SPARTECH Corporation
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SPARTECH CORPORATION

SPARTECH

2nd Quarter 2002 Report

COMMITTED TO GENERATING VALUE

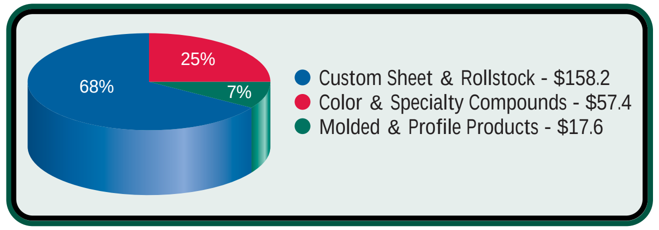
Dear Fellow Shareholder:

SPARTECH's second quarter generated substantially improved results over the first three months of our fiscal 2002, and recent economic news points toward a more sustainable rebound developing later this year. Volume shipped during our second quarter ending May 4, 2002 totaled just over 316 million pounds, which exceeded our volume for the prior year's similar period. This represents the first such quarterly volume increase in more than a year. Second quarter fiscal 2002 net earnings, though down by approximately 10% compared to the second quarter of last year, also responded favorably with an increase of approximately 85% from this year's first quarter as capacity utilization rates rose significantly. Additional highlights of SPARTECH's second quarter results are summarized below and presented in more detail in the financial statement section of this report.

- Sales, in dollars, declined by 4%* to $233.2 million.
- Operating Earnings were down 17% to $21.3 million.
- Financing Costs declined by 26% to $6.9 million.
- Net Earnings were down 10% to $9.1 million.
- Net Earnings Per Diluted Share was $.33.

*After adjusting for the July 2001 divestiture of SPARTECH's custom molded products business (sales of $8.6 million in the 2nd quarter of 2001).

Sales By Segment (Millions of Dollars)



Review of Operations

SPARTECH's Custom Sheet & Rollstock group saw a gradual improvement in weekly volume each month during the quarter and finished the period with a reasonably strong backlog moving into our fiscal third quarter. Despite the volume increases, second quarter sales in dollars for the group ($158.2 million) declined by 5%, as compared to last year's similar period, primarily due to changes in product mix and lower average resin costs. On a positive note, the group's second quarter operating margin (10.2%) moved closer to more normal levels, as volume returned and certain cost reduction initiatives took hold.

Our Color & Specialty Compounds group continued to receive solid orders from most markets served, with the exception of consumer electronics, and recorded an approximate 5% increase in volume shipped versus last year's second quarter. The group's operating margin moved up in the second quarter to 11.4%, from 10.3% in the first quarter, but still has some room for improvement as it heads toward more historical margins of 12-13% for this group.

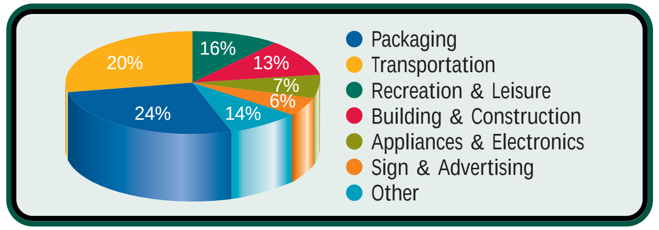
The Company's Molded & Profile Products segment also saw a modest rebound in both sales and operating earnings in the second quarter. Excluding the results of the molded products businesses sold in July of 2001, sales were basically level with last year's similar quarter, but up more than 25% from the first quarter of this year. Operating margin for the group (9.2%) improved from recent quarters but still trails the 12-14% margins this segment realized in the past.

Strategic Expansions & New Alloy Plastics

SPARTECH's "Focused Growth" strategy produced another excellent "add-on" acquisition in early April, when we completed the purchase of certain assets, and entered into a five-year supply agreement with, Industrias Acros Whirlpool, S.A. de C.V. The acquired business is a manufacturer of extruded sheet for refrigerators marketed under the Whirlpool, Acros, Supermatic, and other brand names. The acquisition of this business, which represents approximately $20 million in annual sales to SPARTECH, will be a key component of our planned facility in Ramos Arizpe, Mexico, which should be in full production later this year.

We also continue to develop new proprietary products which combine advanced engineered thermoplastic compounds and additives with new manufacturing techniques--together referred to as Alloy Plastics. SPARTECH brought to market 27 such Alloy Plastics during the last five years and in April of this year followed up this effort with the introduction of eight new products. We believe that Alloy Plastics will continue to fuel our "Product Transformations" effort, which has been a key growth vehicle for both our Company and the plastics industry in general over the last several years.

Sales By Major Market (Percent of Sales)



New Financing & Outlook For The Future

In late May, SPARTECH completed a common stock offering ($22 per share) for 2.4 million shares, with the approximate $50 million in net proceeds received being used initially to reduce our bank debt. In addition, as announced earlier this week, we signed an agreement to acquire, for approximately $49 million, a manufacturer of color concentrates & specialty compounds, which had net sales of just over $40 million during the last 12 months. Since the closing of this transaction is currently scheduled for early June, the financing proceeds will effectively be used for this strategic acquisition when we fund the purchase price through our bank credit facility at the closing.

Finally, as we move into the second half of fiscal 2002, we are beginning to see some additional signs of economic recovery. Our customer inventories appear to have been streamlined over the last six months and we have noted some improvement in the recent level of orders. While customers continue to be cautious and reluctant in some cases to rebuild inventories despite the recent increases in resin prices, they are ordering on a more regular basis that allows us to produce at more efficient rates. Accordingly, while competitive pressures continue to provide a challenging environment, we are reasonably confident that our Focused Growth and Continuous Improvement Strategies will enable us to generate improved results for the second half of our fiscal year.

May 30, 2002

Bradley B. Buechler
Chairman, President & CEO

Consolidated Balance Sheet

(Dollars in thousands)

Assets	May 4, 2002 (Unaudited)	November 3, 2001
Current Assets		
Cash	$ 11,987	$ 8,572
Receivables, net	128,212	119,074
Inventories	93,377	93,091
Prepayments and other	4,504	9,333
Total Current Assets	238,080	230,070
Property, Plant and Equipment, net	268,754	274,155
Goodwill	292,576	292,576
Other Assets	21,502	18,302
	$820,912	$ 815,103

Liabilities and Shareholders' Equity	May 4, 2002 (Unaudited)	November 3, 2001
Current Liabilities		
Current maturities of long-term debt	$ 18,104	$ 18,225
Accounts payable	85,546	76,131
Accrued liabilities	29,640	24,568
Total Current Liabilities	133,290	118,924
Long-Term Debt, Less Current Maturities	249,909	270,489
Other Liabilities	57,955	59,144
Total Long-Term Liabilities	307,864	329,633
Mandatorily Redeemable Convertible Preferred Stock	150,000	150,000
Shareholders' Equity	229,758	216,546
	$820,912	$ 815,103

Select Cash Flow Information

Periods Ended May 4, 2002 and May 5, 2001
(Unaudited and dollars in thousands)

	Three Months		Six Months	
	2002	2001	2002	2001
Cash Flow From Operations	$ 28,815	$ 18,082	$ 36,996	$ 32,036
Capital Expenditures	4,805	3,157	8,576	8,568
Depreciation & Amortization	6,791	9,016	13,541	18,081
Debt Repayments, Excluding Acquisition Borrowings	22,730	15,239	25,391	15,702
Dividends on Common Stock	2,554	2,535	5,096	5,065
Treasury Stock Acquired (Option Proceeds), Net	(1,361)	(297)	(2,283)	4,169

Consolidated Statement of Operations

Periods Ended May 4, 2002 and May 5, 2001
(Unaudited and dollars in thousands, except per share amounts)

	Three Months		Six Months	
	2002	2001	2002	2001
Net Sales	$233,204	$ 252,099	$423,872	$492,734
Costs and Expenses				
Cost of sales	197,146	209,393	360,653	410,374
Selling & administrative	14,713	15,074	27,287	29,177
Amortization of goodwill*	-	2,040	-	4,090
	211,859	226,507	387,940	443,641
Operating Earnings	21,345	25,592	35,932	49,093
Interest	4,289	6,702	8,658	13,843
Distributions on Preferred Securities	2,563	2,563	5,125	5,125
Earnings Before Income Taxes	14,493	16,327	22,149	30,125
Income Taxes	5,419	6,204	8,213	11,447
Net Earnings	$ 9,074	$ 10,123	$ 13,936	$ 18,678
Earnings Per Common Share:				
Basic*	$ .34	$ .38	$ .52	$ .70
Diluted*	$ .33	$ .37	$ .51	$ .69

*The Company adopted Financial Accounting Standards Board Statement No. 142 "Goodwill and Other Intangible Assets" effective at the beginning of fiscal year 2002. Statement No. 142 requires that goodwill no longer be amortized against earnings, but instead tested for impairment at least annually. Upon adoption, the Company did not have an impairment charge and eliminated the amortization of goodwill, which totaled $2.0 million and $4.1 million in the prior year second quarter and six months ended May 5, 2001. Adjusted for the elimination of goodwill, diluted earnings per share would have been $.42 for the quarter and $.80 for the six months ended May 5, 2001.

Segment Information

	Three Months		Six Months	
	2002	2001	2002	2001
Net Sales**				
Custom Sheet & Rollstock	$158,184	$ 166,726	$286,221	$322,655
Color & Specialty Compounds	57,379	59,423	106,304	117,631
Molded & Profile Products	17,641	25,950	31,347	52,448
Total Net Sales	$233,204	$ 252,099	$423,872	$492,734
Operating Earnings				
Custom Sheet & Rollstock	$ 16,118	$ 18,583	$ 27,276	$ 35,251
Color & Specialty Compounds	6,531	6,629	11,575	12,816
Molded & Profile Products	1,630	2,946	2,442	5,318
Corporate/Other	(2,934)	(2,566)	(5,361)	(4,292)
Total Operating Earnings	$ 21,345	$ 25,592	$ 35,932	$ 49,093

** Excludes intersegment sales of $7,468 in 2002 and $6,794 in 2001, for the three months ended May 4, 2002 and May 5, 2001, respectively, and $12,150 in 2002 and $15,335 in 2001 for the six months ended May 4, 2002 and May 5, 2001, respectively.