

SPARTECH CORPORATION**1ST QUARTER 2000 REPORT****PYRAMIDS OF PERFORMANCE****COMMITTED TO GENERATING VALUE**

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SPARTECH Corporation*Dear Fellow Shareholder:*

SPARTECH's "Focused Growth" and "Continuous Improvement" strategies both played key roles in the Company's first quarter of fiscal 2000. We announced, and subsequently completed, our largest acquisition to date, and despite certain raw material price increases received during the quarter, we improved our operating margins through additional production efficiencies. Highlights of SPARTECH's thirty-third consecutive quarter of increased year-over-year results are summarized below and presented in more detail in the financial statement section of this report.

- Sales increased by 18% to \$198.5 million.
- Operating Margin rose to 11.6% of sales.
- Net Earnings grew by 22% to \$11.2 million.
- Earnings per diluted share increased to \$.39 or 22%.

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 12% in the first three months of fiscal 2000—5% from acquisitions and 7% from internal growth. In addition, the Company's five fiscal 1999 acquisitions all made contributions to our first quarter operating earnings and should benefit future quarters even more as the integration of these units is completed.

Operational Review By Segment

Net sales for Spartech Plastics, our Extruded Sheet & Rollstock group, increased by 18% to \$124.0 million for the first quarter of 2000. Strong sales of our new alloy plastics to the packaging and recreation & leisure markets helped to boost base volume (in pounds) by 7%, while our 1999 acquisitions of Lustru, Alltrista Corporation's Plastic Packaging Division, and OS Plastics added another 6% to Spartech Plastics' volume. The unit's operating earnings also increased nicely to \$14.7 million, principally driven by the above-noted acquisitions, along with cost containment efforts and our Pyramid of Productivity "Continuous Improvement" initiative, which generated conversion cost benefits during the quarter.

The Color & Specialty Compounds group's sales rose to \$55.7 million for the first quarter, with base volume growth of 6% coupled with a positive 4% price/mix related change. Continued strength in the transportation and electronics markets fueled the sales growth in the unit. Operating earnings within the group increased to approximately \$6.9 million, principally due to the strong volume enjoyed by most operations during the period.

Our Molded & Profile Products segment also benefited from recent acquisition activity (Accura and Geoplast in October 1999) which generated gains in both sales and

earnings for this unit during the quarter. Sales for the group were up 52% to \$18.7 million for the quarter, while operating earnings totaled \$2.1 million, as compared to \$1.4 million for the same three-month period last year.

Strategic Expansion

SPARTECH's "Focused Growth" strategy produced our largest acquisition to date when, on December 27, 1999, we entered into an agreement to acquire substantially all of the assets of Uniroyal Technology Corporation's High Performance Plastics unit (HPP)—a well-established manufacturer of proprietary plastic products based in South Bend, Indiana. HPP, through its two operating divisions—Polycast (cell cast acrylic) and Royalite (extruded thermoplastic sheet)—had annual sales of \$130 million for its most recent fiscal year which ended September 26, 1999.

This acquisition will (1) significantly expand SPARTECH's product offerings for customers, (2) increase our production capacity with nine additional manufacturing facilities located throughout North America, and (3) broaden our technical and marketing expertise in serving several new growth industries for the Company. The purchase was completed—with the unit being welcomed into the SPARTECH family of plastic processing companies—on February 28, 2000.

Outlook For Balance Of 2000

In the first three months of this year, we saw excellent progress toward the attainment of our fiscal 2000 sales and earnings goals. Based upon the strength of our current backlog (23% greater than this time last year), projected margin improvements from increased production efficiencies, and benefits anticipated from our recent acquisitions, we believe that SPARTECH will again produce excellent results in 2000.

Finally, we would like to personally extend an invitation for you to attend our Annual Shareholders' Meeting to be held in St. Louis on Wednesday, March 8, 2000. We look forward to seeing each of you at the meeting.

Bradley B. Buechler
Chairman, President & CEO

David B. Mueller
Executive Vice President & COO

February 29, 2000

SPARTECH Corporation**Consolidated Balance Sheet**
(Dollars in thousands)

	<u>Jan. 29, 2000</u> (Unaudited)	<u>October 30,</u> 1999
Assets		
Current Assets		
Cash	\$ 6,020	\$ 8,890
Receivables, net	116,335	117,345
Inventories	82,814	72,108
Prepayments and other	<u>8,199</u>	<u>8,634</u>
Total Current Assets	<u>213,368</u>	<u>206,977</u>
Property, Plant and Equipment, net	247,715	242,699
Goodwill	167,325	168,497
Other Assets	<u>6,703</u>	<u>7,228</u>
	<u>\$ 635,111</u>	<u>\$ 625,401</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 12,471	\$ 13,215
Accounts payable	68,535	78,644
Accrued liabilities	<u>35,238</u>	<u>37,420</u>
Total Current Liabilities	<u>116,244</u>	<u>129,279</u>
Long-Term Debt, Less Current Maturities	232,857	217,094
Other Liabilities	<u>39,598</u>	<u>38,986</u>
Total Long-Term Liabilities	<u>272,455</u>	<u>256,080</u>
Company-Obligated Mandatorily Redeemable Convertible Preferred Stock	50,000	50,000
Shareholders' Equity	<u>196,412</u>	<u>190,042</u>
	<u>\$ 635,111</u>	<u>\$ 625,401</u>

Consolidated Statement of Operations & Segment Information
Periods Ended January 29, 2000 and January 30, 1999
(Unaudited and dollars in thousands, except per share amounts)

	<u>Three Months</u>	
	<u>2000</u>	<u>1999</u>
Statement Of Operations		
Net Sales	<u>\$ 198,455</u>	<u>\$ 167,801</u>
Costs and Expenses		
Cost of sales	162,335	137,604
Selling and administrative	11,991	10,125
Amortization of intangibles	<u>1,139</u>	<u>997</u>
	<u>175,465</u>	<u>148,726</u>
Operating Earnings	22,990	19,075
Interest	3,714	3,851
Distributions on Preferred Securities	<u>813</u>	<u>-</u>
Earnings Before Income Taxes	18,463	15,224
Income taxes	<u>7,296</u>	<u>6,067</u>
Net Earnings	<u>\$ 11,167</u>	<u>\$ 9,157</u>
Earnings Per Common Share:		
Basic	<u>\$.41</u>	<u>\$.34</u>
Diluted	<u>\$.39</u>	<u>\$.32</u>
Segment Information*		
Net Sales		
Extruded Sheet & Rollstock	\$ 124,039	\$ 105,030
Color & Specialty Compounds	55,723	50,486
Molded & Profile Products	<u>18,693</u>	<u>12,285</u>
Total Net Sales	<u>\$ 198,455</u>	<u>\$ 167,801</u>
Operating Earnings		
Extruded Sheet & Rollstock	\$ 14,655	\$ 11,687
Color & Specialty Compounds	6,923	6,340
Molded & Profile Products	2,090	1,424
Corporate/Other	<u>(678)</u>	<u>(376)</u>
Total Operating Earnings	<u>\$ 22,990</u>	<u>\$ 19,075</u>

*Excludes intersegment sales of \$6,138 in 2000 and \$4,679 in 1999 primarily from the Color & Specialty Compounds segment.