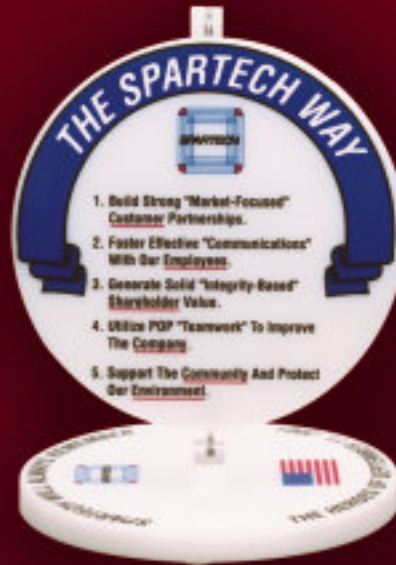


# SPARTECH CORPORATION

## FIRST QUARTER 2003 REPORT



SPARTECH CORPORATION  
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THE SPARTECH WAY

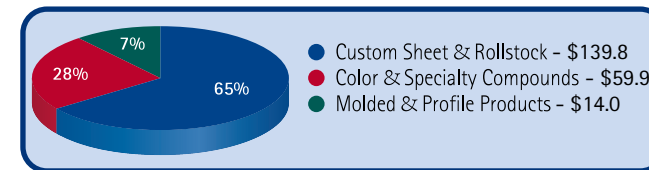
COMMITTED TO GENERATING VALUE

### Dear Fellow Shareholder:

While disappointed that our margins remained below historical levels during the first three months of fiscal 2003, we were encouraged by the fact that our overall volume shipped (in pounds) increased by 11% in the Company's first quarter ended February 1, 2003. Despite the lower margins, which were principally due to competitive pricing pressures in the current sluggish economic environment, we generated net earnings of \$6.2 million during the quarter, representing SPARTECH's 45th consecutive quarterly profit. Highlights of SPARTECH's fiscal 2003 first quarter results are summarized below and presented in more detail in the financial statement section of this report.

- Sales, in dollars, increased by 12% to \$213.7 million.
- Operating Earnings were up 8% to \$15.7 million.
- Financing Costs declined by 12% to \$6.1 million.
- Net Earnings increased by 27% to \$6.2 million.
- Earnings Per Diluted Share was \$.21 vs. \$.18 last year.

### Sales By Segment (Millions of Dollars)



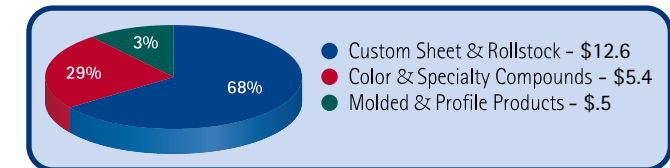
### Review of Operations

Our Custom Sheet & Rollstock group saw a healthy rebound in sales during the first quarter of fiscal 2003 (increases of 6% in pounds and 9% in dollars) as strong volume from our packaging and recreation & leisure customers offset some slowdown in our transportation and building & construction product sales. In addition, the group's operating margin improved slightly during the quarter to 9.0% versus the 8.7% recorded last year, as the Company's focused cost reduction & supply chain management initiatives began to produce some positive results.

Despite extended holiday shutdowns by many of our Color & Specialty Compounds group's customers, this unit generated a reasonably strong increase in volume during the first quarter of fiscal 2003. Through a combination of the group's refocused sales effort, which produced internal growth of approximately 8%, and another 7% added via the acquisition of GWB Plastics last May, the group produced double-digit growth in volume for the first time since the third quarter of fiscal 2000. However, competitive pricing pressures throughout the North American Color & Specialty Compounds market, and some real volatility in the cost of the unit's raw materials, led the segment to a margin of less than 10% for the first time

since we acquired Polycor in 1998. The formal startup of the group's new Arlington, Texas and Ramos Arispe, Mexico facilities should help improve margins in this segment as we progress through the balance of fiscal 2003.

### Operating Earnings By Segment (Millions of Dollars)

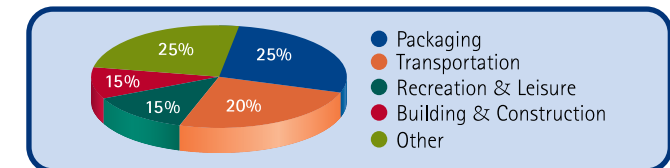


Our Molded & Profile Products segment (which represents slightly less than 7% of consolidated sales) saw its sales increase by a modest 2%, but operating margin drop by the same amount, during the quarter. A "January rebound" in orders seen by this group should produce some improved results for this segment as the year progresses.

### Outlook

As we move forward into our second quarter, we are beginning to see occasional signs of an economic recovery—in fact, our sales backlogs at the end of the first quarter were up approximately 15% over the same time last year. However, we are not ready to declare the overall economy "healthy" as it still remains unclear whether these apparent signs of recovery are sustainable for the longer term, and, of course, what effect any military action would have on today's global economy. Therefore, we will continue to aggressively manage our operations utilizing the Company's "Growth with Integrity...The SPARTECH Way" initiative through (1) ongoing cost containment efforts, (2) extensive marketing of our 35 new Alloy Plastics and more than 200 successful Product Transformations, and (3) emphasizing the maximization of free cash flow to pay down our debt and fund future strategic expansions.

### Sales By Major Market (Percent of Sales)



Finally, I would like to personally extend an invitation for you to attend our Annual Shareholders' Meeting to be held at the Knight Center on the campus of Washington University in St. Louis on March 12, 2003. All of us at SPARTECH look forward to seeing you at the meeting.

Bradley B. Buechler  
Chairman, President & CEO

March 1, 2003

## Consolidated Balance Sheet & Select Cash Flow Information

### Consolidated Balance Sheet

(Dollars in thousands)

	February 1, 2003 (Unaudited)	November 2, 2002
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 6,469	\$ 7,511
Receivables, net	119,678	124,966
Inventories	104,682	95,190
Prepayments and other	7,229	4,549
<b>Total Current Assets</b>	<b>238,058</b>	<b>232,216</b>
<b>Property, Plant and Equipment, Net</b>	<b>278,820</b>	<b>280,474</b>
<b>Goodwill</b>	<b>319,070</b>	<b>318,841</b>
<b>Other Intangible Assets</b>	<b>15,868</b>	<b>16,360</b>
<b>Other Assets</b>	<b>16,314</b>	<b>17,363</b>
	<b>\$ 868,130</b>	<b>\$ 865,254</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 17,988	\$ 21,087
Accounts payable	76,751	83,668
Accrued liabilities	31,099	34,173
<b>Total Current Liabilities</b>	<b>125,838</b>	<b>138,928</b>
Long-term debt, less current maturities	229,045	217,245
Other liabilities	68,376	68,383
<b>Total Long-Term Liabilities</b>	<b>297,421</b>	<b>285,628</b>
<b>Mandatorily Redeemable Convertible Preferred Stock</b>	<b>150,000</b>	<b>150,000</b>
<b>Shareholders' Equity</b>	<b>294,871</b>	<b>290,698</b>
	<b>\$ 868,130</b>	<b>\$ 865,254</b>

### Select Cash Flow Information

Periods Ended February 1, 2003 and February 2, 2002  
(Unaudited and dollars in thousands)

	Three Months	
	2003	2002
Cash Flow Provided (Used) From Operations	\$ (1,105)	\$ 8,181
Capital Expenditures	\$ 4,589	\$ 3,771
Depreciation & Amortization	\$ 7,714	\$ 6,750
Debt Repayments (Borrowings), Excluding Acquisitions/Divestitures	\$ (8,659)	\$ 2,661
Dividends on Common Stock	\$ 2,925	\$ 2,542
Treasury Stock Acquired (Option Proceeds), Net	\$ 1,185	\$ (922)

## Consolidated Statement of Operations & Segment Information

### Consolidated Statement of Operations

Periods Ended February 1, 2003 and February 2, 2002  
(Unaudited and dollars in thousands, except per share amounts)

	Three Months	
	2003	2002
<b>Net Sales</b>	<b>\$ 213,700</b>	<b>\$ 190,668</b>
<b>Costs and Expenses</b>		
Cost of sales	184,470	163,507
Selling, general, and administrative	12,995	12,574
Amortization of intangibles	492	—
	<b>197,957</b>	<b>176,081</b>
<b>Operating Earnings</b>	<b>15,743</b>	<b>14,587</b>
Interest	3,544	4,369
Distributions on Preferred Securities	2,562	2,562
	<b>9,637</b>	<b>7,656</b>
<b>Earnings Before Income Taxes</b>	<b>9,637</b>	<b>7,656</b>
Income taxes	3,479	2,794
	<b>6,158</b>	<b>4,862</b>
<b>Net Earnings</b>	<b>\$ 6,158</b>	<b>\$ 4,862</b>
<b>Earnings Per Common Share</b>		
Basic	\$ .21	\$ .18
Diluted	\$ .21	\$ .18

### Segment Information

<b>Net Sales*</b>		
Custom Sheet & Rollstock	\$ 139,767	\$ 128,037
Color & Specialty Compounds	59,922	48,925
Molded & Profile Products	14,011	13,706
<b>Total Net Sales</b>	<b>\$ 213,700</b>	<b>\$ 190,668</b>
<b>Operating Earnings</b>		
Custom Sheet & Rollstock	\$ 12,601	\$ 11,158
Color & Specialty Compounds	5,369	5,044
Molded & Profile Products	540	812
Corporate/Other	(2,767)	(2,427)
<b>Total Operating Earnings</b>	<b>\$ 15,743</b>	<b>\$ 14,587</b>

\* Excludes intersegment sales of \$7,104 in 2003 and \$4,682 in 2002, primarily from the Color & Specialty Compounds segment.