

Business Partnerships

SPARTECH CORPORATION

1ST QUARTER 1999 REPORT

Strategic Expansions



Product Transformations

COMMITTED TO GENERATING VALUE

New Alloy Plastics

Dear Fellow Shareholder:

Fiscal 1999 started strong for SPARTECH, with our twenty-ninth consecutive quarter of improved results and the announcement of our tenth acquisition since 1993. Sales for the Company's first quarter ending January 30, 1999 increased by 26% to \$167.8 million, as compared to \$133.1 million during the same quarter last year, and operating earnings rose by 38% to \$19.1 million, from the \$13.8 million reported for the first quarter of 1998. First quarter 1999 net earnings were \$9.2 million, or \$.32 per diluted share, compared to the \$7.0 million, or \$.25 per diluted share reported in 1998.

Overall, we are very pleased with our first quarter performance. SPARTECH posted record net sales for the quarter, as total volume (in pounds) increased more than 84% in the first three months of fiscal 1999 -- 76% from acquisitions and 8% from internal growth. The Company's 1998 acquisitions of Polycom Huntsman, Plasticolour, and Anjac-Doron all made significant contributions to our first quarter results and should benefit future quarters even more as the integration of these units is completed. First quarter earnings increased by 30%, principally as a result of the above-noted acquisitions, more favorable raw material prices, and our ongoing efforts to improve production efficiencies.

Operational Reviews By Segment

Net sales for the Company's Extruded Sheet & Rollstock group increased to \$105.0 million, with a negative 7% price/product mix change being offset by a 7% increase in base volume. Sales to the growing packaging and recreation/leisure markets led the solid increase in base volume for the group.

Operating margins for the Extruded Sheet & Rollstock unit increased to 11.1% from the 10.1% recorded in the first quarter of 1998. New product transformations and more favorable raw material prices, coupled with improved production efficiencies at most Extruded Sheet & Rollstock plants, allowed the group to record greater operating margins in the first quarter of 1999.

The Company's Color & Specialty Compound group's sales grew to \$50.5 million for the first quarter, as the impact of our 1998 midyear acquisitions of both Polycom Huntsman and Plasticolour was realized. Base volume increased by 8%, while price/mix related changes had a negative 12% effect on sales.

Operating earnings within the Color & Specialty Compounds unit also recorded a sizable gain to \$6.3 million, as operating margins moved up to 12.6% of sales from the

8.7% reported in fiscal 1998's first quarter. Strong volume increases, primarily from the above-noted acquisitions, along with cost containment and production efficiency efforts, drove the group's margin improvement.

Our Molded & Profile Products segment also benefited from recent acquisition activity -- Anjac-Doron in October 1998 -- and produced gains in both sales and earnings during the quarter. Sales for the group were up 17% to \$12.3 million for the quarter, while operating earnings totaled \$1.4 million, as compared to \$1.3 million for the same three month period last year.

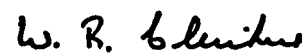
Spartech Plastics' Expansion


On January 7, 1999, we acquired Lustrо Plastics Company -- a well-established custom sheet & rollstock extruder based in Evanston, Illinois. This acquisition broadens Spartech Plastics' product line, with the addition of PETG sheet & rollstock, and expands our service capabilities to the growing graphic arts, packaging, and distribution markets. The Evanston facility recently assumed the Spartech Plastics name and will be receiving certain equipment upgrades over the next twelve months as part of SPARTECH's "Total Customer Satisfaction" and new "Pyramids of Productivity" initiatives -- designed to further enhance our service capabilities and production efficiencies.

Outlook For Balance Of Year

In the first quarter of this year, we saw excellent progress toward the attainment of our fiscal 1999 sales and earnings goals. Based upon the strength of our current backlog (41% greater than this time last year), projected margin improvements from increased production efficiencies, and continuing benefits anticipated from our recent acquisitions, we believe that SPARTECH will again produce excellent results in 1999.

Finally, we would like to personally extend an invitation for you to attend our Annual Shareholders' Meeting to be held in St. Louis on March 10, 1999. We look forward to seeing each of you at the meeting.


W.R. Clerihue
Chairman of the Board


Bradley B. Buechler
President and
Chief Executive Officer

February 25, 1999

Consolidated Balance Sheet

(Dollars in thousands)

	Jan. 30, 1999 (Unaudited)	October 31, 1998
<u>Assets</u>		
Current Assets		
Cash	\$ 6,024	\$ 7,247
Receivables, net	92,430	91,631
Inventories	69,417	64,859
Prepayments and other	10,036	9,459
Total Current Assets	<u>177,907</u>	<u>173,196</u>
Property, Plant and Equipment, net	209,567	206,887
Goodwill	150,599	148,668
Other Assets	4,921	4,558
	<u>\$542,994</u>	<u>\$533,309</u>
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities		
Current maturities of long-term debt	\$ 8,817	\$ 8,948
Accounts payable	58,049	59,578
Accrued liabilities	32,917	32,466
Total Current Liabilities	<u>99,783</u>	<u>100,992</u>
Long-Term Debt, Less Current Maturities	246,919	245,272
Other Liabilities	34,660	33,449
Total Long-Term Liabilities	<u>281,579</u>	<u>278,721</u>
Shareholders' Equity	<u>161,632</u>	<u>153,596</u>
	<u>\$542,994</u>	<u>\$533,309</u>

Consolidated Statement of Operations

Periods ended January 30, 1999 and January 31, 1998

(Unaudited and dollars in thousands, except per share amounts)

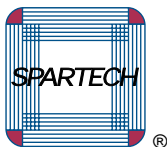
	Three Months	
	1999	1998
Net Sales	\$167,801	\$133,081
Costs and Expenses		
Cost of sales	137,604	110,601
Selling and administrative	10,125	8,161
Amortization of intangibles	997	541
	<u>148,726</u>	<u>119,303</u>
Operating Earnings	19,075	13,778
Interest	<u>3,851</u>	<u>2,345</u>
Earnings Before Income Taxes	15,224	11,433
Income taxes	<u>6,067</u>	<u>4,412</u>
Net Earnings	<u>\$ 9,157</u>	<u>\$ 7,021</u>
Earnings Per Common Share:		
Basic	<u>\$.34</u>	<u>\$.27</u>
Diluted	<u>\$.32</u>	<u>\$.25</u>

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Pyramids of Productivity

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