1.75% of the amount of any outstanding letters of credit.

Under the Congress Revolver and Congress Term A facilities, Safety is subject to a covenant that requires it to maintain a certain tangible net worth. To the extent that Safety has borrowings outstanding under the Congress Term B loan, it is subject to additional financial covenants that require Safety: (i) to maintain EBITDA of no less than certain specified amounts, (ii) to maintain a Fixed Charge Coverage Ratio of no less than a specified amount, (iii) to maintain a ratio of certain indebtedness to EBITDA not in excess of a specified amount, and (iv) not to make capital expenditures in excess of specified amounts. In addition, Safety would be required to repay the Congress Term B loan to the extent of certain excess cash flow.

The Amended Congress Facilities also impose limitations upon Safety's ability to, among other things, incur indebtedness (including capitalized lease arrangements); become or remain liable with respect to any guaranty; make loans; acquire investments; declare or make dividends or other distributions; merge, consolidate, liquidate or dispose of assets or indebtedness; incur liens; issue capital stock; or change its business. At December 31, 2003, Safety was in compliance with all financial and non-financial covenants. Substantially all assets of Safety are pledged as collateral for the borrowings under the Amended Congress Facilities.

Safety's subordinated secured note facility with KeyBank National Association and Fleet Bank ("KeyBank subordinated secured note") was paid in full on October 8, 2003 with proceeds from the Amended Congress Facilities.

On March 28, 2002, Safety's Czech Republic subsidiary and HVB Bank Czech Republic, successor to Bank Austria, entered into an amendment to its \$7.5 million mortgage note facility dated June 4, 1997. This amendment extends the mortgage facility for five years, establishes an interest rate of 1.7% over EURIBOR (EURIBOR was 2.31% at December 31, 2003), requires monthly payments of approximately \$89,000 and is secured by the real estate assets of Safety's subsidiary in the Czech Republic. Safety has guaranteed the repayment of up to \$500,000 of the obligations of this subsidiary with respect to this facility.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On April 1, 1999, Safety's German subsidiary secured a \$2.9 million mortgage note facility with Deutsche Bank to purchase a facility in Germany. The note was secured by the real estate in Germany acquired through the mortgage. On October 31, 2003, the mortgage was paid in full.

On July 10, 1998, Safety entered into a \$10.0 million financing arrangement with KeyCorp Leasing, a division of Key Corporate Capital Inc. ("KeyCorp"). The KeyCorp financing agreement has a seven-year term, bears interest at a rate of 1.25% over LIBOR (LIBOR was 2.56% at December 31, 2003), requires monthly payments of approximately \$150,000 and is secured by certain equipment located at Safety's Greenville, South Carolina facility.

The annual maturities of Safety's long-term debt for the five years ending December 31, 2008 and thereafter are as follows (in thousands):

2004.....	4,214
2005.....	3,063
2006.....	7,837
2007.....	830
2008.....	87
Thereafter.....	--
	-----

\$16,031  
=====

All debt in the above chart consists of the obligations of Safety Components. Zapata Corporate has neither guaranteed nor otherwise agreed to be liable for the repayment of this debt.

OMEGA PROTEIN

Omega was initially authorized to receive up to \$20.6 million in loans under the Title XI program, and has borrowed the entire amount authorized under such program. The Title XI loans are secured by liens on certain of Omega's fishing vessels and mortgages on Omega's Reedville, Virginia and Abbeville, Louisiana plants. Loans are now available under similar terms pursuant to the Title XI program without intervening lenders.

On October 1, 2003, pursuant to the Title XI program, the United States Department of Commerce approved the fiscal 2003 financing application made by Omega in the amount of \$5.3 million. Omega closed on the \$5.3 million Title XI loan on December 30, 2003.

On December 20, 2000 Omega entered into a three-year \$20 million revolving credit agreement with Bank of America, N.A. (the "Credit Facility"). Borrowings under this facility may be used for working capital and capital expenditures. On May 19, 2003, Omega amended the existing Credit Facility and among other things, these amendments extended the maturity until December 20, 2006, deleted certain existing financial covenants and added certain affirmative covenants such as, a Leverage Ratio covenant not to exceed 3.0 to 1 at any time and a Fixed Charge Coverage Ratio covenant not to be less than 1.0 as of the end of each month, measured for the twelve-month period then ended. Omega is required to comply with the financial covenants from and after the last day of any month in which the Credit Facility's availability is less than \$3,000,000 on any date or the Credit Facility's availability averages less than \$6,000,000 for any calendar month. A commitment fee of 50 basis points per annum is payable on the unused portion of the Credit Facility. If at any time Omega's loan outstanding under the Credit Facility is \$5,000,000 or greater, the commitment fee on the unused portion shall be 25 basis points per annum. Applicable interest is payable at alternative rates of LIBOR plus 2.25% or Prime plus 0%. The applicable interest note will be adjusted (up or down) prospectively on a quarter basis from LIBOR plus 2.25% to LIBOR plus 2.75% or at Omega's option Prime plus 0% to Prime plus 0.25% depending upon the Fixed Charge Coverage Ratio being greater than 2.5 times to less than or equal

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

to 1.5 times, respectively. The Credit Facility is collateralized by all of Omega's trade receivables, inventory and equipment. In addition, the Credit Facility does not allow for the payment of cash dividends or stock repurchases and also limits capital expenditures and investments. Omega was in compliance with the Credit Facility covenants at December 31, 2003. As of December 31, 2003, Omega had no borrowings outstanding under the Credit Facility. At December 31, 2003 and December 31, 2002, Omega had outstanding letters of credit totaling approximately \$2.6 million and \$2.1 million, respectively, issued primarily in support of worker's compensation insurance programs.

The annual maturities of Omega's long-term debt for the five years ending December 31, 2008 and thereafter are as follows (in thousands):

2004.....	1,566
2005.....	1,662
2006.....	1,751
2007.....	1,865
2008.....	1,960
Thereafter.....	10,367
	-----
	\$19,171
	=====

All debt in the above chart consists of the obligations of Omega Protein. Zapata Corporate has neither guaranteed nor otherwise agreed to be liable for the repayment of this debt.

NOTE 13. PENSION LIABILITIES

Pension liabilities are summarized as follows:

	DECEMBER 31, 2003	DECEMBER 31, 2002
	-----	-----
	(IN THOUSANDS)	
Pension liability resulting from:		
Omega Protein's pension plan.....	\$6,838	\$10,983
Zapata's supplemental retirement plan.....	849	852
	-----	-----
	\$7,687	\$11,835
	=====	=====

Pension liabilities are primarily derived from the additional minimum pension liability requirements of SFAS No. 87 which requires the recognition of an additional minimum pension liability in the amount of the unfunded accumulated benefit obligation in excess of accrued pension cost with an equal amount to be recognized net of the associated tax benefits in accumulated other comprehensive income. Increases in the additional minimum liability do not impact earnings or cash flow, and could reverse in future periods should either interest rates increase or market performance and plan returns improve.

As it is Omega Protein's policy to fund U.S. pension plans at amounts not less than the minimum requirements of the Employee Retirement Income Security Act of 1974, Omega may continue to be required to make contributions to its pension plan to meet the minimum funding requirements as required by law. Omega expects to contribute \$939,000 to its pension plan in 2004. Zapata is not responsible for any funding of Omega's plan.

Zapata's supplemental retirement plan is an unfunded plan whereby plan contributions are not required. Fixed plan benefits are paid on a monthly basis to certain former senior executives of Zapata. The amounts of such payments equal the difference between the amounts received under the applicable pension plan and the

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

amounts that would otherwise be received if pension plan payments were not reduced as the result of the limitations upon compensation and benefits imposed by federal law.

For more information on benefit plans, see Note 18 Qualified Defined Benefit Plans.

NOTE 14. STOCKHOLDERS' EQUITY

COMMON STOCK

On November 13, 2002, the Board of Directors approved and authorized Zapata to make a cash tender offer of \$28 per share, for up to 500,000 shares of its common stock, or approximately 20.9% of its outstanding common stock. In connection with the approval of this tender offer, the Board of Directors terminated the existing authorization for the repurchase of up to 500,000 shares in open market or private transactions. At the time of such termination, no shares had been repurchased under this program.

On December 6, 2002, the Board of Directors terminated the self-tender offer in light of its rejection of an unsolicited proposal to acquire the Company at a price of \$35 per share and the fact that the Company's stock had consistently traded above the tender offer price following the self-tender offer

announcement. Additionally on December 6, 2002, the Board of Directors further authorized the Company to purchase up to 500,000 shares of its outstanding common stock in the open market or privately negotiated transactions. The shares may be purchased from time to time as determined by the Company. Any purchased shares would be placed in treasury and may subsequently be reissued for general corporate purposes. The repurchases will be made only at such times as are permissible under the federal securities laws. No time limit has been placed on the duration of the program and no minimum number or value of shares to be repurchased has been fixed. Zapata reserves the right to discontinue the repurchase program at any time and there can be no assurance that any repurchases will be made. As of December 31, 2003, no shares had been repurchased under this program.

On January 30, 2001, the Company effected a one-for-ten reverse split of its outstanding shares of common stock resulting in there then being approximately 2.4 million common shares outstanding. In addition, the Company's authorized shares were reduced to approximately 16.5 million common shares, 200,000 preferred shares and 1.8 million preference shares. The preferred stock and preference shares are undesignated "blank check" shares. All share and per share amounts have been retroactively restated for the reverse split.

#### ACCUMULATED OTHER COMPREHENSIVE INCOME

Components of accumulated other comprehensive (loss) income in stockholders equity (in thousands):

	UNREALIZED (LOSS) GAIN ON SECURITIES	MINIMUM PENSION LIABILITY ADJUSTMENT	REALIZED LOSS ON SECURITIES	SUBSIDIARY CURRENCY TRANSLATION ADJUSTMENT	SUBSIDIARY LOSS ON DERIVATIVES	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME
December 31, 2000.....	\$ (4,413)	\$ (99)	\$ --	\$ --	\$ --	\$ (4,512)
Realized loss on securities....	--	--	4,412	--	--	4,412
Minimum pension liability adjustment, net of tax effects of \$2,228 and minority interest.....	--	(4,024)	--	--	--	(4,024)
December 31, 2001.....	(4,413)	(4,123)	4,412	--	--	(4,124)

#### ZAPATA CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	UNREALIZED (LOSS) GAIN ON SECURITIES	MINIMUM PENSION LIABILITY ADJUSTMENT	REALIZED LOSS ON SECURITIES	SUBSIDIARY CURRENCY TRANSLATION ADJUSTMENT	SUBSIDIARY LOSS ON DERIVATIVES	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME
Unrealized gain on securities, net of tax effects of \$8.....	14	--	--	--	--	14
Minimum pension liability adjustment, net of tax effects of \$473 and minority interest.....	--	(1,244)	--	--	--	(1,244)
December 31, 2002.....	(4,399)	(5,367)	4,412	--	--	(5,354)
Minimum pension liability adjustment, net of tax effects of \$904 and minority interest.....	--	1,701	--	--	--	1,701
Effect of subsidiary currency translation adjustment, net of tax effects of \$12 and minority interest.....	--	--	--	3,249	--	3,249
Effect of subsidiary loss on derivatives, net of minority interest.....	--	--	--	--	(6)	(6)
Reclassification adjustment for gain on securities realized in net income, net of tax effects of \$9.....	--	--	(14)	--	--	(14)
December 31, 2003.....	\$ (4,399)	\$ (3,666)	\$ 4,398	\$ 3,249	\$ (6)	\$ (424)

NOTE 15. EARNINGS PER SHARE INFORMATION

The following reconciles amounts used in the computations of basic and diluted income per common share (in thousands, except per share amounts):

	FOR THE YEARS ENDED DECEMBER 31,								
	2003			2002			2001		
	INCOME	WEIGHTED AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED AVERAGE SHARES	PER SHARE AMOUNT
Basic income per common share.....	\$892	2,391	\$0.37	\$6,473	2,391	\$2.71	\$4,434	2,391	\$1.85
Effect of dilutive stock options.....		14			4			--	
Diluted earnings per common share.....	\$892	2,405	\$0.37	\$6,473	2,395	\$2.70	\$4,434	2,391	\$1.85

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table details the potential common shares excluded from the calculation of diluted earnings per share because their exercise price was greater than the average market price for the period (in thousands, except per share amounts):

	FOR THE YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Potential common shares excluded from the calculation of diluted earnings per share:			
Stock options.....	30	119	122
Weighted average price per share.....	\$56.56	\$46.84	\$46.97

NOTE 16. INCOME TAXES

Domestic and foreign income (loss) before income taxes and minority interest are as follows:

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Income (loss) before income taxes and minority interest:			
Domestic.....	\$4,975	\$16,397	\$(6,807)
Foreign.....	2,497	--	--
Income (loss) before income taxes and minority interest.....	\$7,472	\$16,397	\$(6,807)

Safety's results of operations have been included in the Company's consolidated amounts for the fourth quarter of 2003.

The combined income tax (provision) benefit from continuing operations consisted of the following:

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
CURRENT:			
State.....	\$ 471	\$ --	\$ 45
Federal.....	1,598	--	16,026
Foreign.....	(832)	--	--
DEFERRED:			
State.....	(586)	(142)	415
Federal.....	(4,355)	(4,978)	(3,717)
Foreign.....	(29)	--	--
(Provision) benefit for income taxes.....	\$ (3,733)	\$ (5,120)	\$12,769

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table reconciles the income tax provisions for all periods computed using the U.S. statutory rate of 35% to the provisions from continuing operations as reflected in the financial statements:

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
(Provision) benefit at statutory rate.....	\$ (2,576)	\$ (5,399)	\$ 2,281
Foreign sales corporation exempt income.....	183	575	216
IRS audit resolution.....	3,139	--	--
Valuation allowance for deferred tax assets.....	--	--	10,609
Adjustment for basis difference in subsidiary.....	(4,514)	(514)	(183)
State taxes, net of federal benefit.....	(66)	(99)	485
Other.....	101	317	(639)
(Provision) benefit for income taxes.....	\$ (3,733)	\$ (5,120)	\$12,769

No taxes have been provided relating to the possible distribution of approximately \$19.6 million of Safety's undistributed earnings considered to be permanently reinvested in foreign operations.

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Temporary differences and tax credit carryforwards that gave rise to significant portions of deferred tax assets and liabilities are as follows:

	DECEMBER 31, 2003	DECEMBER 31, 2002
(IN THOUSANDS)		
Deferred tax assets:		
Assets and accruals not yet deductible.....	\$ 5,022	\$ 3,186
Alternative minimum tax credit carryforwards.....	7,771	7,771
Equity in loss of unconsolidated affiliates.....	297	306
Net operating loss carryforward.....	14,876	12,408
Minimum pension liability.....	3,116	4,532
State income tax.....	406	500
Capital loss carryover.....	852	--
Other.....	29	113

	32,369	28,816
	-----	-----
Less valuation allowance.....	(852)	--
	-----	-----
Total deferred tax assets.....	31,517	28,816
Deferred tax liabilities:		
Property and equipment.....	(10,625)	(9,324)
Intangibles.....	(3,586)	--
Pension.....	(6,665)	(6,614)
Write up of subsidiary investment.....	(12,368)	(7,669)
Assets currently deductible.....	(1,818)	--
SFAS No. 115 adjustment on long-term investment.....	(9)	(8)
State income tax.....	--	--
Other.....	(110)	--
	-----	-----
Total deferred tax liabilities.....	(35,181)	(23,615)
	-----	-----
Net deferred tax (liabilities) assets.....	\$ (3,664)	\$ 5,201
	=====	=====

The last remaining portion of investment tax credits, approximately \$851,000, expired on September 30, 2001. The Company has \$14.9 million in net operating loss carry-forwards for federal income tax purposes, of which \$7.5 million is attributable to Omega and the remaining \$7.4 is attributable to Zapata. Since the two companies cannot currently file a consolidated federal income tax return, the ability for each of these companies to utilize its own net operating losses is dependent on the future taxable income that each company separately generates. Net operating loss carry-forwards have a 20 year carry-forward period. For Zapata and Omega, the net operating losses will begin to expire in 2020 and 2019, respectively. Additionally, Zapata has approximately \$6.6 million and Omega has approximately \$1.2 in federal alternative minimum tax credits which can be used to offset future federal tax liabilities. Alternative minimum tax credits do not expire.

On a consolidated basis, the Company has a valuation allowance of \$852,000 related to Safety Component's capital loss carryover. To the extent that the capital loss is ultimately utilized, the recognized tax benefit will be allocated to reduce non-current intangible assets of Safety Components. With the exception of this valuation allowance, the Company believes it is more likely than not that its remaining net deferred tax assets as of December 31, 2003 and 2002 will be realized. The ultimate realization of deferred tax assets could be negatively impacted by market conditions and other variables not known or anticipated at this time.

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During 2003 Zapata finalized its audit with the Internal Revenue Service for the tax years ended September 30, 1997 through 2001. This resulted in a net tax benefit of approximately \$3.1 million relating to a federal refund and the elimination of certain tax contingencies. This benefit was offset by the recognition of a deferred tax liability of approximately \$4.5 million associated with the excess of book basis over tax basis attributable to Zapata's investment in Omega Protein.

Effective December 31, 2002 Zapata changed its tax year-end from September 30 to a calendar year ending on December 31. Safety Components will be included in the consolidated federal tax return of Zapata beginning in the fourth quarter of 2003. Accordingly, the income (loss) from each of Zapata and Safety Components will be combined for purposes of calculating the annual federal tax liability. The determination of whether Zapata and Safety Components will file on a combined or consolidated basis for state purposes will be made on a state by state basis.

If Zapata or Omega has a change of ownership pursuant to Section 382 of the Internal Revenue Code, utilization of their respective net operating losses or alternative minimum tax credits could be significantly limited or, in Zapata's case, possibly eliminated. An ownership change for this purpose is generally a change in the majority ownership of a company over a three year period. As a result of a prior change of ownership, Zapata's use of approximately \$6.3 million of its alternative minimum tax credits will be limited to a maximum of up to approximately \$1.5 million per year.

Section 541 of the Internal Revenue Code of 1986, as amended (the "IRC"), subjects a corporation, which is a "personal holding company" as defined in the IRC, to a 15% penalty tax on "undistributed personal holding company income" in addition to the corporation's normal income tax. Generally, undistributed personal holding company income is based on taxable income, subject to certain adjustments, most notably a reduction for Federal incomes taxes. Personal holding company income is comprised primarily of passive investment income plus, under certain circumstances, personal service income. Zapata and its domestic subsidiaries (other than Omega) could become subject to the penalty tax if (i) 60% or more of its adjusted ordinary gross income is personal holding company income and (ii) 50% or more of its outstanding common stock is owned, directly or indirectly, by five or fewer individuals at any time during the last half of the taxable year. The Company believes that five or fewer of Zapata's stockholders hold 50% or more of its outstanding common stock for purposes of IRC Section 541. However, as of December 31, 2003, Zapata and its domestic subsidiaries (other than Omega) had no undistributed personal holding company income due to losses generated by the consolidated tax filing group and therefore has not recorded a personal holding company tax liability. There can be no assurance that Zapata will not be subject to this tax in the future, that in turn may materially and adversely impact the Company's financial position, results of operations and cash flows.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 17. COMMITMENTS AND CONTINGENCIES

LEASES PAYABLE

Future annual minimum payments under non-cancelable lease obligations as of December 31, 2003 are as follows (in thousands):

	OPERATING	CAPITAL
	-----	-----
2004.....	\$2,108	\$ 537
2005.....	1,344	310
2006.....	754	280
2007.....	611	18
2008.....	190	--
Thereafter.....	238	--
	-----	-----
Total minimum lease payments.....	5,245	1,145
Less: Amount representing interest.....	--	(117)
	-----	-----
Total minimum lease payments.....	\$5,245	\$1,028
	=====	=====

Rental expenses for leases were \$1.1 million, \$868,000 and \$923,000 in 2003, 2002 and 2001, respectively. Due to the timing of the acquisition, Safety's rental expenses have been included in Zapata's consolidated results only for the quarter ended December 31, 2003.

LITIGATION

Zapata and Omega Protein were named as defendants in a lawsuit instituted on March 10, 2003 in the District Court of Clark County, Nevada by Omega Protein shareholder Robert Strougo. Plaintiff brought the action individually and as a putative class action on behalf of all Omega Protein stockholders. No class period was identified. Also named as defendants in the lawsuit were Avram A. Glazer, Chairman, President and CEO of Zapata and Darcie Glazer, a director of Zapata, both of whom are also directors of Omega Protein, and all other Omega Protein directors. Plaintiff claims that the individual defendants and Zapata breached their fiduciary duties to Omega Protein's stockholders by not properly considering a so-called offer sent via e-mail to Zapata by Hollingsworth, Rothwell & Roxford, a Florida partnership. On July 30, 2003, the court granted Zapata's motion to dismiss the Complaint and denied the Plaintiffs' cross-motion for leave to amend. On October 20, 2003 an order of dismissal signed by Judge Leavitt was filed in the district court for Clark County, Nevada dismissing its



claims against Zapata pursuant to NRCP 12(b)(5), for failure to state a claim upon which relevancy may be granted and deny its countermotion to amend on the basis of futility. Zapata filed applications to recover its costs and attorney fees. Plaintiff appealed the court's decision on November 20, 2003. Thereafter, Plaintiff and Zapata agreed that Plaintiff would withdraw his appeal in exchange for Zapata withdrawing its claim for attorney fees and costs. On February 10, 2004, the Court, based on the stipulation of the parties, dismissed the appeal and directed each party to bear their own costs and attorney fees. Accordingly, this matter is now concluded.

Omega Protein and each of its directors were named as defendants in a lawsuit instituted in September 2003 in a Texas state court by purported Omega stockholder Joseph Chaput. The lawsuit alleged that the defendants breached their fiduciary duties to Omega's stockholders by not properly considering an acquisition offer sent in August 2003 by Ferrari Investments and requested injunctive relief. In December 2003, the plaintiff dismissed the lawsuit voluntarily with no cost to Omega or its directors.

Zapata is involved in litigation relating to claims arising out of its past and current operations in the normal course of business. Zapata maintains insurance coverage against such potential ordinary course claims

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#### ZAPATA CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

in an amount in which it believes to be adequate. While the results of any ultimate resolution cannot be predicted, in the opinion of Zapata's management, based upon discussions with counsel, any losses resulting from these matters will not have a material adverse effect on Zapata's results of operations, cash flow or financial position.

#### ENVIRONMENTAL MATTERS

Like similar companies, the operations and properties of Zapata's operating subsidiaries are subject to a wide variety of increasingly complex and stringent federal, state, local and international laws and regulations, including those governing the use, storage, handling, generation, treatment, emission, release, discharge and disposal of certain materials, substances and wastes, the remediation of contaminated soil and groundwater, and the health and safety of employees (collectively, "Environmental Laws"). Such laws may impose joint and several liability and may apply to conditions at properties presently or formerly owned or operated by an entity or its predecessor as well as to conditions of properties at which wastes or other contamination attributable to an entity or its predecessor have been sent or otherwise come to be located. The nature of the operations of Zapata's operating subsidiaries exposes them to the risk of claims with respect to such matters and there can be no assurance that violations of such laws have not occurred or will not occur or that material costs or liabilities will not be incurred in connection with such claims. Based upon its experience to date, Zapata believes that the future cost of compliance with existing Environmental Laws and liability for known environmental claims pursuant to such Environmental Laws, will not have a material adverse effect on Zapata's financial position, results of operations or cash flows. However, future events, such as new information, changes in existing Environmental Laws or their interpretation, and more vigorous enforcement policies of regulatory agencies, may give rise to additional expenditures or liabilities that could be material.

Low levels of contaminants were found at the Company's facility in Greenville, South Carolina (the "Greenville facility") during groundwater sampling in 1998. In February 1999, the facility received a notice letter from the South Carolina Department of Health and Environmental Control ("DHEC") regarding the groundwater contamination. Over the past four years Safety Components has performed groundwater monitoring and implemented a program for in-site remediation of the groundwater. As a result, Safety received a "no further action" letter from DHEC in its fiscal year ended March 29, 2003, ending the DHEC investigation. An undiscounted reserve of \$277,000 has been included in "other long-term liabilities" on the accompanying consolidated balance sheets for estimated future environmental expenditures related to the Greenville facility for conditions existing prior to Safety's ownership of the facility. Such reserve was established at the time Safety acquired the facility, and the amount was determined by reference to the results of a Phase II study performed at the Greenville facility. The Greenville facility has also been identified

along with numerous other parties as a Potentially Responsible Party at the Aquatech Environmental, Inc. Superfund Site. Safety believes that it is a de minimis party with respect to the site and that future clean-up costs incurred will not be material.

Although no assurances can be given in this regard, in the opinion of Safety's management, no material expenditures beyond those accrued will be required for Safety's environmental control efforts and the final outcome of these matters will not have a material adverse effect on Safety's financial position or results of future operations. Safety believes that it currently is in compliance with applicable environmental regulations in all material respects. Safety's management's opinion is based on the advice of independent consultants on environmental matters.

Zapata and its subsidiaries are subject to various possible claims and lawsuits regarding environmental matters in addition to those discussed above. Zapata's management believes that costs, if any, related to these matters will not have a material adverse effect on the consolidated results of operations, cash flows or financial position of the Company.

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#### ZAPATA CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

##### SAFETY COMPONENTS BANKRUPTCY

Safety Components emerged from bankruptcy on October 11, 2000, and an order entering the final decree and closing the Chapter 11 cases was signed on November 21, 2003. The final decree is subject to a "Limited Reservation of Jurisdiction" for a "Reporting/Fee Dispute" with the U.S. Trustee Office over administrative matters associated with the cases. Safety has reserved \$275,000 for any potential exposure associated with the Reporting/Fee Dispute. Although no assurances can be given in this regard, in the opinion of Safety's management, no material expenditures beyond those accrued will be required for the Reporting/ Fee Dispute.

##### CAPITAL COMMITMENTS

Omega Protein has committed approximately \$16 million to build a new 100 metric ton per day fish oil processing facility at its Reedville, Virginia location. As of December 31, 2003, Omega has incurred \$6.7 million related to its Reedville processing facility.

##### GUARANTEES

The Company has applied the disclosure provisions of FASB Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," to its agreements containing guarantee or indemnification clauses. These disclosure provisions expand those required by SFAS No. 5, "Accounting for Contingencies," by requiring a guarantor to disclose certain types of guarantees, even if the likelihood of requiring the guarantor's performance is remote. The following is a description of arrangements in which the Company is the guarantor.

Zapata's articles of incorporation, bylaws and certain other agreements contain indemnification clauses for its officers, directors and certain consultants for losses incurred as a result of claims made against such individuals arising out of, or because of their service to the Company. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, Zapata maintains Director and Officer Liability insurance that limits this exposure. As a result of this insurance coverage, it is the opinion of Zapata's management that the estimated fair value of any liabilities under these indemnification agreements is minimal and should not materially impact the Company's financial position, results of operations or cash flows. These indemnification obligations were in effect prior to December 31, 2002 and are therefore grandfathered under the provisions of FIN No. 45. Accordingly, no liabilities have been recorded for the indemnification clauses in these agreements.

During February 2003, Zapata's directors and officers entered into indemnification agreements with the Company. These agreements provide additional rights to persons entitled to indemnification that is currently provided under the Company's Articles of Incorporation and By-laws and will protect the

officers and directors from losses incurred as a result of claims made against such individuals arising out of, or because of their service to the Company. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, Zapata maintains Director and Officer Liability insurance to limit potential exposure. As a result of this insurance coverage, it is the opinion of Zapata's management that the estimated fair value of any liabilities under these indemnification agreements is minimal and accordingly, no liabilities have been recorded under the provisions of FIN 45.

Throughout its history, the Company has entered into numerous transactions relating to the sale, disposal or spin-off of past operations. Pursuant to certain of these transactions, the Company may be obligated to indemnify other parties to these agreements. These obligations include indemnifications for losses incurred by such parties arising out of the operations of such businesses prior to these transactions or the inaccuracy of representations of information supplied by the Company in connection with such transactions. These indemnification obligations were in effect prior to December 31, 2002 and are therefore grandfathered under

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the provisions of FIN No. 45. Accordingly, no liabilities have been recorded for the indemnification clauses in these agreements.

In addition, Safety Components, Omega Protein and Zap.Com have articles of incorporation, bylaws and certain other agreements containing indemnification clauses for their officers and directors. The estimated fair values of any liabilities under these indemnification agreements are limited by insurance coverages and should not materially impact the Company's financial position, results of operations or cash flows. No liabilities have been recorded for the indemnification clauses in these agreements.

NOTE 18. QUALIFIED DEFINED BENEFIT PLANS

GENERAL

Zapata and Omega Protein have separate and independent noncontributory defined benefit pension plans covering certain U.S. employees. Benefits are generally based on employees' years of service and compensation level. All of the costs of these plans are borne by Zapata and Omega. Each plan has adopted an excess benefit formula integrated with covered compensation. Both plan's participants are 100% vested in the accrued benefit after five years of service. The funding policy of each plan is to make contributions as required by applicable regulations. All plans use a December 31 measurement date.

In 2002, Omega Protein's Board of Directors authorized a plan to freeze the Omega pension plan in accordance with ERISA rules and regulations so that new employees, after July 31, 2002, will not be eligible to participate in the pension plan and further benefits will no longer accrue for existing participants. The freezing of the pension plan had the effect of vesting all existing participants in their pension benefits in the plan.

Additionally, Effective April 1, 1992, Zapata adopted a supplemental pension plan, which provides supplemental retirement payments to certain former senior executives of Zapata. The amounts of such payments equal the difference between the amounts received under the applicable pension plan and the amounts that would otherwise be received if pension plan payments were not reduced as the result of the limitations upon compensation and benefits imposed by federal law. Effective December 1994, the supplemental pension plan was frozen.

CONSOLIDATED OBLIGATIONS AND FUNDED STATUS

DECEMBER 31,	DECEMBER 31,
2003	2002
-----	-----

(IN THOUSANDS)

CHANGE IN BENEFIT OBLIGATION

Benefit obligation at beginning of year.....	\$44,306	\$ 44,381
Service Cost.....	29	467
Interest Cost.....	2,787	2,949
Plan amendments.....	--	(3,897)
Actuarial (gain) loss.....	(213)	3,272
Benefits paid.....	(3,001)	(2,866)
	-----	-----
Benefit obligation at end of year.....	43,908	44,306
	-----	-----

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	DECEMBER 31, 2003	DECEMBER 31, 2002
	-----	-----
	(IN THOUSANDS)	
CHANGE IN PLAN ASSETS		
Plan assets at fair value at beginning of year.....	32,771	43,523
Actual return (loss) on plan assets.....	6,590	(7,990)
Contributions.....	1,533	104
Benefits paid.....	(3,001)	(2,866)
	-----	-----
Plan assets at fair value at end of year.....	37,893	32,771
	-----	-----
RECONCILIATION OF PREPAID PENSION COST AND TOTAL AMOUNT RECOGNIZED		
Unfunded status of plan.....	(6,016)	(11,535)
Unrecognized prior service cost.....	357	458
Unrecognized net transition asset.....	--	13,087
Unrecognized net loss.....	23,482	16,302
	-----	-----
Recognized prepaid pension cost.....	17,823	18,312
	-----	-----
AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION CONSIST OF:		
Prepaid benefit cost.....	16,322	16,830
Accrued benefit liability.....	(7,687)	(11,835)
Accumulated other comprehensive income.....	9,188	13,317
	-----	-----
Net amount realized.....	\$17,823	\$ 18,312
	=====	=====

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
	-----	-----	-----
	(IN THOUSANDS)		
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service cost.....	\$ 29	\$ 467	\$ 890
Interest cost.....	2,787	2,949	2,942
Expected return on plan assets.....	(2,555)	(3,520)	(4,462)
Amortization of transition assets and other deferrals.....	1,759	481	(468)
	-----	-----	-----
Net periodic pension cost (benefit).....	\$ 2,020	\$ 377	\$ (1,098)
	=====	=====	=====

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
	-----	-----	-----
	(IN THOUSANDS)		

Increase (decrease) in minimum liability included in other comprehensive income, net of tax effects and minority interest..... \$1,701    \$(1,244)    \$4,024

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ZAPATA CORPORATE PENSION PLAN INFORMATION

As of December 31, 2003, Zapata's fair value of plan assets of \$20.5 million were in excess of accumulated benefit obligations of \$17.9 million. Zapata's unrecognized transition assets of \$10.6 million at October 1, 1987 were amortized over 15 years.

	2003	2002	2001
	----	----	----
	(IN THOUSANDS)		
ASSUMPTIONS			
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE BENEFIT OBLIGATIONS AS OF DECEMBER 31			
Discount rate.....	6.00%	6.50%	6.75%
Expected long-term return on plan assets.....	8.00%	8.00%	8.00%
Rate of compensation increase.....	4.50%	4.50%	4.50%
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE NET PERIODIC BENEFIT COST FOR THE YEARS ENDED DECEMBER 31			
Discount rate.....	6.50%	6.75%	7.50%
Expected long-term return on plan assets.....	8.00%	8.00%	9.00%
Salary scale up to age 50.....	4.50%	4.50%	5.00%
Salary scale over age 50.....	4.50%	4.50%	4.50%

The Board of Directors has established a Pension Committee to oversee plan assets. The Pension Committee is comprised of two members of management and is responsible for establishing objectives and policies for the investment of Plan assets with assistance from the Plan's investment consultant. As the obligations of the Plan are relatively long-term in nature, the Plan's investment strategy has been to maximize long-term capital appreciation. The Plan has historically invested within and among equity and fixed income asset classes in a manner that sought to achieve the highest rate of return consistent with a moderate amount of volatility. At the same time, the Plan maintained a sufficient amount invested in highly liquid investments to meet the Plan's immediate and projected cash flow needs. To achieve these objectives, the Committee developed guidelines for the composition of investments to be held by the Plan. Due to varying rates of return among asset classes, the actual asset mix may vary somewhat from these guidelines but are generally rebalanced as soon as practical.

Plan Assets. The Zapata Pension Plan asset allocations and target Plan asset allocations by asset category are as follows:

ASSET CATEGORY	ALLOCATION AS OF DECEMBER 31,		PLAN INVESTMENT ALLOCATION GUIDELINES		
	2003	2002	MIN	TARGET	MAX
-----	-----	-----	----	-----	----
Domestic Equity Securities.....	50%	77%	28%	52%	75%
International Equity Securities.....	5%	12%	0%	9%	15%
Debt Securities.....	10%	5%	10%	19%	60%
Guaranteed Investment Contracts.....	34%	5%	10%	20%	60%
Real Estate.....	0%	0%	0%	0%	0%
Other.....	1%	1%	0%	0%	0%

As of December 31, 2003 and 2002, no plan assets were invested in Zapata common stock.

## ZAPATA CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company's ownership of approximately 83% of Safety's common stock has resulted in the creation of a parent-subsiary controlled group for purposes of the provisions of the Internal Revenue Code applicable to qualified retirement plans. Based on requirements for controlled groups which would require the Plan to cover substantially all of the employees of Safety Components, the Company is likely to freeze and/or ultimately terminate the Plan when Company specific, and market conditions would be most advantageous to do so. Such modifications would be made on a timely basis in accordance with the applicable transition rules pertaining to business acquisitions which do not require such changes to be made until January 1, 2005. Accordingly, based on the aforementioned acquisition of Safety common stock and recent favorable market conditions, the Committee modified the Plan's investment composition to decrease the volatility of the Plan's assets. The Committee will continue to monitor the strategy to be consistent with the Company's intentions for the Plan.

The Company currently has a prepaid pension asset of approximately \$16.3 million as of December 31, 2003. If the Company decides to terminate the Plan, at the time of this decision, the Company would be required to incur a non-cash charge through earnings in an amount equal to the remaining balance of its prepaid pension asset. If the Company decides to freeze the Plan, the Plan would continue to be subject to the additional minimum liability requirements of SFAS No. 87. Such requirements require the recognition of an additional pension liability in the amount of the unfunded accumulated benefit obligation in excess of accrued pension with an equal amount to be recognized net of the associated tax benefits in accumulated other comprehensive (loss) income. Accordingly, depending on market conditions, the Company may have to reverse its prepaid pension balance and record a pension liability through a non-cash charge to equity. As the Company has not determined if it will freeze and/or terminate the Plan, and due to the uncertainty of market conditions, the Company can provide no assurances as to the ultimate financial statement impact that Plan modifications may have.

Based on volatile market conditions leading up to and during 2002, actual asset allocations varied from Plan guidelines. Based on these conditions, the Committee decided to temporarily deviate from the Plan's target investment mix to allow for a gradual return to the stated target asset allocation guidelines. Subsequent to this decision, and until the Company purchased approximately 84% of Safety Components, the Committee strategically and gradually returned the Plan's investment composition to a mix that was within the guidelines of the plan.

For 2003, the Company assumed a long-term asset rate of return of 8%. In developing this rate of return assumption, the Company obtained input from our third party pension plan investment advisor which included a review of historical returns and asset class return expectations based on the Plan's current asset allocation. Despite the Company's belief that this assumption is reasonable, future actual results may differ from this estimate.

Contributions. Zapata plans to make no contributions to its pension plan in 2004.

## OMEGA PROTEIN PENSION PLAN INFORMATION

Omega's funding policy is to make contributions as required by applicable regulations. The Company uses a December 31 measurement date for its pension plan. The accumulated benefit obligation for the pension plan was \$24.2 and \$25.5 million in excess of plan assets of \$14.5 million and \$19.3 million as of December 31, 2003 and 2002, respectively. The unrecognized transition asset at October 1, 1987 was \$5.2 million which is being amortized over 15 years. The unrecognized net loss of \$8.9 million at

## ZAPATA CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

December 31, 2003 is expected to be reduced by future returns on plan assets and

through decreases in future net pension credits.

	2003	2002	2001
	----	----	----
	(IN THOUSANDS)		
ASSUMPTIONS			
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE BENEFIT OBLIGATIONS AS OF DECEMBER 31			
Discount rate.....	6.25%	6.50%	7.25%
Expected long-term return on plan assets.....	8.50%	8.50%	9.00%
Salary scale up to age 50.....	N/A	N/A	5.00%
Salary scale over age 50.....	N/A	N/A	4.50%
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE NET PERIODIC BENEFIT COST FOR THE YEARS ENDED DECEMBER 31			
Discount rate.....	6.50%	7.25%	7.50%
Expected long-term return on plan assets.....	8.50%	9.00%	9.00%
Salary scale up to age 50.....	N/A	5.00%	5.00%
Salary scale over age 50.....	N/A	4.50%	4.50%

Omega Protein, in consultations with its actuarial firm, employs a building block approach in determining the assumed long-term rate of return for plan assets. Omega reviews historical market data and long-term historical relationships between equities and fixed income in accordance with the widely-accepted capital market principle that assets with higher volatility generally generate greater returns over the long run. Omega also evaluates current market factors such as inflation and interest rates before it determines long-term capital market assumptions. After taking into account diversification of asset classes and the need to periodically re-balance asset classes, Omega establishes the assumed long-term portfolio rate of return by a building block approach. Omega also reviews peer data and historical returns to check its long-term rate of return for reasonability and appropriateness

Plan Assets. Omega's pension plan weighted-average asset allocations at December 31, 2003, and 2002, by asset category are as follows:

	DECEMBER 31,	
	2003	2002
ASSET CATEGORY	-----	-----
Equity securities.....	72%	72%
Debt securities.....	27%	27%
Real estate.....	0%	0%
Other.....	1%	1%
	---	---
Total.....	100%	100%
	===	===

As of December 31, 2003 and 2002, no plan assets were invested in Omega Protein common stock.

Contributions. Omega Protein expects to contribute \$939,000 to its pension plan in 2004.

#### ZAPATA CORPORATE SUPPLEMENTAL PENSION PLAN INFORMATION

Zapata's supplemental pension plan's accumulated benefit obligations of \$849,000 and \$852,000 were in excess of plan assets of \$0 as of December 31, 2003 and 2002, respectively. Zapata's supplemental plan is subject to the additional minimum liability requirements of SFAS No. 87. Accordingly, based upon plan actuarial and asset information, the Company recorded an additional pension liability of \$271,000 and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

\$230,000, in 2003 and 2002 respectively. Amounts listed as minimum pension liability adjustments under the caption "Comprehensive (Loss) Income" on the Consolidated Statements of Stockholders' Equity represent the net change in the portion of the additional pension liability recorded under accumulated other comprehensive loss on the Consolidated Balance Sheets.

	2003	2002	2001
	----	----	----
	(IN THOUSANDS)		
ASSUMPTIONS			
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE BENEFIT OBLIGATIONS AS OF DECEMBER 31			
Discount rate.....	6.00%	6.50%	6.75%
Expected long-term return on plan assets.....	N/A	N/A	N/A
Rate of compensation increase.....	N/A	N/A	N/A
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE NET PERIODIC BENEFIT COST FOR THE YEARS ENDED DECEMBER 31			
Discount rate.....	6.50%	6.75%	7.50%
Expected long-term return on plan assets.....	N/A	N/A	N/A
Rate of compensation increase.....	N/A	N/A	N/A

Plan Assets. Due to the nature of the plan, the Zapata Supplemental Pension Plan has no plan assets.

Contributions. Zapata plans to make no contributions to its supplemental pension plan in 2004.

NOTE 19. QUALIFIED DEFINED CONTRIBUTION PLANS

Effective May 31, 2001, the Company established the Zapata 401(k) Plan (the "Zapata Plan") and simultaneously revoked its participation in the Omega Protein 401(k) Retirement and Savings Plan, (the "Profit Sharing Plan"). All amounts held by the Profit Sharing Plan on behalf of current and former employees of the Company were transferred to the Zapata Plan. Participants may defer a fixed amount or a percentage of their eligible compensation, subject to limitations of the Zapata Plan. The Company makes a discretionary matching contribution of 100% of the employee's contribution up to 3% of eligible compensation and 50% of the employee's contribution between 3% and 5% of eligible compensation. Employer contributions are discretionary. The Company's contribution to the Zapata Plan totaled approximately \$9,000, \$18,000 and \$18,000 in 2003, 2002 and 2001 respectively.

Safety has a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code for eligible employees. The Safety Components International, Inc. 401(k) Plan (the "Safety 401(k) Plan") provides for discretionary employer contributions. The Safety 401(k) Plan provides for a company match equal to 50% of the employee's contribution up to 6% of the employee's salary. Employer contributions become 100% vested after two years of service. Safety contributed approximately \$171,000 and \$254,000 during the nine months ended December 31, 2003 and the year ended March 29, 2003, respectively, to the Safety 401(k) Plan.

All qualified employees of Omega are covered under the Omega Protein 401(k) Savings and Retirement Plan (the "Omega Plan"). Prior to 2001, Omega contributed matching contributions to the Omega Plan based on employee contributions and compensation. Omega suspended its matching contributions to the Omega Plan for 2001. In 2002, Omega's Board of Directors authorized the reinstatement of the matching cash contribution to the Omega Plan, effective January 1, 2002, at levels previously in place prior to the suspension of the match in 2001. Omega's matching contributions to the Omega Plan were approximately \$553,000 and \$627,000 during 2003 and 2002, respectively.



resulted in the creation of a parent-subsiary controlled group for purposes of the provisions of the Internal Revenue Code applicable to qualified retirement plans. As a result the application of certain nondiscrimination requirements that apply on a controlled group basis, it may be necessary to modify the qualified retirement plans maintained by each of the members of the group to preserve the tax-qualified status of the plans. The applicable transition rules pertaining to business acquisitions do not require such changes until January 1, 2005.

NOTE 20. OTHER EMPLOYEE BENEFIT PLANS

Safety established the Safety Components International, Inc. Executive Deferral Program (the "Deferral Program") for the benefit of certain key executive employees. The Deferral Program provides for participants to defer any portion of their cash compensation until some future point in time. The participants' contributions to the Deferral Program are immediately 100% vested. Under the provisions of the Deferral Program, a trust was established to maintain the amounts deferred by the participants. Additionally, Safety contributes an amount equal to the exercise price of the options associated with the deferred compensation. The assets of the trust are included in "other assets" and the related amounts due to the participants are included in "other long-term liabilities" in the accompanying consolidated balance sheets. The amounts included in "other assets" was \$3.3 million and the amount included in "other long-term liabilities" was \$2.8 million at December 31, 2003.

NOTE 21. STOCK OPTION PLANS

Zapata's Amended and Restated Special Incentive Plan (the "1987 Plan") provides for the granting of stock options and the awarding of restricted stock. Under the 1987 Plan, options may be granted at prices equivalent to the market value of the common stock at the date of grant. Options become exercisable on dates as determined by the Zapata Board of Director's Compensation Committee, provided that the earliest such date cannot occur before six months after the date of grant. Unexercised options will expire on varying dates, up to a maximum of ten years from the date of grant. All options granted vest ratably over three years beginning on the first anniversary of the date of grant and have an exercise price equal to the fair market value of the stock at grant date. The awards of restricted stock have a restriction period of not less than six months and not more than five years. The 1987 Plan provided for the issuance of up to 60,000 shares of the common stock. During 1992, the stockholders approved an amendment to the 1987 Plan that provides for the automatic grant of a nonqualified stock option to directors of Zapata who are not employees of Zapata or any subsidiary of Zapata. As of December 31, 2003, stock options covering a total of 3,333 shares had been exercised. No shares of common stock are available for future stock options or other awards under the Plan. As of December 31, 2003, there were options for the purchase of up to 6,667 shares outstanding under the 1987 plan.

On December 5, 1996, the Company's stockholders approved a long-term incentive plan (the "1996 Plan"). The 1996 Plan provides for the granting of restricted stock, stock appreciation rights, stock options and other types of awards to key employees of the Company. Under the 1996 Plan, options may be granted by the Committee at prices equivalent to the market value of the common stock on the date of grant. Options become exercisable in one or more installments on such dates as the Committee may determine. Unexercised options will expire on varying dates up to a maximum of ten years from the date of grant. All options granted vest ratably over three years beginning on the first anniversary of the date of grant and have an exercise price equal to the fair market value of the stock at grant date. The 1996 Plan provides for the issuance of options to purchase up to 500,000 shares of common stock. During 1999, the stockholders approved an amendment to the 1996 Plan which increased the number of shares available for options granted under the plan to 1,000,000 shares. At December 31, 2003, stock options covering a total of 104,566 shares had been exercised and a total of 738,550 shares of common stock are available for future stock options or other awards under the Plan. As of December 31, 2003 there were options for the purchase of up to 156,884 shares outstanding under the 1996 plan.

In May 2002, the Stockholders approved specific stock option grants of 1,000 options to each of the six non-employee directors of the Company. These

grants had been approved by the Board of Directors and awarded by the Company in March of 2002. These grants are non-qualified options with a ten year life and are exercisable in cumulative one-third installments vesting annually beginning on the first anniversary of the date of grant.

A summary of the status of the Company's stock options is presented below:

	FOR THE YEARS ENDED DECEMBER 31,					
	2003		2002		2001	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICES	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICES	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICES
Outstanding at beginning of year....	145,901	\$45.5	141,901	\$43.4	122,347	\$46.9
Granted.....	26,950	\$54.4	6,000	\$26.6	20,054	\$22.2
Exercised.....	(466)	\$21.5	--	--	--	--
Forfeited.....	(2,834)	\$50.6	(2,000)	\$62.5	(500)	\$38.1
Outstanding at end of year.....	169,551	\$44.4	145,901	\$42.6	141,901	\$43.4
Exercisable at end of year.....	132,318	\$43.9	126,391	\$45.5	121,064	\$46.8

Options outstanding and exercisable as of December 31, 2003 are summarized below:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE		
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DECEMBER 31, 2003	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	RANGE OF EXERCISE PRICES	NUMBER EXERCISABLE AT DECEMBER 31, 2003	WEIGHTED AVERAGE EXERCISE PRICE
\$19.38 to \$25.00.....	18,980	8 years	\$22.21	\$19.38 to \$25.00.....	12,697	\$22.20
\$26.60 to \$33.75.....	6,867	7 years	\$27.32	\$26.60 to \$33.75.....	2,867	\$28.33
\$43.75 to \$46.25.....	115,254	3 years	\$46.12	\$43.75 to \$46.25.....	115,254	\$46.12
\$50.90 to \$87.50.....	28,450	10 years	\$56.14	\$87.50.....	1,500	\$87.50
	169,551				132,318	

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table gives the weighted-average assumptions used in the determination of fair value of each stock option granted using the Black-Scholes option-pricing model. Zap.Com reported no pro forma expense for options in the past three years and Safety Components reported no pro forma expense since the acquisition; therefore, no expenses related to Zap.Com or Safety are included in the consolidated pro forma expense for the years ended December 31, 2003, 2002 or 2001.

	FOR GRANTS DURING THE YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Zapata Corporate:			
Expected option term.....	3 years	3 years	3 years
Dividend yield.....	0%	0%	0%
Risk-free interest rate.....	2.46%	3.61%	3.5%
Volatility.....	37.65%	52.81%	50.43%

Omega Protein:

Expected option term.....	5 years	5 years	5 years
Dividend yield.....	0%	0%	0%
Risk-free interest rate.....	3.42%	2.92%	4.91%
Volatility.....	66.4%	51.02%	43.45%

NOTE 22. RELATED PARTY TRANSACTIONS

SAFETY COMPONENTS

The Company has entered into a tax sharing and indemnity agreement with Safety Components, included as Exhibit 10(s) to this report on Form 10-K. Because the Company now owns in excess of 80% of the voting interests of Safety, Safety (beginning with the fourth quarter of 2003) will be included in Zapata's consolidated U.S. federal income tax return.

OMEGA PROTEIN CORPORATION

Upon completion of Omega's initial public offering in 1998, Omega and Zapata entered into certain agreements including the Administrative Services Agreement, which covers certain administrative services Omega provides to Zapata. The Administrative Services Agreement allows Omega to provide certain administrative services to Zapata at Omega's estimated cost. For the years ended December 31, 2003, 2002 and 2001, Zapata reimbursed Omega \$17,000, \$15,000 and \$16,000, respectively for services provided under the plan.

Zapata and Omega also entered into a Sublease Agreement which provided for Omega to lease its principal corporate offices in Houston, Texas from Zapata Corporation of Texas, Inc., a non-operating wholly-owned subsidiary of Zapata, and provided Omega with the ability to utilize telephone equipment worth approximately \$21,000 for no additional charge. In May 2003, Zapata Corporation of Texas, Inc. assigned the lease to Omega who assumed all obligations under the lease with the third party landlord.

ZAP.COM CORPORATION

Since its inception, Zap.Com has utilized the services of the Zapata's management and staff under a shared services agreement that allocated these costs on a percentage of time basis. Zap. Com also subleases its office space in Rochester, New York from Zapata. Under the sublease agreement, annual rental payments are allocated on a cost basis. Zapata has waived its rights under the shared services agreement to be reimbursed

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

for these expenses since May 1, 2000. For the year ended December 31, 2003, approximately \$12,000 was recorded as contributed capital for these services.

OTHER

During 2002, the Company finalized the terms of a consulting agreement with its former Chairman of the Board of Directors, Malcolm Glazer. Subject to the terms of the agreement, the Company pays Malcolm Glazer \$122,500 per month until April 30, 2006. The agreement also provides for health and other medical benefits for Mr. Glazer and his wife. This agreement will terminate in the event of Mr. Glazer's death or permanent disability.

For the years ended December 31, 2003 and 2002, the Company incurred legal fees of approximately \$34,000 and \$40,000, respectively, related to a previously dismissed action against Malcolm I. Glazer, the Malcolm I. Glazer Family Limited Partnership, and Malcolm I. Glazer GP, Inc.

NOTE 23. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB revised SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." It does not change the measurement or recognition of pension and other postretirement benefit plans. It requires additional disclosures to those in the original SFAS No. 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. It also requires disclosure of the components of net periodic benefit cost in interim

financial statements. The revised disclosure requirements are required for financial statements with fiscal years ending after December 15, 2003 and the interim-period requirements are effective for interim periods beginning after December 15, 2003. The adoption of this statement did not have a material impact on the Company's financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This statement is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this statement did not have a material impact on the Company's financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. In addition, all provisions of this statement should be applied prospectively. The provisions of this statement that relate to SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. The adoption of this statement did not have a material impact on the Company's financial position, results of operations or cash flows.

In January 2003, the FASB issued FIN No. 46 (Revised December 2003), "Consolidated of Variable Interest Entities." This standard clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, and addresses consolidation by business enterprises of variable interest entities (more commonly known as Special Purpose Entities or SPE's). FIN No. 46R requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

disperse risk among the parties involved. FIN No. 46R also enhances the disclosure requirements related to variable interest entities. The disclosure requirements of this interpretation are effective for all financial statements issued after January 31, 2003. The consolidation requirements of this interpretation are effective for the first reporting period ending after December 15, 2003. The adoption of this statement did not have a material impact on the Company's financial position, results of operations or cash flows.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN No. 45), which expands previously issued accounting guidance and disclosure requirements for certain guarantees. The Interpretation requires an entity to recognize an initial liability for the fair value of an obligation assumed by issuing a guarantee. The provision for initial recognition and measurement of the liability will be applied on a prospective basis to guarantees issued or modified after December 31, 2002. The Company adopted SFAS No. 143 on January 1, 2003. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure, an amendment of FASB Statement No. 123." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an

entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this Statement amends APB Opinion No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial information. Although the Company continues to account for stock-based compensation according to APB 25, the Company has adopted the required disclosure provisions for interim financial reporting under SFAS No. 148. As a result of the Company's continued use of the intrinsic value method of accounting for stock-based compensation, the transition provisions did not have an effect of the Company's financial position, results of operations or cash flows upon adoption of SFAS 148.

At the end of June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires that obligations associated with the retirement of a tangible long-lived asset be recorded as a liability when those obligations are incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an asset retirement obligation, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The Company adopted SFAS No. 143 as of January 1, 2003. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

#### NOTE 24. DERIVATIVES AND HEDGING

Safety monitors its risk associated with the volatility of certain foreign currencies against its functional currency, the U.S. dollar. Safety uses certain derivative financial instruments to reduce exposure to volatility of foreign currencies. Safety has formally documented all relationships between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various hedge transactions. Derivative financial instruments are not entered into for speculative purposes.

Certain operating expenses at Safety's Mexican facilities are paid in Mexican pesos. To reduce exposure to fluctuations in the U.S. dollar and Mexican peso exchange rates, Safety periodically enters into forward contracts to buy Mexican pesos for periods and amounts consistent with the related, underlying forecasted cash outflows. These contracts are designated as hedges at inception and are monitored for effectiveness on a

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#### ZAPATA CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

routine basis. At December 31, 2003, Safety had outstanding forward exchange contracts that mature between January and March 2004 to purchase Mexican pesos with an aggregate notional amount of approximately \$2.7 million. The fair values of these contracts at December 31, 2003, totaled approximately \$52,000, which is recorded as a liability on Safety's balance sheet in "other current liabilities." Safety recorded a credit to earnings of approximately \$47,000 for the nine months ended December 31, 2003 and the unrealized loss on these forward contracts of approximately \$52,000 was included in "accumulated other comprehensive income" at December 31, 2003.

Certain intercompany sales at Safety's Czech facility are denominated and settled in Euros. To reduce exposure to fluctuation in the Euro and Czech Koruna exchange rates, Safety periodically enters into forward contracts to buy Czech Korunas for periods and amounts consistent with the related, underlying forecasted cash inflows associated with the intercompany sales. These contracts are designated as hedges at inception and are monitored for effectiveness on a routine basis. At December 31, 2003, Safety had outstanding forward exchange contracts that mature between January and March 2004 to purchase Czech Korunas with an aggregate notional amount of approximately \$2.1 million. The fair values of these contracts at December 31, 2003 totaled approximately \$100,000, which is recorded as a liability on Safety's balance sheet in "other current liabilities." Safety recorded a charge to earnings of approximately \$47,000 for the nine months ended December 31, 2003 and the unrealized loss on these forward contracts of approximately \$89,000 was included in "accumulated other comprehensive income" at December 31, 2003.

#### NOTE 25. INDUSTRY SEGMENT AND GEOGRAPHIC INFORMATION

Prior to the sale of the Company's Viskase shares, Zapata primarily operated in two industry segments: the Food segment, consisting of Omega Protein and Viskase, and the Internet segment, consisting of Charged and Zap.Com.

Since the sale of the Company's Viskase shares, the Food segment has been exclusive to Omega Protein. Accordingly, as of January 1, 2003, all activity related to Omega Protein is reported as a separate segment. Costs incurred during 2001 related to Zap.Com and Charged were primarily associated with wind-down and reporting activities. Accordingly, these costs were included within the Company's Internet segment for 2001. As of January 1, 2002, all activity related to Zap.Com is reported as a separate segment.

Since the acquisition of Safety Components in September 2003, all financial results from Safety are reported as a separate segment. Safety's results of operations have been included in the Company's consolidated amounts only for the fourth quarter of 2003. Additionally, total assets include amounts attributable to Safety as of December 31, 2003. Accordingly, no such amounts are included as of December 31, 2002 or 2001.

The following summarizes certain financial information of each segment for the years ended December 31, 2003, 2002 and 2001:

	REVENUES	OPERATING INCOME (LOSS)	TOTAL ASSETS	DEPRECIATION AND AMORTIZATION	INTEREST, NET	INCOME TAX (PROVISION) BENEFIT	CAPITAL EXPENDITURES
YEAR ENDED DECEMBER 31, 2003							
Safety Components.....	\$ 63,503	\$ 1,075	\$119,803	\$ 2,860	\$ (409)	\$ (716)	\$ 486
Omega Protein.....	117,926	9,414	186,060	13,031	(691)	(2,806)	14,930
Zap.Com.....	--	(125)	1,954	1	22	--	--
Corporate.....	--	(3,574)	51,222	71	749	(211)	35
	<u>\$181,429</u>	<u>\$ 6,790</u>	<u>\$359,039</u>	<u>\$15,963</u>	<u>\$ (329)</u>	<u>\$ (3,733)</u>	<u>\$15,451</u>

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	REVENUES	OPERATING INCOME (LOSS)	TOTAL ASSETS	DEPRECIATION AND AMORTIZATION	INTEREST, NET	INCOME TAX (PROVISION) BENEFIT	CAPITAL EXPENDITURES
YEAR ENDED DECEMBER 31, 2002							
Food.....	\$117,008	\$18,663	\$179,027	\$10,996	\$ (595)	\$ (5,677)	\$ 7,765
Zap.Com.....	--	(154)	2,088	1	34	--	--
Corporate.....	--	(2,712)	103,862	77	1,383	557	38
	<u>\$117,008</u>	<u>\$15,797</u>	<u>\$284,977</u>	<u>\$11,074</u>	<u>\$ 822</u>	<u>\$ (5,120)</u>	<u>\$ 7,803</u>
YEAR ENDED DECEMBER 31, 2001							
Food.....	\$ 98,752	\$ 5,661	\$165,227	\$ 9,714	\$ (485)	\$ (1,140)	\$ 1,921
Internet.....	84	(697)	2,202	31	96	--	28
Corporate.....	--	(3,272)	104,248	79	3,882	13,909	23
	<u>\$ 98,836</u>	<u>\$ 1,692</u>	<u>\$271,677</u>	<u>\$ 9,824</u>	<u>\$3,493</u>	<u>\$12,769</u>	<u>\$ 1,972</u>

Omega Protein is engaged in menhaden fishing for the production and sale of fish meal and fish oil. Export sales of fish oil and fish meal were approximately \$46.0 million, \$44.0 million and \$35.7 million in 2003, 2002, and 2001, respectively. Such sales were made primarily to European and Asian markets. In 2003, 2002, and 2001, sales to one customer were approximately \$10.8 million, \$10.5 million and \$7.9 million, respectively. This customer differed from year to year.

The following table shows the geographical distribution of consolidated revenues (in thousands) based on location of customers:

YEARS ENDED DECEMBER 31,

	2003		2002		2001	
	REVENUES	PERCENT	REVENUES	PERCENT	REVENUES	PERCENT
U.S. ....	\$103,960	57.3%	\$ 73,050	62.4%	\$63,147	63.9%
Europe.....	44,518	24.6%	6,517	5.6%	15,438	15.6%
Asia.....	9,103	5.0%	13,336	11.4%	8,651	8.8%
Mexico.....	5,985	3.3%	2,586	2.2%	1,924	1.9%
Canada.....	7,697	4.2%	12,898	11.0%	4,741	4.8%
South & Central America.....	6,331	3.5%	6,155	5.3%	3,356	3.4%
Other.....	3,835	2.1%	2,466	2.1%	1,579	1.6%
Total.....	\$181,429	100.0%	\$117,008	100.0%	\$98,836	100.0%

The following table shows the geographical distribution of consolidated long-lived assets (in thousands) based on location of the assets:

	DECEMBER 31, 2003	DECEMBER 31, 2002
United States.....	\$123,732	\$109,382
Mexico.....	4,715	--
Germany.....	12,993	--
Czech Republic.....	14,932	--
Other European Countries.....	1,369	--
Total long-lived assets.....	\$157,741	\$109,382

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 26. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents certain unaudited consolidated operating results for each of the Company's preceding eight quarters. The Company believes that the following information includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. The operating results for any interim period are not necessarily indicative of results for any other period.

	QUARTER ENDED			
	MARCH 31, 2003	JUNE 30, 2003	SEPTEMBER 30, 2003	DECEMBER 31, 2003
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
Revenues.....	\$25,101	\$27,292	\$32,151	\$96,885
Gross profit.....	6,422	6,178	3,598	10,678
Operating income.....	2,746	3,440	86	518
Net income (loss).....	750	2,364	(2,317)	95
Earnings (loss) per share:				
Basic.....	0.31	0.99	(0.97)	0.04
Diluted.....	0.31	0.98	(0.97)	0.04

QUARTER ENDED			
MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,

	2002	2002	2002	2002
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Revenues.....	\$23,479	\$27,237	\$34,992	\$31,300
Gross profit.....	6,555	6,906	7,733	6,509
Operating income.....	3,427	3,470	5,644	3,256
Net income.....	1,224	1,218	2,392	1,639
Earnings per share:				
Basic.....	0.51	0.51	1.00	0.69
Diluted.....	0.51	0.51	1.00	0.68

As a result of the 2003 acquisition, Safety's results only for the quarter ended December 31, 2003 have been included in Zapata's consolidated results of operations.

Omega Protein's menhaden harvesting and processing business is seasonal in nature. Omega generally has higher sales during the menhaden harvesting season (which includes the second and third quarter of each year) due to increased product availability, but prices during the fishing season tend to be lower than during the off-season. As a result, Omega's quarterly operating results have fluctuated in the past and may fluctuate in the future. In addition, from time to time Omega defers sales of inventory based on worldwide prices for competing products that affect prices for Omega's products which may affect comparable period comparisons.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) and 15-d-15(e)) as of the end of the period covered by this report. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to disclose material information otherwise required to be set forth in the Company's periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives.

No changes in internal control over financial reporting occurred during the quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Pursuant to General Instruction G on Form 10-K, the information called for by Item 10 of Part III of Form 10-K is incorporated by reference to the information set forth in the Company's definitive proxy statement relating to its 2004 Annual Meeting of Stockholders (the "2004 Proxy Statement") to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in response to Items 401 and 405 of Regulation S-K under the Securities Act of 1933, as amended, and the Exchange Act ("Regulation S-K").



ITEM 11. EXECUTIVE COMPENSATION.

Pursuant to General Instruction G of Form 10-K, the information called for by Item 11 of Part III of Form 10-K is incorporated by reference to the information set forth in the 2004 Proxy Statement in response to Item 402 of Regulation S-K, excluding the material concerning the report on executive compensation and the performance graph specified by paragraphs (k) and (l) of such Item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Pursuant to General Instruction G of Form 10-K, the information called for by Item 12 of Part III of Form 10-K is incorporated by reference to the information set forth in the 2004 Proxy Statement in response to Item 403 of Regulation S-K.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to General Instruction G of Form 10-K, the information called for by Item 13 of Part III of Form 10-K is incorporated by reference to the information set forth in the 2004 Proxy Statement in response to Item 404 of Regulation S-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Pursuant to General Instruction G of Form 10-K, the information called for by Item 14 of Part III of Form 10-K is incorporated by reference to the information set forth in the 2004 Proxy Statement in response to Item 9(e) of Schedule 14A.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A) LIST OF DOCUMENTS FILED.

(1) Financial Statements

Financial Statements, Zapata Corporation.

Report of Independent Auditors.

Consolidated Balance Sheets as of December 31, 2003 and 2002.

Consolidated Statements of Operations for the years ended December 31, 2003, 2002, and 2001.

Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002, and 2001.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2003, 2002, and 2001.

Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules

Schedule I -- Condensed Financial Information of the Registrant.

Schedule II -- Valuation and Qualifying Accounts.

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(B) CURRENT REPORTS ON FORM 8-K

None.

(C) EXHIBITS

The exhibit list attached to this report is incorporated herein in its

entirety by reference as if fully set forth herein. The exhibits indicated by an asterisk (\*) are incorporated by reference.

EXHIBIT NO.	DESCRIPTION OF EXHIBITS
3(a) *	Articles of Incorporation of Zapata filed with Secretary of State of Nevada May 14, 1999 (Exhibit 3.1 to Current Report on Form 8-K filed May 14, 1999 (File No. 1-4219)).
3(b) *	Certificate of Decrease in Authorized and Outstanding shares dated January 23, 2001 filed with Secretary of State of Nevada January 26, 2001. (Exhibit 3(c) to Zapata's Annual Report on Form 10-K for the year ended December 31, 2002 filed April 2, 2001 (File No. 1-4219)).
3(c) *	Amended By-Laws of Zapata Corporation as amended March 1, 2002. (Exhibit 3(e) to Zapata's Quarterly Report on Form 10-Q for the quarter ended June 31, 2002 filed August 14, 2002 (File No. 1-4219)).
10(a) **	Consultancy and Retirement Agreement, dated August 27, 1981, by and between Zapata and B. John Mackin. (Exhibit 10(o) to Zapata's report on Form 10-K for the fiscal year ended September 30, 1981 (File 1-4219)).
10(b) **	Zapata Supplemental Pension Plan effective as of April 1, 1992 (Exhibit 10(b) to Zapata's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 1-4219)).
10(d) **	Zapata Amended and Restated 1996 Long-Term Incentive Plan (Exhibit 4.1 to Zapata's Registration Statement on Form S-8 (Registration No. 333-43223)).
10(e) *	Stockholders' Agreement dated May 30, 1997 by Malcolm I. Glazer and the Malcolm I. Glazer Family Limited Partnership in favor of Zapata (Exhibit 10(z) to Zapata's Quarterly Report on Form 10-Q for the Fiscal quarter ended June 30, 1997 (File No. 1-4219)).
10(f) *	Separation Agreement dated April 8, 1998 between Zapata and Omega Protein. (Exhibit 10.2 to Zapata's Current Report on Form 8-K filed April 21, 1998 (File No. 1-4219)).
10(g) *	Administrative Services Agreement dated April 8, 1998 between Zapata and Omega Protein. -- (Exhibit 10.3 to Zapata's Current Report on Form 8-K filed April 21, 1998 (File No. 1-4219)).
10(h) *	Tax Indemnity Agreement dated April 8, 1998 between Zapata and Omega Protein. (Exhibit 10.7 to Omega Protein's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (File No. 1-14003)).
10(i) *	Registration Rights Agreement dated April 8, 1998 between Zapata and Omega Protein. (Exhibit 10.8 to Omega Protein's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (File No. 1-14003)).
10(j) *	Investment and Distribution Agreement between Zap.Com and Zapata (Exhibit No. 10.1 to Zap.Com's Registration Statement of Form S-1 (File No. 333-76135) originally filed with the Securities and Exchange Commission on April 12, 1999, as amended)
10(k) *	Services Agreement between Zap.Com and Zapata (Exhibit No. 10.2 to Zap.Com's Registration Statement of Form S-1 (File No. 333-76135) originally filed with the Securities and Exchange Commission on April 12, 1999, as amended)
10(l) *	Tax Sharing and Indemnity Agreement between Zap.Com and Zapata (Exhibit No. 10.3 to Zap.Com's Registration Statement of Form S-1 (File No. 333-76135) originally filed with the Securities and Exchange Commission on April 12, 1999, as amended)
10(m) *	Registration Rights Agreement between Zap.Com and Zapata (Exhibit No. 10.4 to Zap.Com's Registration Statement of Form S-1 (File No. 333-76135) originally filed with the Securities and Exchange Commission on April 12, 1999, as amended).

## EXHIBIT NO.

## DESCRIPTION OF EXHIBITS

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10(n)*	Consulting Agreement dated March 1, 2002 between Zapata and Malcolm I. Glazer. (Filed as exhibit 10(m) to Zapata's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 filed August 14, 2002) (File No. 1-4219).
10(o)*	Letter dated November 11, 2002 from the Malcolm I. Glazer Family Limited Partnership and Malcolm I. Glazer with respect to the Shareholders' Agreement dated May 30, 1997. (Filed as Exhibit 10(q) to Zapata's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 filed November 13, 2002) (File No. 1-4219).
10(p)+	Form of February 28, 2003 Indemnification Agreement by and among Zapata and the directors and officers of the Company. (Filed as Exhibit 10(q) to Zapata's Annual Report on Form 10-K for the year ended December 31, 2002 filed March 26, 2003) (File No. 1-4219).
10(q)+	Form of March 1, 2002 Director Stock Option Agreement by and among Zapata and the non-employee directors of the Company. (Filed as Exhibit 10(r) to Zapata's Annual Report on Form 10-K for the year ended December 31, 2002 filed March 26, 2003) (File No. 1-4219).
10(r)*	Assignment and Assumption of Lease dated May 30, 2003 with Omega Protein Corporation. (Filed as Exhibit 10.1 to Zapata's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 filed August 4, 2003) (File No. 1-4219).
10(s)	Tax Sharing Agreement dated March 19, 2004 between Zapata and Safety Components International, Inc.
21	Subsidiaries of the Registrant.
23	Consent of PricewaterhouseCoopers LLP.
24	Powers of attorney.
31.1	Certification of CEO as required by Rule 13a-14(a), as adopted Pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of CFO as required by Rule 13a-14(a), as adopted Pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of CEO Pursuant to 18 U.S.C Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of CFO Pursuant to 18 U.S.C Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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+ Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to the requirements of Item 15(a)(3) of Form 10-K.

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## 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.

ZAPATA CORPORATION  
(Registrant)

By: /s/ LEONARD DISALVO

-----  
(Leonard DiSalvo Vice President)

March 26, 2004

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.

SIGNATURE -----	TITLE -----	DATE ----
/s/ AVRAM A. GLAZER ----- (Avram A. Glazer)	President and Chief Executive Officer (Principal Executive Officer) and Director	March 26, 2004
/s/ LEONARD DISALVO ----- (Leonard DiSalvo)	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 2004
/s/ WARREN H. GFELLER* ----- (Warren H. Gfeller)		
/s/ BRYAN G. GLAZER* ----- (Bryan G. Glazer)		
/s/ EDWARD S. GLAZER* ----- (Edward S. Glazer)		
/s/ DARCIÉ S. GLAZER* ----- (Darcie S. Glazer)		
/s/ ROBERT V. LEFFLER, JR.* ----- (Robert V. Leffler, Jr.)		
/s/ JOHN R. HALLDOW ----- (John R. Halldow)		
*By: /s/ LEONARD DISALVO ----- (Leonard DiSalvo Attorney-in-Fact)		

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SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

ZAPATA CORPORATION

CONDENSED BALANCE SHEETS

(PARENT COMPANY ONLY)

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	DECEMBER 31, 2003 -----	DECEMBER 31, 2002 -----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 2,274	\$ 45,129
Short-term investments.....	29,351	35,832
Accounts receivable, net.....	2,104	132
Prepaid expenses and other current assets.....	1,072	1,796
	-----	-----
Total current assets.....	34,801	82,889
	-----	-----

Investments and other assets:		
Investments in subsidiaries.....	165,537	113,790
Long-term investments, available for sale.....	--	4,016
Other assets.....	16,322	16,830
	-----	-----
Total investments and other assets.....	181,859	134,636
Property, plant and equipment, net.....	99	127
	-----	-----
Total assets.....	\$216,759	\$217,652
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable.....	\$ 238	\$ 82
Accrued and other current liabilities.....	3,296	8,061
	-----	-----
Total current liabilities.....	3,534	8,143
	-----	-----
Pension liabilities.....	849	852
Other liabilities and deferred taxes.....	4,464	1,608
	-----	-----
Total liabilities.....	8,847	10,603
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par; 200,000 shares authorized; none issued or outstanding.....	--	--
Preference stock, \$.01 par; 1,800,000 shares authorized; none issued or outstanding.....	--	--
Common stock, \$.01 par, 16,500,000 shares authorized; 3,070,325 and 3,069,859 shares issued; 2,391,315 and 2,390,849 shares outstanding, respectively.....	31	31
Capital in excess of par value.....	221,416	221,406
Retained earnings.....	18,301	17,409
Treasury stock, at cost, 679,010 shares.....	(31,668)	(31,668)
Accumulated other comprehensive loss.....	(168)	(129)
	-----	-----
Total stockholders' equity.....	207,912	207,049
	-----	-----
Total liabilities and stockholders' equity.....	\$216,759	\$217,652
	=====	=====

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

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ZAPATA CORPORATION

CONDENSED STATEMENTS OF OPERATIONS  
(PARENT COMPANY ONLY)  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FOR THE YEARS ENDED DECEMBER 31,		
	2003	2002	2001
	-----	-----	-----
Revenues.....	\$ --	\$ --	\$ 83
Cost of revenues.....	--	--	--
	-----	-----	-----
Gross profit.....	--	--	83
Operating expenses:			
Selling, general and administrative.....	3,574	2,712	3,492
Impairment of long-lived assets.....	--	--	208
	-----	-----	-----
Total operating expenses.....	3,574	2,712	3,700
	-----	-----	-----
Operating loss.....	(3,574)	(2,712)	(3,617)
	-----	-----	-----
Other income (expense):			
Interest income, net.....	749	1,383	3,882
Realized loss on non-investment grade securities.....	--	--	(11,841)
Equity in income of consolidated subsidiaries.....	3,928	7,245	2,101
	-----	-----	-----
	4,677	8,628	(5,858)

Income (loss) before income taxes.....	1,103	5,916	(9,475)
(Provision) benefit for income taxes.....	(211)	557	13,909
	-----	-----	-----
Net income to common stockholders.....	\$ 892	\$ 6,473	\$ 4,434
	=====	=====	=====

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

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ZAPATA CORPORATION

CONDENSED STATEMENTS OF CASH FLOWS  
(PARENT COMPANY ONLY)  
(IN THOUSANDS)

	FOR THE YEARS ENDED DECEMBER 31,		
	2003	2002	2001
	-----	-----	-----
Cash flows from operating activities:			
Net income to common stockholders.....	\$ 892	\$ 6,473	\$ 4,434
Adjustments to reconcile net income to common stockholders to net cash provided by operating activities:			
Depreciation and amortization.....	71	77	107
Loss on disposal of assets.....	--	38	--
Contributed capital for unreimbursed management services and rent.....	(12)	(12)	--
Stock option modification expense.....	--	127	--
Impairment of long-lived assets.....	--	--	208
Realized loss on non-investment grade securities.....	--	--	11,841
Equity in income of subsidiaries.....	(3,928)	(7,245)	(2,101)
Deferred income taxes.....	4,047	(324)	2,045
Changes in assets and liabilities:			
Accounts receivable.....	(2,077)	15,147	(12,389)
Prepaid expenses and other current assets.....	(122)	(1,099)	(26)
Amounts due from subsidiaries.....	105	3	--
Accounts payable.....	156	2	(208)
Pension liabilities.....	(3)	(14)	97
Accrued liabilities and other current liabilities.....	(4,792)	(806)	2,525
Other assets and liabilities.....	165	181	(4,459)
	-----	-----	-----
Total adjustments.....	(6,390)	6,075	(2,360)
	-----	-----	-----
Net cash (used in) provided by operating activities....	(5,498)	12,548	2,074
	-----	-----	-----
Cash flows from investing activities:			
Payment for purchase of Safety Components International, Inc.....	(47,807)	--	--
Purchase of short-term investments.....	(29,351)	(35,832)	(33,948)
Purchase of long-term investments.....	--	(3,994)	--
Proceeds from maturities of long-term investments.....	3,994	--	5,965
Proceeds from maturities of short-term investments.....	35,832	33,948	55,384
Capital expenditures.....	(35)	(38)	(51)
	-----	-----	-----
Net cash (used in) provided by investing activities....	(37,367)	(5,916)	27,350
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from stock option exercises.....	10	--	--
	-----	-----	-----
Net cash (used in) provided by financing activities.....	10	--	--
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents.....	(42,855)	6,632	29,424
Cash and cash equivalents at beginning of period.....	45,129	38,497	9,073
	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 2,274	\$ 45,129	\$ 38,497
	=====	=====	=====
Supplemental disclosure of non-cash investing and financing activities:			
Fair value of assets acquired.....	\$101,530	\$ --	\$ --
Cash paid for the common stock.....	(47,807)	--	--
	-----	-----	-----
Liabilities assumed.....	\$ 53,723	\$ --	\$ --
	=====	=====	=====

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

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ZAPATA CORPORATION

CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT  
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The Company's investment in subsidiaries in the parent company only financial statements is stated at cost, plus equity in earnings of subsidiaries. The parent company only financials should be read in conjunction with Zapata's consolidated financial statements.

NOTE 2. RESTRICTED NET ASSETS

As discussed in Note 12 to the Consolidated Financial Statements included in Item 8 of this report, the terms of the Safety Components and Omega Protein debt and credit facilities prohibit or place restrictions on each of these subsidiaries' ability to transfer funds to Zapata in the form of cash dividends, loans or advances. Due to the nature of the restrictions contained in Safety's and Omega's debt and credit agreements, all of each company's respective net assets are considered restricted. Zap.Com is not a party to any agreement which restricts the use of its assets. Accordingly, none of Zap.Com's net assets are considered restricted.

NOTE 3. COMMITMENTS AND CONTINGENCIES

LEASES PAYABLE

Future annual minimum payments under non-cancelable operating lease obligations for Zapata Corporate as of December 31, 2003 are as follows (in thousands):

	OPERATING LEASES -----
2004.....	\$255
2005.....	52
2006.....	--
2007.....	--
2008.....	--
Thereafter.....	--
	----
Total minimum lease payments.....	\$307 =====

Rental expenses for Zapata Corporate leases were approximately \$275,000, \$270,000 and \$276,000 in 2003, 2002 and 2001, respectively.

LITIGATION

See Note 17 to the Consolidated Financial Statements included in Item 8 of this report for information regarding Zapata Corporate's litigation matters.

GUARANTEES

See Note 17 to the Consolidated Financial Statements included in Item 8 of this report for information regarding Zapata's guarantees.

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SCHEDULE II

ZAPATA CORPORATION

VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED IN COSTS AND EXPENSES	CHANGE IN ESTIMATE	DEDUCTIONS (A)	BALANCE AT END OF PERIOD
-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)				
December 31, 2001:					
Allowance for doubtful accounts.....	\$ 218	\$1,473	\$ --	\$ (76)	\$1,615
Deferred tax asset valuation account.....	14,543	--	(14,543)	--	--
December 31, 2002:					
Allowance for doubtful accounts.....	\$ 1,615	\$ 707	\$ --	\$ (1)	\$2,321
December 31, 2003:					
Allowance for doubtful accounts.....	\$ 2,321	\$1,028	\$ --	\$ (391)	\$2,958
Deferred tax asset valuation account.....	--	--	840	--	840

(A) Allowance for Doubtful Accounts -- uncollectible accounts written off

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REPORT OF INDEPENDENT AUDITORS  
ON CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

To the Board of Directors of Zapata Corporation:

Our audits of the consolidated financial statements referred to in our report dated March 16, 2004 appearing in this Form 10-K, also included an audit of the consolidated financial statement schedules listed in Item 15(a)(2) of this Form 10-K. In our opinion, these consolidated financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICEWATERHOUSECOOPERS LLP

Rochester, New York  
March 16, 2004

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INDEX TO EXHIBITS

- 10(s) Tax Sharing and Indemnity Agreement dated March 19, 2004 between Zapata and Safety Components International, Inc.
- 21 Subsidiaries of the Registrant.
- 23 Consent of PricewaterhouseCoopers LLP.
- 24 Powers of attorney.
- 31.1 Certification of CEO as required by Rule 13a-14(a), as adopted Pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of CFO as required by Rule 13a-14(a), as adopted Pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of CEO Pursuant to 18 U.S.C Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of CFO Pursuant to 18 U.S.C Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of





TAX SHARING AND INDEMNITY AGREEMENT

This TAX SHARING AND INDEMNITY AGREEMENT (the "Agreement"), dated as of this 19th day of March, 2004, by and between ZAPATA CORPORATION ("Zapata"), a Nevada corporation, and SAFETY COMPONENTS INTERNATIONAL, INC. ("Safety"), a Delaware corporation.

R E C I T A L S:

A. Zapata is the common parent of an affiliated group of corporations within the meaning of Section 1504(a) of the Internal Revenue Code of 1986, as amended.

B. Safety and its affiliates are members of the affiliated group of corporations with respect to which Zapata is the common parent.

C. Zapata has filed consolidated income tax returns, and intends to file consolidated income tax returns, and combined income tax returns where advisable.

D. Zapata and Safety desire to agree upon a method of determining the financial consequences to each party resulting from the filing of consolidated or combined income tax returns.

E. Safety desires to be indemnified by Zapata with respect to certain tax liabilities.

F. Zapata desires to be indemnified by Safety with respect to certain tax liabilities.

NOW, THEREFORE, in consideration of their mutual promises, the parties hereby agree as follows:

ARTICLE 1  
DEFINITIONS

1.1 As used in this Agreement, the following terms shall have the following meanings:

"After-Tax Cash Benefit" means the excess, if any, of a member's separate return tax liability for the Consolidated Group under Treas. Reg. Section 1.1552-1(a)(2)(ii) over the amount of the tax liability of the Consolidated Group allocated to the member pursuant to Section 3.1 of this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto, as in effect for the taxable period in question.

"Consolidated Group" means the group of corporations that immediately prior to the Effective Date are members of the affiliated group of corporations (within the meaning of Section 1504 of the Code) that files or is required to file consolidated tax returns of which Zapata, or its successor, is the common parent.

"Effective Date" means the date upon which Zapata and its affiliates cease to own eighty percent (80%) of the issued and outstanding shares of Safety within the meaning of Section 1504(a) of the Code.

"Final Determination" shall mean the final resolution of liability for any Tax for a taxable period, including any related interest or penalties, (a) by Internal Revenue Service Form 870 or 870-AD (or any successor forms thereto), on the date of acceptance by or on behalf of the Internal Revenue Service ("IRS"), or by a comparable form under the laws of other jurisdictions; except that a Form 870 or 870-AD or comparable form that reserves (whether by its terms or by operation of law) the right of the taxpayer to file a claim for refund and/or the right of the Taxing Authority to assert a further deficiency shall not constitute a Final Determination; (b) by a decision, judgment, decree, or other order by a court of competent jurisdiction, which has become final and unappealable; (c) by a closing agreement or accepted offer in compromise under

Section 7121 or 7122 of the Code, or comparable agreements under the laws of other jurisdictions; (d) by any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered (including by way of offset) by the Tax imposing jurisdiction; or (e) by any other final disposition, including by reason of the expiration of the applicable statute of limitations.

"Representative" means with respect to any person or entity, any of such person's or entity's directors, officers, employees, agents, consultants, advisors, accountants, attorneys, and representatives.

"Safety Businesses" means the present and future subsidiaries, divisions and business of Safety and any Safety Post-Closing Affiliate.

"Safety Pre-Closing Affiliate" means any corporation, partnership or other entity directly or indirectly controlled by Safety on or before the Effective Date.

"Safety Post-Closing Affiliate" means any corporation, partnership or other entity directly or indirectly controlled by Safety after the Effective Date.

"Tax" or "Taxes" means (a) all forms of taxation, whenever created or imposed, and whenever imposed by a national, municipal, governmental, state, federal or other body, whether domestic or foreign (a "Taxing Authority"), and without limiting the generality of the foregoing, shall include net income, alternative or add-on minimum tax, gross income, sales, use, ad valorem, gross receipts, value added, franchise, profits, license, transfer, recording, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, windfall profit, custom duty, or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any related interest, penalties, or other additions to tax, or additional amounts imposed by any such Taxing Authority, (b) liability for the payment of any amounts of the type described in (a) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period, including any liability arising pursuant to Treas. Reg. Section 1.1502-6, or as a result of being a party to any agreement or arrangement

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whereby liability for payment of such amounts was determined or taken into account with reference to the liability of another party and (c) liability for the payment of any amounts of the type described in (a) as a result of any express or implied obligation to indemnify any other person.

"Tax Attributes" shall include, but not be limited to, losses (i.e. current, carryback and carryforward), deductions and credits with respect to "regular" and "alternative minimum" Taxes.

"Taxing Authority" is defined under the term "Taxes."

"Taxable Period" or "Taxable Periods" means the tax year for the "Consolidated Group" as that term is defined in this Article 1.

"Tax Return" means any return, filing, questionnaire or other document required to be filed, including requests for extensions of time, filings made with estimated Tax payments, claims for refund and amended returns that may be filed, for any taxable period with any Taxing Authority in connection with any Tax (whether or not a payment is required to be made with respect to such filing).

"Zapata Affiliate" means any corporation, partnership or other entity directly or indirectly controlled by Zapata, other than Safety, a Safety Pre-Closing Affiliate, or a Safety Post-Closing Affiliate.

"Zapata Businesses" means the present and future subsidiaries, divisions and business of any member of the Consolidated Group, other than the present and future subsidiaries, divisions and business of Safety, any Safety Pre-Closing Affiliate and any Safety Post-Closing Affiliate.

"Zapata Group" means the group of corporations that immediately after the Effective Date are members of the affiliated group of corporations (within the meaning of Section 1504 of the Code) that files or is required to file consolidated tax returns of which Zapata, or its successor, is the common parent.

ARTICLE 2  
PREPARATION AND FILING OF TAX RETURNS

2.1 INCOME INCLUDED. All Tax Returns required to be filed by the Consolidated Group relating to Taxable Periods ending before or including the Effective Date and filed after the date of this Agreement shall include the income of Safety and Safety Pre-Closing Affiliates (as determined in this Section 2.1) attributable to such Taxable Periods (including, for federal income Tax purposes, any deferred income triggered into income by Treas. Reg. Section 1.1502-13 and any excess loss accounts taken into income under Treas. Reg. Section 1.1502-19) required to be reported in the Consolidated Group's consolidated federal income Tax Returns (or under any similar rules applicable to any state, local or other income Tax Returns filed on a consolidated or combined basis). The income of Safety and Safety Pre-Closing Affiliates will be apportioned beginning with the first day of the Taxable Period through and including the Effective Date and the period after the Effective Date by closing the books of Safety and such Safety Pre-Closing Affiliates as of the end of the Effective Date. The income of Safety and any Safety Pre-Closing Affiliate shall not include: (1) any deferred income triggered into income by Treas. Reg. Section 1.1502-13 or any similar Treasury Regulation or state law; and (2) any excess loss accounts taken into income under Treas. Reg. Section 1.1502-19 or any similar Treasury Regulation or state law, attributable to any other member of the Consolidated Group.

2.2 TAX RETURNS FOR TAXABLE PERIODS ENDING BEFORE OR INCLUDING THE EFFECTIVE DATE. Zapata shall have the responsibility and authority to timely prepare and file, or cause to be timely prepared and filed, the federal Consolidated Group Tax Returns and any state, local or other income Tax Returns, filed on a consolidated or combined basis relating to Taxable Periods ending before or including the Effective Date. Safety shall provide Zapata with any tax-related information reasonably requested by Zapata with respect to any Taxable Periods ending on or before the Effective Date. Furthermore, with respect to separate Tax Returns of Safety or any Safety Pre-Closing Affiliates, Safety shall provide Zapata, upon Zapata's request, with a pre-filing draft of such returns no later than fifteen (15) business days prior to their due date, and proof of timely filing and payment of any associated Taxes.

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2.3 TAX RETURNS FOR TAXABLE PERIODS BEGINNING AFTER THE EFFECTIVE DATE. Safety shall prepare and file, or cause to be prepared and filed, all Tax Returns for Safety and any Safety Post-Closing Affiliate for taxable periods of Safety and any Safety Post-Closing Affiliate beginning after the Effective Date. Zapata shall prepare and file, or cause to be prepared and filed, all Tax Returns for the Zapata Group for taxable periods beginning after the Effective Date.

2.4 CARRY-OVER PERIOD RETURNS.

(a) Safety shall prepare and file on a timely basis any Tax Returns (but not including any federal income Tax Return, or any state, local, or other income Tax Return filed on a consolidated or combined basis) of Safety and any Safety Pre-Closing Affiliate for any Taxable Period beginning before and ending after the Effective Date (a "Carry-Over Period").

(b) All other Tax Returns for a Carry-Over Period required to be filed by any member of the Consolidated Group other than Safety or any Safety Pre-Closing Affiliate shall be timely prepared and filed, or caused to be timely prepared and filed, by Zapata.

ARTICLE 3  
ALLOCATION OF INCOME TAX LIABILITIES; PAYMENT OF TAX

3.1 ALLOCATION OF INCOME TAX LIABILITIES WITH RESPECT TO TAXABLE PERIODS ENDING BEFORE OR INCLUDING THE EFFECTIVE DATE.

(a) Except as otherwise provided in this Agreement, the consolidated federal income Tax liability of the Consolidated Group for all Taxable Periods ending before or including the Effective Date shall be allocated pursuant to Section 1552(a)(1) of the Code and the Regulations thereunder among the members of the Consolidated Group in accordance with the ratio which that portion of the consolidated taxable income attributable to each member of the Consolidated Group having taxable income bears to the consolidated taxable income of the Consolidated Group. The same allocation principles shall apply in

determining each member's share of any state, local or other income Tax liability determined on a consolidated or combined basis to the extent such principles are not inconsistent with requirements imposed by such state, local, or other Taxing Authority. Each member shall be responsible for, and shall immediately pay to Zapata its allocable portion of the consolidated federal income Tax liability of the Consolidated Group, as well as its allocable portion of state, local, or other Tax liability determined on a consolidated or combined basis.

(b) If the consolidated federal income Tax liability or state, local, or other income Tax liability determined on a consolidated or combined basis is adjusted for any Taxable Period, whether by means of an amended return, claim for refund, or an audit by a Taxing Authority, the liability of each member of the Consolidated Group shall be recomputed to give effect to such adjustments in accordance with Section 3.1(a) of this Agreement; provided that any accuracy-related penalty imposed under Section 6662 of the Code or any fraud penalty under Section 6663 of the Code shall be allocated to and be borne by each member to the extent the imposition of such penalty against the Consolidated Group is the result of adjustments to the Tax liability of the Consolidated Group attributable to adjustments (i) which are inconsistent with Tax Return positions taken by such member and, if such member is not the common parent, communicated to the common parent of the Consolidated Group, or (ii) which are inconsistent with Tax Return information furnished by such member to the common parent of the Consolidated Group.

### 3.2 TAX ATTRIBUTES.

(a) Except as otherwise provided in this Agreement, each member of the Consolidated Group shall be compensated to reflect the absorption of its Tax Attributes by one or more other members in accordance with the "Percentage Method" principles set forth in Treas. Reg. Section 1.1502-33(d)(3). For this purpose, a member that absorbs the Tax Attributes of another member shall be responsible for paying that member 100% of the After-Tax Cash Benefits realized as a result of utilizing such member's Tax Attributes no later than thirty (30) days after the filing of the consolidated federal income tax return for the Consolidated Group. The same allocation and payment principles shall apply with respect to the absorption of Tax Attributes relating to any state, local, or other

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Tax liability determined on a consolidated or combined basis, to the extent such principles are not inconsistent with requirements imposed by such state, local, or other Taxing Authority.

(b) If the consolidated federal income Tax liability or state, local, or other Tax liability determined on a consolidated or combined basis is adjusted for any Taxable Period, whether by means of an amended return, claim for refund, or an audit by a Taxing Authority, the liability of each member of the Consolidated Group under Section 3.2(a) of this Agreement shall be recomputed to give effect to such adjustments in accordance with Section 3.1(a) and Section 3.2(a) of this Agreement.

3.3 ESTIMATED TAX PAYMENTS. Zapata shall have the right to assess Safety and Safety Pre-Closing Affiliates for their share of estimated Tax payments to be made on the projected consolidated or combined income Tax liability each year. Payments shall be made by Safety to Zapata and shall be made within ten (10) days after such assessment. Safety and Safety Pre-Closing Affiliates will receive credit for such prepayments in the year-end computation under Section 3.1(a) of this Agreement.

3.4 TAX RETURNS WHICH ARE NOT CONSOLIDATED OR COMBINED INCOME TAX RETURNS. Safety shall be responsible for timely paying all Taxes imposed on Safety and any Safety Pre-Closing Affiliate, which are not attributable to a consolidated or combined income tax return.

3.5 SEPARATION PAYMENT WITH RESPECT TO FEDERAL INCOME TAXES. Zapata shall give Safety notice of the filing of Zapata's consolidated federal income Tax Returns and Tax Returns for any state, local, or other Tax Authority determined on a consolidated or combined basis for its first taxable year ending after the Effective Date ("Final Return Notice"). To the extent not previously paid to Zapata in accordance with Article 3, Safety and each Safety Pre-Closing Affiliate shall pay to Zapata, within thirty (30) days after receipt by Safety of the Final Return Notice, its allocable portion pursuant to Section 3.1(a) hereof, of (1) such consolidated federal income Tax liability of the

Consolidated Group; and (2) such state, local, or other income Tax liability determined on a consolidated or combined basis. Zapata shall not withdraw any earnings or assets of Safety or any Safety Pre-Closing Affiliates prior to the Effective Date.

3.6 LIABILITY FOR TAXES WITH RESPECT TO POST-EFFECTIVE DATE TAXABLE PERIODS. The Zapata Group shall pay all Taxes of the Zapata Group and shall be entitled to receive and retain all refunds of Taxes of the Zapata Group with respect to Taxable Periods beginning after the Effective Date which are attributable to the Zapata Businesses. Safety shall pay all Taxes of Safety and any Safety Post-Closing Affiliate and shall be entitled to receive and retain all refunds of Taxes of Safety and any Safety Post-Closing Affiliate for all periods beginning after the Effective Date which are attributable to the Safety Businesses.

3.7 CARRY-OVER PERIOD PAYMENTS. Zapata shall be responsible for (and shall pay) any Taxes shown to be due on a Tax Return for a Carry-Over Period filed pursuant to Section 2.4(b) hereof by any member of the Consolidated Group other than Safety or a Safety Pre-Closing Affiliate. Safety shall be responsible for (and shall pay) any Taxes shown to be due on a Tax Return for a Carry-Over Period filed by Safety and any Safety Pre-Closing Affiliate pursuant to Section 2.4(a) hereof.

ARTICLE 4  
CARRYFORWARDS; CARRYBACKS; REFUNDS;  
POST-CLOSING ELECTIONS

4.1 UNUSED CARRY-FORWARD ATTRIBUTES. Except as otherwise provided in this Agreement, Zapata and Safety agree that, for purposes of all required returns and reports with respect to Taxes, the amount of unused tax credits under the Code attributable to Safety and each of the Safety Pre-Closing Affiliates that may be carried forward to Taxable Periods ending after the Effective Date shall, unless otherwise required by law or regulations, be determined in accordance with the principles of Treas. Reg. Section 1.1502-79(c) or other similar provisions of the Code or Treasury Regulations. Any other carry-forward attributes shall similarly be determined in accordance with applicable regulations.

4.2 CARRY-BACKS. Zapata shall be entitled to any refund of any Tax obtained by the Consolidated Group (or any member of the Consolidated Group) as a result of the carry-back of losses or credits of Safety or any

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Safety Post-Closing Affiliate from any taxable period beginning after the Effective Date to any Taxable Period ending before or including the Effective Date. The application of any such carry-backs by Safety and/or any other current or former member of the Consolidated Group shall be in accordance with the Code and the Treasury Regulations promulgated thereunder. Notwithstanding this Section 4.2, Safety and any Safety Post-Closing Affiliate shall have the right, in its sole discretion, to make any election, including, without limitation, the election under Section 172(b)(3) of the Code, which would eliminate or limit the carry-back of any loss or credit to any Taxable Period ending before or including the Effective Date.

4.3 POST-CLOSING ELECTIONS. At Zapata's request, Safety and the Safety Pre-Closing Affiliates shall make and/or join with Zapata in making any Tax elections reasonably requested by Zapata after the Effective Date, if the making of such election does not have a material adverse impact on Safety or any Safety Pre-Closing Affiliate for any post-Effective Date Taxable Period.

4.4 REFUNDS. Safety and any Safety Pre-Closing Affiliate shall be entitled to any refund of any Tax obtained by the Consolidated Group (or any member of the Consolidated Group) as a result of any audit, amendment or other change in the Tax Return as filed by the Consolidated Group or any member thereof to the extent the refund is attributable to Safety and any Safety Pre-Closing Affiliate for any Taxable Period of the Consolidated Group ending before or including the Effective Date. Zapata will cooperate with Safety and any Safety Pre-Closing Affiliate in obtaining such refunds, including, but not limited to, the filing of amended Tax Returns or refund claims. Zapata will immediately pay to Safety and any Safety Pre-Closing Affiliate any Tax refund described in this Section 4.4 when such refund is received by the Zapata Group. All other refunds arising from Tax Returns filed for the Consolidated Group will belong to Zapata.

ARTICLE 5  
COOPERATION AND EXCHANGE OF INFORMATION

5.1 COOPERATION. Safety shall cooperate (and shall cause any Safety Post-Closing Affiliate to cooperate) fully at such time and to the extent reasonably requested by Zapata in connection with the preparation and filing of any Tax Return or the conduct of any audit, dispute, proceeding, suit or action concerning any issues or any other matter contemplated hereunder relating to any Taxable Period ending before or including the Effective Date. Such cooperation shall include, without limitation, (a) the retention and provision on demand of copies of books, records, documentation or other information relating to any such Tax Return until the later of (i) the expiration of the applicable statute of limitation (giving effect to any extension, waiver, or mitigation thereof) and (ii) in the event any claim has been made under this Agreement for which such information is relevant, until a Final Determination with respect to such claim; (b) the execution of any document that may be necessary or reasonably helpful in connection with the filing of any such Tax Return, or in connection with any audit, proceeding, suit or action addressed in the preceding sentence; and (c) the use of the parties' reasonable best efforts to obtain any documentation from a governmental authority or a third party that may be necessary or helpful in connection with the foregoing. Each party shall make its employees and facilities available on a mutually convenient basis to facilitate such cooperation.

5.2 TAX RETURNS FOR TAXABLE PERIODS INCLUDING THE EFFECTIVE DATE. Zapata will provide Safety with the opportunity to review and comment upon any Tax Returns, for Tax Periods including the Effective Date, to be filed after the date of this Agreement (including any amended returns), and will provide Safety, promptly upon its request, with copies of such Tax Returns (including any amended returns).

5.3 AUDITS. Zapata will allow Safety and any Safety Pre-Closing Affiliate and its counsel to participate (at the expense of Safety or its Safety Pre-Closing Affiliate) in any audits of Zapata's consolidated federal income Tax Returns to the extent that such returns relate to Safety and any Safety Pre-Closing Affiliate. Zapata shall have sole authority to settle any such audit.

5.4 CONTEST PROVISIONS. Zapata shall have full responsibility and discretion in the handling of any Tax controversy, including, without limitation, an audit, a protest to the Appeals Division of the IRS, and litigation in Tax Court or any other court or administrative body of competent jurisdiction involving a Tax Return of the Consolidated Group or the Zapata Group.

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ARTICLE 6  
MISCELLANEOUS

6.1 TAX INDEMNIFICATION.

(a) Zapata shall defend, indemnify and hold harmless Safety and each Safety Pre-Closing Affiliate from and against any liability, cost or expense, including, without limitation, any fine, penalty, interest, charge or reasonable accountant's fee, for any Tax required under this Agreement to be allocated to and paid by Zapata or any member of the Consolidated Group other than Safety or a Safety Pre-Closing Affiliate.

(b) Safety shall indemnify and hold harmless Zapata and each member of the Zapata Group from and against any liability, cost or expense, including without limitation, any fine, penalty, interest, charge or reasonable accountant's fee, for any Tax required under this Agreement to be allocated to and paid by Safety or any Safety Pre-Closing Affiliate.

(c) The amount of any payment made with respect to this Section 6.1 shall include any additional amount necessary to indemnify the recipient of the payment against any Taxes imposed or incurred (including any increase in liability or taxes resulting from a reduction in the amount of the loss), and any reasonable professional fees or other litigation costs incurred, in connection with such payment, and (ii) be reduced by the amount of any tax benefit realized or to be realized by the recipient as a result of its payment of the Taxes being indemnified hereunder.

6.2 BREACH. Zapata shall defend, indemnify and hold harmless Safety and each Safety Pre-Closing Affiliate and Safety and each Safety Pre-Closing Affiliate shall defend, indemnify and hold harmless Zapata and each member of the Zapata Group from and against any payment required to be made under this Agreement as a result of the breach by a member of the Zapata Group or by Safety or a Safety Pre-Closing Affiliate, as the case may be, of any obligation under this Agreement.

6.3 RESOLUTION OF CERTAIN DISPUTES.

(a) Arbitration. Disagreements between Zapata and Safety with respect to amounts that either claims is owed by the other (or by an Affiliate of the other) under this Agreement, or other matters under this Agreement that are not resolved by mutual agreement, shall be resolved by arbitration pursuant to this Section 6.3.

(b) Selection of the Arbitrator. Any arbitrator selected pursuant to this Section 6.3(b) shall have at least ten (10) years of experience in the field of corporate taxation, shall be an attorney licensed to practice law in any state of the United States or a certified public accountant licensed to practice in any state of the United States and shall not be or have been employed by or affiliated with either party. The parties shall first attempt to agree on a mutually satisfactory arbitrator. If the parties are unable to agree on a mutually satisfactory arbitrator within thirty (30) days after either party notifies the other in writing of a disagreement requiring arbitration pursuant to this Section 6.3 (15 days in the case of a disagreement with respect to Section 5.1 through Section 5.4), each party shall select an arbitrator. The two arbitrators thus selected shall agree on and select a third arbitrator. If the two arbitrators cannot agree on such third arbitrator within thirty (30) days (fifteen (15) days in the case of a disagreement with respect to Section 5.1 through Section 5.4), the parties shall each select a different arbitrator and renew the foregoing procedure. If the position of an arbitrator is vacated, the person or persons who originally selected the arbitrator to fill such position shall select a new arbitrator to fill the position, unless the parties agree to continue the arbitration with the remaining arbitrators. When used hereinafter, the term "arbitrator" shall refer to the three arbitrators so selected when appropriate and a decision of a majority of such arbitrators shall constitute a decision by the arbitrator in the appropriate context.

(c) Arbitration Procedures.

(i) The arbitration shall be conducted under the auspices of the American Arbitration Association.

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(ii) Each party within thirty (30) days after engagement of the arbitrator (fifteen (15) days in the case of a disagreement with respect to Section 5.1 through Section 5.4) shall submit to the arbitrator a written statement of the party's position (including where relevant the total net amount it asserts is owed by it or is due to it) regarding the total amount in dispute.

(iii) The arbitrator shall base his decision on the following standards. In the case of a factual dispute between the parties, the arbitrator shall make a determination of the correct facts. In the case of a dispute regarding a legal issue, including the proper application of the Tax laws or the proper interpretation of this Agreement, the arbitrator shall make a determination in accordance with his best legal judgment. Upon making determinations with respect to all factual and legal issues in dispute, the arbitrator shall determine the amount due by one party to the other or such other matter with respect to the matter subject to the arbitration. Where relevant, as to each matter in dispute, the arbitrator shall find in favor of the party whose statement submitted pursuant to paragraph (ii) above proposed the amount closest to the amount so determined.

(iv) The arbitrator shall render a written decision stating only the result of such decision as soon as practicable. The arbitrator shall also orally explain the bases of such decision to both parties as soon as practicable. If and only if both parties request, the arbitrator shall state the bases of such decision in writing. Where relevant, as to each matter in dispute, the arbitrator's decision shall be in an amount equal to one of the total amounts asserted by one of the parties in the written statements submitted pursuant to paragraph (ii) above. The arbitrator shall not, and is not authorized to, render a decision in any other amount.



(v) The arbitrator's decision shall be final and binding on the parties. No appeal to any court is contemplated by this Agreement and each party, to the maximum extent permissible by law, waives and relinquishes all rights and entitlements to appeal such decision.

(vi) The arbitrator shall determine a fair allocation of the costs of the arbitration proceeding (including each party's legal fees) as between the parties.

6.4 NOTICES. Any notice, demand, claim or other communication under this Agreement shall be in writing and shall be deemed given upon delivery if delivered personally, upon mailing if sent by certified mail, return receipt requested, postage prepaid, or upon completion of transmission if sent by telecopy or facsimile, to the parties at the following address:

If to Zapata:

Zapata Corporation  
100 Meridian Centre, Suite 350  
Rochester, New York 14618  
Attn: Avram Glazer, Chief Executive Officer

If to Safety:

Safety Components International, Inc.  
29 Stevens Street  
Greenville, South Carolina 29605  
Attn: Brian P. Menezes, Chief Financial Officer

6.5 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, and supersedes all other agreements, whether or not written, in respect of any Tax between or among any member or members of the Zapata Group, on the one hand, and Safety and any Safety Pre-Closing Affiliate, on the other hand. This Agreement may not be amended except by an agreement in writing, signed by the parties hereto.

6.6 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with, the laws of the State of New York.

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6.7 SUCCESSORS AND ASSIGNS. A party's rights and obligations under this Agreement may not be assigned without the prior written consent of the other party. All of the provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

6.8 NO THIRD PARTY BENEFICIARIES. This Agreement is solely for the benefit of the parties to this Agreement and their respective subsidiaries and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without this Agreement.

6.9 LEGAL ENFORCEABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions. Any prohibition or unenforceability of any provision of this Agreement in any jurisdiction shall not invalidate or render unenforceable the provision in any other jurisdiction.

6.10 EXPENSES. Unless otherwise expressly provided in this Agreement, each party shall bear any and all expenses that arise from their respective obligations under this Agreement. In the event either party to this Agreement brings an action or proceeding for the breach or enforcement of this Agreement, the prevailing party in such action or proceeding, whether or not such action or proceeding proceeds to final judgment, shall be entitled to recover as an element of its costs, and not as damages, such reasonable attorneys' fees as may be awarded in the action or proceeding in addition to whatever other relief to which the prevailing party may be entitled.

6.11 CONFIDENTIALITY. Each party shall hold and cause its Representatives to hold in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, all information (other than any such information relating solely to the

business or affairs of such party) concerning the other parties hereto furnished it by such other party or its Representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (a) previously known by the party to which it was furnished, (b) in the public domain through no fault of such party, or (c) later lawfully acquired from other sources by the party to which it was furnished), and each party shall not release or disclose such information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors who shall be advised of the provisions of this Section. Each party shall be deemed to have satisfied its obligation to hold confidential information concerning or supplied by the other party if it exercises the same care as it takes to preserve confidentiality for its own similar information.

6.12 COUNTERPARTS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

6.13 HEADINGS. Introductory headings used in this Agreement are solely for the convenience of the parties and shall not be deemed to be limitations upon or descriptive of the contents of the Section or sub-sections concerned.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

SAFETY COMPONENTS INTERNATIONAL, INC.

By: /s/ Brian P. Menezes

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Name: Brian P. Menezes  
Title: Vice President and Chief Executive Officer

ZAPATA CORPORATION

By: /s/ Avram Glazer

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Name: Avram Glazer  
Title: President and Chief Executive Officer

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EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

NAME -----	PLACE OF INCORPORATION -----
Charged Productions, Inc.....	Nevada
Omega Protein.....	Nevada
Safety Components International, Inc.....	Delaware
Zap.Com Corporation.....	Nevada

The foregoing does not constitute a complete list of all subsidiaries of the registrant. The subsidiaries that have been omitted do not, if considered in the aggregate as a single subsidiary, constitute a "Significant Subsidiary" as defined by the Securities Exchange Commission.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-43223 and 333-45568) of Zapata Corporation of our reports dated March 16, 2004 relating to the consolidated financial statements and consolidated financial statement schedules, which appear in this Form 10-K.

PricewaterhouseCoopers LLP  
Rochester, New York  
March 26, 2004

POWER OF ATTORNEY

WHEREAS, Zapata Corporation, a Nevada corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Act"), an annual report of Form 10-K for the fiscal year ended December 31, 2003 (the "Form 10-K") pursuant to the Act of the rules and regulations of the Commission promulgated thereunder;

NOW, THEREFORE, the undersigned in the capacity of a director, officer or both a director and officer of the Company, as the case may be, does hereby appoint Leonard DiSalvo as his true and lawful attorney or attorney-in-fact with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, the Form 10-K and any and all documents necessary or incidental in connection therewith, including, without limitation, any amendments to the Form 10-K, and to file the same with the Commission. Said attorney-in fact shall have full power and authority to do and perform in the name and on behalf of the undersigned in any and all capacities, every act whatsoever necessary or desirable to be done in the premises as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming the acts that said attorney-in-fact or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the 26th day of March, 2004.

/s/ WARREN H. Gfeller

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Warren H. Gfeller

/s/ BRYAN G. Glazer

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Bryan G. Glazer

/s/ EDWARD S. Glazer

-----  
Edward S. Glazer

/s/ DARCI E S. GLAZER

-----  
Darcie S. Glazer

/s/ ROBERT V. Leffler, Jr.

-----  
Robert V. Leffler, Jr.

/s/ JOHN R. HALLDOW

-----  
John R. Halldow

CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002

I, Avram A. Glazer, certify that:

1. I have reviewed this annual report on Form 10-K of Zapata Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2003

/s/ Avram A. Glazer  
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Avram A. Glazer  
President and CEO



CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002

I, Leonard DiSalvo, certify that:

1. I have reviewed this annual report on Form 10-K of Zapata Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2004

/s/ Leonard DiSalvo

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Leonard DiSalvo  
Vice President -- Finance and CFO





CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT  
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Zapata Corporation (the "Company") on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Avram A. Glazer, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Avram A. Glazer

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Avram A. Glazer  
Chairman of the Board, President and Chief Executive Officer  
March 26, 2004

This Certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION OF CFO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT  
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Zapata Corporation (the "Company") on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Leonard DiSalvo, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Leonard DiSalvo

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Leonard DiSalvo  
Vice President - Finance and Chief Financial Officer  
March 26, 2004

This Certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.