

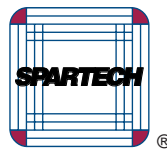
Business Partnerships

Strategic Expansions

Pyramids of Productivity

Product Transformations

New Alloy Plastics



120 S. CENTRAL, SUITE 1700
CLAYTON, MISSOURI 63105-1705
(314) 721-4242



Business Partnerships

SPARTECH CORPORATION

3RD QUARTER 1999 REPORT

Strategic Expansions

Pyramids of Productivity

Product Transformations

New Alloy Plastics



COMMITTED TO GENERATING VALUE

SPARTECH Corporation

To Our Shareholders:

SPARTECH's sales and earnings for the three month period ended July 31, 1999, established new third quarter and nine month records and produced the Company's 31st consecutive quarter of increased year-over-year results. Highlights of our 1999 interim results are summarized below and presented in more detail in the financial statement section of this report.

Third Quarter Financial Highlights

- Net Sales increased by approximately 14% to \$201.8 million, representing the first time our sales have exceeded \$200 million in a quarter.
- Operating Earnings totaled \$22.9 million, 20% greater than the \$19.1 million recorded in the third quarter of 1998.
- Net Earnings were \$11.4 million, or \$.39 per diluted share, up 27% from the \$9.0 million, or \$.31 per diluted share reported for the same period last year.

First Nine Months Financial Highlights

- Net Sales rose by nearly 19% to \$566.5 million, compared to \$476.5 million reported for the first three quarters of 1998.
- Operating Earnings were \$64.8 million, compared to the \$50.8 million recorded for the same period last year.
- Net Earnings increased to \$31.7 million, or \$1.09 per diluted share, up 27% from the \$24.9 million, or \$.87 per diluted share, reported for the first nine months of 1998.

The Company's operating earnings reached record levels, despite certain raw material price increases received during the quarter, as recent acquisitions exceeded projected volumes and our new Pyramids of Productivity program enhanced earnings.

Operations Review

Spartech Plastics, our Extruded Sheet & Rollstock unit, once again produced excellent results, with third quarter 1999 revenues totaling \$133.3 million. Strong sales to the packaging and transportation markets helped boost base volume by 8%, while our recent acquisitions of Lustrо Plastics and Alltrista Corporation's Plastic Packaging Division added another 7% to Spartech Plastics' sales. The unit's operating margin also showed a modest increase to 11.9%, as improvements in production efficiencies and volume at practically all our Extruded Sheet & Rollstock facilities continued strong throughout the quarter.

The Color & Specialty Compounds group generated solid sales (\$54.6 million) and operating earnings (\$6.9 million) during the third quarter of 1999 as well. The group recorded an approximate

6% growth in base volume--principally in packaging markets--and also increased production efficiencies during the quarter as the result of improved machine optimization, which was not achieved in last year's third quarter due to the General Motors strike. Strong cost containment efforts and the strength of recent orders should further benefit fourth quarter results for this group.

The Company's Molded & Profile Products segment also had a solid quarter in what is traditionally a slow period for this group. Our October 1998 acquisition of Anjac-Doron, coupled with excellent volume in all of our profile extrusion facilities, represent the principal reasons for the greater than 50% increase in both sales and earnings for this segment during the third quarter.

Equity Enhancements

In early June, we sold 345,000 shares of common stock pursuant to an overallotment option given to the underwriters of a recent offering for two "selling shareholders." The Company received approximately \$7.6 million in proceeds from the sale of such shares, after deducting the underwriting discount and the expenses of the offering. In addition to the resultant increase in our equity and corresponding reduction in our debt, we believe that the greater liquidity in our stock generated by the entire offering (2.7 million shares distributed) will benefit all shareholders in the future.

A stock repurchase program for up to one million shares of SPARTECH Common Stock over the next 24 months was also approved at the Company's June Board of Directors meeting. This program is primarily designed to limit future dilution resulting from the exercise of maturing stock options.

Outlook

We remain optimistic as we look forward to the last quarter of the year, with backlogs continuing strong at practically all of our operating facilities. In addition, recent strategic expansions, coupled with our "Class of 1999 Alloy Plastics," should assist us in the penetration of several new Product Transformation markets in the near future. Based on these items, we expect our favorable year-to-year earnings comparisons to continue during the last quarter of fiscal 1999.

Bradley B. Buechler
Chairman, President and CEO

David B. Mueller
Executive V.P. and COO

August 26, 1999

Consolidated Balance Sheet

(Dollars in thousands)

	<u>July 31, 1999</u> <u>(Unaudited)</u>	<u>October 31,</u> <u>1998</u>
Assets		
Current Assets		
Cash	\$ 8,247	\$ 7,247
Receivables, net	106,520	91,631
Inventories	68,427	64,859
Prepayments and other	8,858	9,459
Total Current Assets	<u>192,052</u>	<u>173,196</u>
Property, Plant and Equipment, net	229,578	206,887
Goodwill	161,884	148,668
Other Assets	7,005	4,558
	<u>\$590,519</u>	<u>\$533,309</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 8,762	\$ 8,948
Accounts payable	70,062	59,578
Accrued liabilities	36,022	32,466
Total Current Liabilities	<u>114,846</u>	<u>100,992</u>
Long-Term Debt, Less Current Maturities	206,052	245,272
Other Liabilities	38,132	33,449
Total Long-Term Liabilities	<u>244,184</u>	<u>278,721</u>
Convertible Preferred Securities	50,000	-
Shareholders' Equity	181,489	153,596
	<u>\$590,519</u>	<u>\$533,309</u>

Consolidated Statement of Operations

Periods ended July 31, 1999 and August 1, 1998

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

	<u>Three Months</u>		<u>Nine Months</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Sales	<u>\$201,802</u>	<u>\$177,702</u>	<u>\$566,540</u>	<u>\$476,490</u>
Costs and Expenses				
Cost of sales	166,451	147,512	465,926	395,902
Selling and administrative	11,325	10,059	32,735	27,588
Amortization of intangibles	1,087	989	3,085	2,239
	<u>178,863</u>	<u>158,560</u>	<u>501,746</u>	<u>425,729</u>
Operating Earnings	22,939	19,142	64,794	50,761
Interest	3,278	4,108	10,670	9,448
Distributions on Preferred Securities	813	-	1,322	-
	<u>18,848</u>	<u>15,034</u>	<u>52,802</u>	<u>41,313</u>
Earnings Before Income Taxes	18,848	15,034	52,802	41,313
Income taxes	7,433	6,014	21,125	16,409
	<u>\$ 11,415</u>	<u>\$ 9,020</u>	<u>\$ 31,677</u>	<u>\$ 24,904</u>
Net Earnings	<u>\$ 11,415</u>	<u>\$ 9,020</u>	<u>\$ 31,677</u>	<u>\$ 24,904</u>
Earnings Per Common Share:				
Basic	<u>\$.42</u>	<u>\$.33</u>	<u>\$ 1.17</u>	<u>\$.93</u>
Diluted	<u>\$.39</u>	<u>\$.31</u>	<u>\$ 1.09</u>	<u>\$.87</u>