

3rd Quarter 2001 Report

Committed to Generating Value

Dear Fellow Shareholder:

"Creating Positive Change"—the initiative we introduced just over one year ago today—certainly played a significant role in SPARTECH's third quarter which ended on August 4, 2001. During the quarter, we concluded what we believe to be the final phase of this effort, with (1) the sale of our three Canadian molded products operations, which generated more than \$20 million in cash proceeds for reinvestment in our core business segments, and (2) the closedown of three additional plant/warehouse facilities, expected to generate more than \$3 million of annual pre-tax savings, but which resulted in \$9.1 million of non-recurring expenses being recorded. Overall, though, despite the current sluggish environment throughout most of North America's manufacturing sector, we believe that our operations responded reasonably well and once again met analyst expectations (\$.39 per share) for the quarter, before considering the impact of non-recurring expenses.

Highlights of SPARTECH's third quarter results are summarized below and presented in more detail in the financial statement section of this report.

- Sales totaled \$222.8 million.
- Operating Earnings, before \$9.1 million of non-recurring expenses, were \$24.2 million or 10.8% of sales.
- Net Earnings, after the non-recurring expenses, were \$4.7 million.
- Earnings Per Share was \$.39 or 15% lower than last year, before the \$9.1 million or \$.22 per share of after tax non-recurring expenses. Diluted earnings per share, after the non-recurring expenses, was \$.17 in the current quarter.
- Cash flow generated to reduce debt totaled \$28.4 million, including the \$20.7 million of proceeds from the sale of the Canadian molded products operations, compared to last year's third quarter debt paydown of \$7.2 million.

Review of Operations

Our Custom Sheet & Rollstock group—Spartech Plastics & Spartech Polycast—recorded an approximate 12% drop in sales during the third quarter of fiscal 2001, with "resin price reduction pass throughs" and a decrease in incremental margin business producing the majority of this decline. The transportation and building & construction markets serviced by this group remained sluggish during the quarter while our packaging-related volume continued reasonably strong. The group's operating margin however moved in a positive direction during the quarter, returning to near 12%, as the first two phases of our "Creating Positive Change" effort generated some excellent results in both the productivity and cost containment arenas.

Sales within our Color & Specialty Compounds division declined by nearly 13% during the quarter, as the group's average selling price dropped by 4% due to resin price reductions. In addition, the group's transportation-related customers continued their inventory reduction programs, lowering overall volume shipped by this group in the quarter by another 9%. The division's operating margin fell to just above 11%, as production capacity utilization approximated only 75% this quarter, as compared to last year's 83% rate.

Our Molded & Profile Products segment also saw declines in sales & earnings in the quarter, as lower than projected demand at our profile units, along with the above-mentioned sale of certain Canadian operations, offset a strong performance by the custom engineered wheels business in the group.

Outlook For The Future

Our dedicated management team, through our new Three Pillars of Leadership—"Be Creative, Be Decisive and Be Motivational"—Initiative, continues to address ways to lessen the impact of the current economic slowdown. Therefore, we remain optimistic about the Company's future as we move into the final quarter of what has proven to be the most difficult year, in the last decade, for practically all growth-oriented manufacturing companies. We are confident that the "CPC" efforts implemented over the last twelve months, coupled with additional strategic expansions planned for the future, will produce a strong performance for SPARTECH in fiscal 2002.

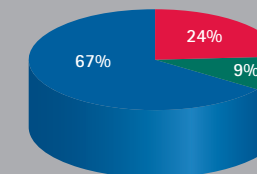
Bradley B. Buechler
Chairman, President & CEO

September 5, 2001

Third Quarter Fiscal 2001 Segment & Major Market Data

Sales By Segment

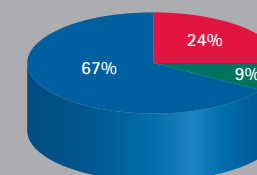
In Millions of Dollars



- Custom Sheet & Rollstock - \$148.5
- Color & Specialty Compounds - \$53.1
- Molded & Profile Products - \$21.2

Operating Earnings By Segment

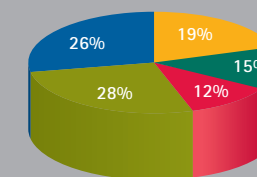
In Millions of Dollars



- Custom Sheet & Rollstock - \$17.5
- Color & Specialty Compounds - \$6.1
- Molded & Profile Products - \$2.3

Sales By Major Market

Percent of Total Sales



- Packaging
- Transportation
- Recreation & Leisure
- Building & Construction
- Other

Spartech Corporation

Consolidated Balance Sheet &
Select Cash Flow Information

Consolidated Balance Sheet

(Dollars in thousands)

Assets	August 4, 2001 (Unaudited)	October 28, 2000
Current Assets		
Cash	\$ 9,191	\$ 10,495
Receivables, net	130,403	143,733
Inventories	97,457	95,130
Prepayments and other	8,481	8,443
Total Current Assets	245,532	257,801
Property, Plant and Equipment, net	276,796	311,621
Goodwill	294,590	305,153
Other Assets	16,129	14,394
	\$ 833,047	\$ 888,969
Liabilities and Shareholders' Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 18,208	\$ 18,667
Accounts payable	82,075	90,077
Accrued liabilities	25,578	38,016
Total Current Liabilities	125,861	146,760
Long-Term Debt, Less Current Maturities	289,954	334,178
Other Liabilities	50,493	47,009
Total Long-Term Liabilities	340,447	381,187
Mandatorily Redeemable Convertible Preferred Stock	150,000	150,000
Shareholders' Equity	216,739	211,022
	\$ 833,047	\$ 888,969

Select Cash Flow Information

Periods Ended August 4, 2001 and July 29, 2000
(Unaudited and dollars in thousands)

	Three Months		Nine Months	
	2001	2000	2001	2000
Cash Flow From Operations	\$ 12,418	\$ 22,255	\$ 44,455	\$ 36,890
Capital Expenditures	\$ 3,262	\$ 6,194	\$ 11,830	\$ 20,561
Depreciation & Amortization	\$ 9,008	\$ 9,004	\$ 27,089	\$ 23,827
Debt Repayments (Borrowings)	\$ 28,421	\$ 7,171	\$ 44,123	\$ (6,581)
Dividends on Common Stock	\$ 2,539	\$ 2,373	\$ 7,604	\$ 7,074
Treasury Stock Acquired, Net of Option (Proceeds)	\$ (71)	\$ 2,019	\$ 4,098	\$ 9,744

Spartech Corporation

Consolidated Statement of
Operations & Segment Information

Statement of Operations

Periods Ended August 4, 2001 and July 29, 2000
(Unaudited and dollars in thousands, except per share amounts)

	Three Months		Nine Months	
	2001	2000	2001	2000
Sales	\$ 222,820	\$ 255,935	\$ 703,303	\$ 711,050
Costs and Expenses				
Cost of sales	182,756	208,250	580,879	581,309
Selling and administrative	13,865	14,764	43,042	41,250
Amortization of intangibles	2,040	1,874	6,130	4,591
Non-Recurring expenses	9,090	-	9,090	-
	207,751	224,888	639,141	627,150
Operating Earnings	15,069	31,047	64,162	83,900
Interest	5,477	6,099	19,320	14,871
Distributions on Preferred Securities	2,563	2,563	7,688	5,573
Earnings Before Income Taxes	7,029	22,385	37,154	63,456
Income Tax Provision	2,370	8,781	13,817	24,904
Net Earnings	\$ 4,659	\$ 13,604	\$ 23,337	\$ 38,552
Earnings Per Common Share:				
Basic	\$.17	\$.50	\$.87	\$ 1.41
Diluted	\$.17	\$.46	\$.87	\$ 1.32

Segment Information

Net Sales*				
Custom Sheet & Rollstock	\$ 148,525	\$ 168,935	\$ 464,065	\$ 458,816
Color & Specialty Compounds	53,143	60,923	166,459	178,952
Molded & Profile Products	21,152	26,077	72,779	73,282
Total Net Sales	\$ 222,820	\$ 255,935	\$ 703,303	\$ 711,050
Operating Earnings				
Custom Sheet & Rollstock	\$ 17,457	\$ 21,200	\$ 52,708	\$ 56,247
Color & Specialty Compounds	6,077	8,333	18,893	23,323
Molded & Profile Products	2,276	3,677	7,594	9,756
Corporate/Other	(10,741)	(2,163)	(15,033)	(5,426)
Total Operating Earnings	\$ 15,069	\$ 31,047	\$ 64,162	\$ 83,900

* Excludes intersegment sales of \$6,631 and \$6,075 for the three months ended August 4, 2001 and July 29, 2000, respectively, and \$21,966 and \$18,829 for the nine months ended August 4, 2001 and July 29, 2000, respectively.