OMEGA HEALTHCARE INVESTORS INC
Form DEF 14A
April 26, 2005

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. __)

Filed by Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:
[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
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Omega Healthcare Investors, Inc.
(Name of Registrant as Specified in Charter)

____
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
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(1) Title of each class of securities to which transaction applies:___________________________

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(1) Amount previously paid:____

(2) Form, Schedule or Registration Statement No.:____________________________

(3) Filing party:____

(4) Date filed:____

OMEGA HEALTHCARE INVESTORS, INC.
9690 Deereco Road, Suite 100
Timonium, Maryland 21093
(410) 427-1700

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 26, 2005

To our Stockholders:

The Annual Meeting of Stockholders of Omega Healthcare Investors, Inc. (“Omega”) will be held at the Holiday Inn Select, Baltimore-North, 2004 Greenspring Drive, Timonium, Maryland on Thursday, May 26, 2005, at 10:00 A.M. EDT, for the following purposes:

1. To elect two members to the Board of Directors;

2. To ratify the selection of Ernst & Young LLP as our independent auditor for the fiscal year 2005; and

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The nominees for election as directors are Harold J. Kloosterman and C. Taylor Pickett, each of whom presently serves as a director of Omega.

The Board of Directors has fixed the close of business on April 22, 2005 as the record date for the determination of stockholders who are entitled to notice of and to vote at the meeting or any adjournments thereof.

We encourage you to attend the meeting. Whether you are able to attend or not, we urge you to indicate your vote on the enclosed proxy card **FOR** the election of directors. Please sign, date and return the proxy card promptly in the enclosed envelope. If you attend the meeting, you may vote in person even if you previously have mailed a proxy card.

By order of Omega’s Board of Directors,

C. Taylor Pickett
Chief Executive Officer

April 23, 2005
Timonium, Maryland

YOUR VOTE IS IMPORTANT. Please sign, date and mail the proxy card promptly in the enclosed envelope whether or not you plan to attend the meeting. It is important that you return the proxy card promptly whether or not you plan to attend the meeting, so that your shares are properly voted.

If you hold shares through a broker, bank or other nominee (in "street name"), you may also have the ability to vote by telephone or the Internet in accordance with instructions that will be included with this mailing. In either event, we urge you to vote promptly.

OMEGA HEALTHCARE INVESTORS, INC.

9690 Deereco Road, Suite 100
Timonium, Maryland 21093
(410) 427-1700

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
May 26, 2005

The accompanying proxy is solicited by the Board of Directors to be voted at the Annual Meeting of Stockholders to be held at the Holiday Inn Select, Baltimore-North, 2004 Greenspring Drive, Timonium, Maryland at 10:00 A.M. EDT on Thursday, May 26, 2005, and any adjournments of the meeting. It is anticipated that this proxy material will be mailed on or about April 27, 2005, to our common stockholders of record on April 22, 2005.

A copy of our Annual Report for the year ended December 31, 2004, including financial statements, is enclosed.

A stockholder giving a proxy has the power to revoke it at any time before it is exercised. A proxy may be revoked by filing with our Secretary (i) a signed instrument revoking the proxy or (ii) a duly executed proxy bearing a later date. A proxy also may be revoked if the person executing the proxy is present at the meeting and elects to vote in person. If the proxy is not revoked, it will be voted by those named in the proxy.

VOTING SECURITIES

As of April 22, 2005, the record date, there were 50,966,655 of outstanding shares of common stock, par value $.10 per share. Each holder of shares of common stock is entitled to one vote per share on all matters properly brought before the Annual Meeting.

VOTING

The presence at the Annual Meeting of shares representing a majority of the voting power associated with our issued and outstanding common stock will be necessary to establish a quorum for the conduct of business at the Annual Meeting. Under our Bylaws, directors are elected by a plurality of the votes cast at the Annual Meeting. The affirmative vote of a majority of the shares of common stock in person or by proxy at the Annual Meeting will be necessary to approve the proposal to ratify our independent auditors.

Brokers holding shares in “street name” may vote the shares only if the beneficial owner provides instructions on how to vote. Brokers will provide beneficial owners instructions on how to direct the brokers to vote the shares. The New York Stock Exchange treats “for” votes, “against” votes and abstentions as votes cast, but does not treat “broker non-votes” as votes cast. A so-called “broker non-vote” occurs when a broker, holding stock as nominee, does not receive voting instructions from the beneficial owner. With respect to all of the matters to be voted upon at the Annual Meeting, broker non-votes and the decision to withhold authority to vote for any, or all, of the director nominees named above or for the proposal to ratify our independent auditors will have no impact on the outcome of the voting.

As of the record date, our directors and executive officers beneficially owned 1,742,715 shares of our common stock (representing 3.4% of the votes entitled to be cast at the meeting).

There are no rights of appraisal or similar dissenter's rights with respect to any matter to be acted upon pursuant to this proxy statement.

We urge stockholders to vote promptly either by signing, dating and returning the enclosed proxy card in the enclosed envelope, or for stockholders who own their shares in street name through a broker, in accordance with the telephone or internet voting instructions your broker may include with this mailing.

PROPOSAL 1 — ELECTION OF DIRECTORS

Director Nominees and Voting Requirements

There are currently six members of the Board of Directors. Pursuant to our Articles of Incorporation, the directors have been divided into three groups. At this year's Annual Meeting, two directors will be elected by the holders of our common stock to hold office for a term of three years or, in each case, until their respective successors have been duly elected and qualified.

Our Nominating and Corporate Governance Committee of the Board of Directors has nominated Harold J. Kloosterman and C. Taylor Pickett for election as directors.

Unless authority to vote for the election of directors has been specifically withheld, the persons named in the accompanying proxy card intend to vote **FOR** the election of the nominees named above to hold office for the term indicated above or until their respective successors have been duly elected and qualified.

If any nominee becomes unavailable for any reason (which event is not anticipated), the shares represented by the enclosed proxy may (unless the proxy contains instructions to the contrary) be voted for such other person or persons as may be determined by the holders of the proxies. In no event would the proxy be voted for more than two nominees.

Information Regarding Directors

The following information relates to the nominees for election as directors of Omega and the other persons whose terms as directors continue after this meeting. Individuals not standing for election at the Annual Meeting are presented under the heading "Continuing Directors."

Director Nominees

Directors	Year First Became a Director	Business Experience During Past 5 Years	Term to Expire in
Harold J. Kloosterman (63)	1992	*Mr. Kloosterman* is a Director and has served in this capacity since September 1, 1992. Mr. Kloosterman has served as President since 1985 of Cambridge Partners, Inc., a company he formed in 1985. He has been involved in the development and management of commercial, apartment and condominium projects in Grand Rapids and Ann Arbor, Michigan and in the Chicago area. Mr. Kloosterman was formerly a Managing Director of Omega Capital from 1986 to 1992. Mr. Kloosterman has been involved in the acquisition, development and	2008

management of commercial and multifamily properties since 1978. He has also been a senior officer of LaSalle Partners, Inc.

C. Taylor Pickett (43)	2002	*Mr. Pickett* is the Chief Executive Officer of our company and has served in this capacity since June, 2001. Mr. Pickett is also a Director and has served in this capacity since May 30, 2002. Prior to joining our company, Mr. Pickett served as the Executive Vice President and Chief Financial Officer from January 1998 to June 2001 of Integrated Health Services, Inc., a public company specializing in post-acute healthcare services. He also served as Executive Vice President of Mergers and Acquisitions from May 1997 to December 1997 of Integrated Health Services. Prior to his roles as Chief Financial Officer and Executive Vice President of Mergers and Acquisitions, Mr. Pickett served as the President of Symphony Health Services, Inc. from January 1996 to May 1997.	2008

Continuing Directors

Directors	Year First Became a Director	Business Experience During Past 5 Years	Term to Expire in
Bernard J. Korman (73)	1993	*Mr. Korman* is Chairman of the Board and has served in this capacity since March 8, 2004. He has served as a director since October 19, 1993. Mr. Korman has been Chairman of the Board of Trustees of Philadelphia Health Care Trust, a private healthcare foundation, since December 1995. He was formerly President, Chief Executive Officer and Director of MEDIQ Incorporated (OTC:MDDQP) (health care services) from 1977 to 1995. Mr. Korman is also a director of the following public companies: The New America High Income Fund, Inc. (NYSE:HYB) (financial services), Kramont Realty Trust (NYSE:KRT) (real estate investment trust), and NutraMax Products, Inc. (OTC:NUTP) (consumer health care products). Mr. Korman also previously served as a director of The Pep Boys, Inc. (NYSE:PBY) and served as its Chairman	2006

		of the Board from May 28, 2003 until his retirement from such board in September 2004. Mr. Korman was previously a director of Omega Worldwide, Inc.	
Thomas F. Franke (75)	1992	*Mr. Franke* is a Director and has served in this capacity since March 31, 1992. Mr. Franke is Chairman and a principal owner of Cambridge Partners, Inc., an owner, developer and manager of multifamily housing in Grand Rapids, Michigan. He is also a principal owner of Laurel Healthcare (a private healthcare firm operating in the United States) and is a principal owner of Abacus Hotels LTD. (a private hotel firm in the United Kingdom). Mr. Franke was a founder and previously a director of Principal Healthcare Finance Limited and Omega Worldwide, Inc.	2006

Edward Lowenthal (60)	1995	*Mr. Lowenthal* is a Director and has served in this capacity since October 17, 1995. From January 1997 to March 2002, Mr. Lowenthal served as President and Chief Executive Officer of Wellsford Real Properties, Inc. (AMEX:WRP) (a real estate merchant bank), and was President of the predecessor of Wellsford Real Properties, Inc. since 1986. Mr. Lowenthal also serves as a director of WRP, REIS, Inc. (a private provider of real estate market information and valuation technology), Ark Restaurants (Nasdaq:ARKR) (a publicly traded owner and operator of restaurants), American Campus Communities (NYSE:ACC) (a public developer, owner and operator of student housing at the university level), Desarrolladora Homex (NYSE: HXM) (a Mexican homebuilder) and serves as a trustee of the Manhattan School of Music.	2007
Stephen D. Plavin (45)	2000	*Mr. Plavin* is a Director and has served in this capacity since July 17, 2000. Mr. Plavin has been Chief Operating Officer of Capital Trust, Inc., (NYSE:CT) a New York City-based mortgage real estate investment trust ("REIT") and investment management company and has served in this capacity since 1998. In this role, Mr. Plavin is responsible for all of the lending, investing and portfolio management activities of Capital Trust, Inc.	2007

Integrated Health Services, Inc. along with several other long-term care operator's, filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in February 2000.

RECOMMENDATION

The Board of Directors unanimously recommends a vote **FOR** the election of Messrs. Kloosterman and Pickett.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our capital stock as of March 31, 2005 for:

· each of our directors and the named executive officers appearing in the table under "Executive Compensation —Compensation of Executive Officers;" and

- all persons known to us to be the beneficial owner of more than 5% of our outstanding common stock.

	Common Stock		Series B Preferred		Series D Preferred	
Beneficial Owner	Number of Shares	Percent of Class(1)	Number of Shares	Percent of Class(14)	Number of Shares	Percent of Class
C. Taylor Pickett	585,103(2)	1.1%	—	—	—	—
Daniel J. Booth	134,223(3)	0.3%	—	—	—	—
R. Lee Crabill, Jr.	90,933(4)	0.2%	—	—	—	—
Robert O. Stephenson	159,764 (5)	0.3%	—	—	—	—
Thomas F. Franke	76,911(6) (7)	0.2%	5,800	0.3%	—	—
Harold J. Kloosterman	110,420(8) (9)	0.2%	—	—	—	—
Bernard J. Korman	553,857(10)	1.1%	1,300	0.1%	—	—
Edward Lowenthal	34,403(11)(12)	*	100	*	—	—
Stephen D. Plavin	26,630(13)	*	—	—	—	—
Directors and executive officers as a group (9 persons)	1,772,244(14)	3.5%	7,200	0.4%	—	—

5% Beneficial Owners:

None

Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them, subject to community property laws where applicable. The business address of the directors and executive officers is 9690 Deereco Road, Suite 100, Timonium, Maryland 21093.

* Less than 0.10%

(1) Based on 50,955,656 shares of our common stock outstanding as of March 31, 2005.

(2) Includes stock options that are exercisable within 60 days to acquire 89,740 shares. Includes shares Mr. Pickett owns jointly with his wife.

(3) Includes stock options that are exercisable within 60 days to acquire 14,584 shares.

(4) Includes stock options that are exercisable within 60 days to acquire 10,209 shares.

(5) Includes stock options that are exercisable within 60 days to acquire 18,229 shares. Includes shares Mr. Stephenson owns jointly with his wife.

(6) Includes 47,141 shares owned by a family limited liability company (Franke Family LLC) of which Mr. Franke is a member.

(7) Includes stock options that are exercisable within 60 days to acquire 4,000 shares.

(8) Includes shares owned jointly by Mr. Kloosterman and his wife, and 35,206 shares held solely in Mr. Kloosterman's wife's name. Mr. Kloosterman disclaims beneficial ownership of the shares solely held by his wife.

(9) Includes stock options that are exercisable within 60 days to acquire 7,999 shares.

(10) Includes stock options that are exercisable within 60 days to acquire 6,000 shares.

(11) Includes 1,400 shares owned by his wife through an IRA plan.

(12) Includes stock options that are exercisable within 60 days to acquire 9,001 shares.

(13) Includes stock options that are exercisable within 60 days to acquire 12,999 shares.

(14) Includes stock options that are exercisable within 60 days to acquire 172,761 shares

(15) Based on 2,000,000 shares of Series B preferred stock outstanding as of March 31, 2005.

(16) Based on 4,739,500 shares of Series D preferred stock outstanding as of March 31, 2005.

DIRECTORS AND OFFICERS OF OUR COMPANY

Board of Directors and Committees of the Board

The members of the Board of Directors on the date of this proxy statement, and the committees of the Board on which they serve, are identified below.

Director	Audit Committee	Compensation Committee	Investment Committee	Nominating and Corporate Governance Committee
Thomas F. Franke		XX		X
Harold J. Kloosterman	X	X	XX	XX

Per Common Share:					
Income (loss) before cumulative effect of a change in accounting principle:					
Basic	$ 1.01	$ 0.46	$ (0.03)	$ 0.62	$ 1.06
Diluted	$ 0.99	$ 0.45	$ (0.03)	$ 0.62	$ 1.05
Cumulative effect of a change in accounting principle (net of tax):					
Basic		$ (1.98)			
Diluted		$ (1.93)			
Net income (loss) per share:					
Basic	$ 1.01	$ (1.52)	$ (.03)	$ 0.62	$ 1.06
Diluted	$ .99	$ (1.48)	$ (.03)	$ 0.62	$ 1.05
Weighted average common shares outstanding:					
Basic	14,635	14,467	14,420	15,899	16,784
Diluted	14,968	14,876	14,420	15,917	16,913
Consolidated Balance Sheet Data:					
Working capital	$ 107,079	$ 95,384	$ 88,393	$ 86,152	$ 105,330
Total assets	191,809	159,686	183,756	183,817	194,094
Total current liabilities	47,943	31,385	35,283	31,869	26,551

Long-term debt, less current maturities				14	49	68	100
Shareholders equity		141,642		126,314	145,941	150,195	163,205

(1) Fiscal 2000 contained 53 weeks; all other periods contained 52 weeks.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is qualified in its entirety by, and should be read in conjunction with, the Selected Consolidated Financial Data as set forth in Item 6 above and the financial statements and notes thereto included in Item 8 below. Except for the historical information contained herein, the matters addressed herein constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements, such as statements of the Company s strategies, plans, objectives, expectations and intentions, are subject to a variety of risks and uncertainties that could cause the Company s actual results to differ materially from those anticipated in these forward-looking statements. The Cautionary Statements set forth in Item 1 above should be read as being applicable to all related forward-looking statements wherever they appear herein.

General

Fiscal 2000 contained 53 weeks as compared to 52 weeks for the other fiscal years set forth in Item 6 above. Consequently, comparisons of certain results may not be meaningful.

Acquisitions

During fiscal 2003, 2002 and 2001, the Company completed three acquisitions, four acquisitions and one acquisition, respectively. All of these acquisitions were accounted for under the purchase method of accounting and the consolidated financial statements include the results of operations for each business for all periods subsequent to the applicable purchase date.

During fiscal 2003, the Company acquired certain assets of the following businesses: Perfect Cooling Industries, Inc., a distributor of radiators and condensers for automobiles and trucks with operations in Carson, California, Norcross, Georgia, Bensalem Township, Pennsylvania and Chicago, Illinois, in April 2002; Arizona Plating, a distributor of recycled bumpers in Phoenix, Arizona, in April 2002; and Advance Plating Company, a distributor of aftermarket collision replacement parts located in Republic, Missouri, in January 2003.

During fiscal 2002, the Company acquired certain assets of the following businesses: After Crash, Inc., a distributor of aftermarket collision replacement parts in Baton Rouge, Louisiana, in July 2001; I.W.C. International, Inc., a distributor of aftermarket wheel covers and center caps for automobiles and light trucks, with operations in Tampa, Florida, Hanover, Massachusetts, Haltom City, Texas, Hayward, California and Quincy, Illinois, in January 2002; and Indiana Distributors incorporated, a distributor of aftermarket collision replacement parts in Elkhart, Indiana, in January 2002. In addition, the Company acquired all of the outstanding capital stock of P-G Products, Inc., a distributor of aftermarket collision replacement parts in Cincinnati, Ohio, in January 2002.

During fiscal 2001, the Company acquired certain assets of Johnstown Bumper Mart, Inc., a small distributor of aftermarket collision replacement parts with operations in Pennsylvania.

Critical Accounting Policies

General. The Company s discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, intangible assets, income taxes, insurance, pensions and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Bad Debt. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventory. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and its estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Deferred Taxes. The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Insurance. The Company s main insurance programs (medical, dental, workers compensation and vehicle) are designed as large deductible programs. Through these programs the Company self-insures losses up to a deductible limit and purchases stop-loss insurance to protect against losses that are over the deductible. The stop-loss insurance is purchased on an individual and aggregate basis. The amount of the deductible has risen significantly in the last two years resulting in a shift of risk from the insurance carrier to the Company. The Company estimates its cost for these programs and maintains reserves for incurred, but not reported, losses. If the Company were to experience an increase in claims activity over anticipated amounts, and its reserves are not sufficient, additional reserves may be required, which would have an unanticipated impact on future earnings.

Results of Operations

The following table sets forth, for the periods indicated, certain selected statement of operations items as a percentage of net sales.

	Fiscal Year Ended		
	March 28, 2003	**March 29, 2002**	**March 30, 2001**
Net sales	100.0%	100.0%	100.0%
Cost of sales	56.5	57.2	58.0
Gross profit	43.5	42.8	42.0
Selling and distribution expenses	29.6	29.9	31.3
General and administrative expenses	8.7	8.6	8.6
Non-recurring expenses		1.7	2.0

Operating income	5.2	2.6	0.1
Other income	0.4	0.5	0.6
Interest expense	(0.1)	(0.2)	(0.4)
Income before income taxes and cumulative effect of a change in accounting principle	5.5	2.9	0.3
Income taxes	2.1	1.2	0.4
Net income (loss) before cumulative effect of a change in accounting principle	3.4	1.7	(0.1)
Cumulative effect of a change in accounting principle, net of tax		(7.5)	
Net income (loss)	3.4%	(5.8)%	(0.1)%

Revenues by Product Category

The following table sets forth, for the periods indicated, net sales by product category.

	Fiscal Year Ended		
	March 28, 2003	**March 29, 2002**	**March 30, 2001**
		(in millions)	
Automotive body parts(1)	$ 216.6	$ 176.9	$ 151.8
Bumpers	127.8	112.2	107.4
Paint and related materials	56.0	59.0	59.5
Wheels and related products	35.8	29.0	24.7
Other	2.9	5.2	8.4
Total Sales	$ 439.1	$ 382.3	$ 351.8

(1) Consists primarily of fenders, hoods, headlight and taillight assemblies, radiators, condensers and grilles.

Fiscal 2003 Compared to Fiscal 2002

Net sales were $439.1 million in fiscal 2003 compared to $382.3 million in fiscal 2002, an increase of $56.8 million, or 14.9%. This increase was due primarily to increases of $39.7 million in sales of automotive body parts and $15.6 million in sales of new and recycled bumpers, which represent increases of approximately 22.4%, and 13.9%, respectively, compared to fiscal 2002, offset in part by a decrease of $3.0 million in sales of paint and related materials, which represents a decrease of 5.1%. In addition, the Company sold $35.8 million of wheels and related products in fiscal 2003 compared to $29.0 million in the prior fiscal year, an increase of 23.4%.

On a same store sales basis, sales were up approximately 9.3% for the year, primarily as a result of the fact that certain insurance companies were continuing to increase the specification of aftermarket parts in the repair of insured vehicles.

Gross profit increased to $191.2 million (43.5% of net sales) in fiscal 2003 from $163.8 million (42.8% of net sales) in fiscal 2002, an increase of 16.7%, primarily as a result of the increase in net sales. The Company s gross profit margin increased, primarily as a result of product mix and pricing. The Company s gross profit margin has fluctuated, and is expected to continue to fluctuate, depending on a number of factors, including changes in product mix, competition and the strength of the United States dollar relative to the Taiwanese dollar.

Selling and distribution expenses increased to $129.8 million (29.6% of net sales) in fiscal 2003 from $114.3 million (29.9% of net sales) in fiscal 2002, an increase of 13.6%. The decrease in these expenses in fiscal 2003 as a percentage of net sales was generally the result of increased revenue across the entire organization.

General and administrative expenses increased to $38.4 million (8.7% of net sales) in fiscal 2003 from $32.8 million (8.6% of net sales) in fiscal 2002, an increase of 17.1%. The increase is primarily as a result of additional costs from acquisitions and expenses from the management information system implementation.

During fiscal 2002, the Company recognized approximately $6.8 million of nonrecurring expenses, and had no such recognition in fiscal 2003. In fiscal 2002, these expenses were the result of a write off of previously capitalized software development costs with respect to the Company s licensor notifying the Company that it was ceasing all development for the software being licensed.

The tax provision in fiscal 2003 was approximately 39.1% of income before income taxes and the tax provision in fiscal 2002 was approximately 40.1%. The decrease is primarily the result of a reorganization within the Company to obtain certain operating efficiencies and that created certain tax savings.

The loss recorded in fiscal 2002 as a cumulative effect of change in accounting principle (net of tax) retroactive to the first quarter of fiscal 2002, relates to the Company s early adoption of Statement of Financial Accounting Standards (SFAS) No. 142 Goodwill and Other Intangible Assets, effective March 31, 2001. SFAS No. 142 requires that the Company test its goodwill and indefinite-lived intangibles for impairment. As a result of the test, completed in the fourth quarter of fiscal 2002, the Company recorded a non-cash, net of tax, impairment charge of $33.5 million, net of taxes of $4.8 million.

As a result of the above factors, the Company experienced an increase in net income in fiscal 2003 to $14.7 million, as compared to a loss of $22.0 million in fiscal 2002.

Fiscal 2002 Compared to Fiscal 2001

Net sales were $382.3 million in fiscal 2002 compared to $351.8 million in fiscal 2001, an increase of $30.5 million, or 8.7%. This increase was due primarily to increases of $25.1 million in sales of automotive body parts and $4.8 million in sales of new and recycled bumpers, which represent increases of approximately 16.5%, and 4.5%, respectively, compared to fiscal 2001, offset in part by a decrease of $0.5 million in sales of paint and related materials, which represents a decrease of 0.8%. In addition, the Company sold $29.0 million of wheels and related products in fiscal 2002 compared to $24.7 million in the prior fiscal year, an increase of 17.4%.

On a same store sales basis, sales were up approximately 7.5% for the year, primarily as a result of the fact that certain insurance companies once again began specifying aftermarket parts in the repair of insured vehicles.

Gross profit increased to $163.8 million (42.8% of net sales) in fiscal 2002 from $147.8 million (42.0% of net sales) in fiscal 2001, an increase of 10.8%, primarily as a result of the increase in net sales. The Company s gross profit margin increased, primarily as a result of product mix and pricing. The gross profit margin in fiscal 2002 was negatively impacted by an increase in the provision for write-down of inventory primarily related to its inventory of wheels, cooling products and glass. In part, this reflected a determination to discontinue the sale of truck accessories and glass. The Company s gross profit margin has fluctuated, and is expected to continue to fluctuate, depending on a number of factors, including changes in product mix, competition and the strength of the United States dollar relative to the Taiwanese dollar.

Selling and distribution expenses increased to $114.3 million (29.9% of net sales) in fiscal 2002 from $110.2 million (31.3% of net sales) in fiscal 2001, an increase of 0.4%. The decrease in these expenses in fiscal 2002 as a percentage of net sales was generally the result of increased revenue across the entire organization.

General and administrative expenses increased to $32.8 million (8.6% of net sales) in fiscal 2002 from $30.2 million (8.6% of net sales) in fiscal 2001, an increase of 8.8%. The increase is primarily as a result of additional costs from acquisitions and expenses from the management information system implementation.

During fiscal 2002, the Company recognized approximately $6.8 million of nonrecurring expenses as compared to $7.1 million in fiscal 2001. In fiscal 2002, these expenses were the result of a write-off of previously capitalized software development costs with respect to the Company s licensor notifying the Company that it was ceasing all development for the software being licensed. In fiscal 2001, the nonrecurring expenses were primarily the result of a write-down of certain computer related expenses ($4.7 million) and the Company s investment in an Internet business-to-business service provider ($1.0 million) and the recording of a reserve for idle leased facilities relating to the closing or consolidation of three locations ($1.5 million). In addition, the Company recorded a reserve of $150,000 relating to the estimated environmental clean-up costs in connection with the closing of a plating facility in fiscal 2001.

While the tax provision in fiscal 2002 was approximately 40.1% of income before income taxes, the tax provision in fiscal 2001 was 151.6%. Part of the decrease is the result of the fact that the write-off of goodwill from tax-free acquisitions (which is not deductible for tax purposes) which is spread over a lower income base and that approximately $0.6 of the nonrecurring expense write-offs in the prior year were also not deductible for tax purposes.

The loss recorded as a cumulative effect of change in accounting principle (net of tax) retroactive to the first quarter of fiscal 2002, relates to the Company s early adoption of SFAS No. 142 Goodwill and Other Intangible Assets, effective March 31, 2001. SFAS No. 142 requires that the Company test its goodwill and indefinite-lived intangibles for impairment. As a result of the test, completed in the fourth quarter of fiscal 2002, the Company recorded a non-cash, net of tax, impairment charge of $33.5 million, net of taxes of $4.8 million. Goodwill amortization in 2002 and 2001 amounted to $0 and $1.8 million, respectively.

As a result of the above factors, the Company experienced a decrease in net income in fiscal 2002, incurring a loss of $22.0 million (5.7% of net sales) in fiscal 2002 as compared to a loss of $476,704 (0.1% of net sales) in fiscal 2001.

Variability of Quarterly Results and Seasonality

The Company has experienced, and expects to continue to experience, variations in its sales and profitability from quarter to quarter due, in part, to the timing and integration of acquisitions and the seasonal nature of Keystone s business. The number of collision repairs is directly impacted by the weather. Accordingly, the Company s sales generally are highest during the five-month period from December to April. The impact of seasonality has reduced somewhat as Keystone has become more geographically diversified. Other factors which influence quarterly variations include the number of business days during the holiday seasons, the timing of the introduction of new products, the level of consumer acceptance of new products, general economic conditions that affect consumer spending, the timing of supplier price changes and the timing of expenditures in anticipation of increased sales and customer delivery requirements.

Liquidity and Capital Resources

The Company s primary use of funds over the past two years has been for acquisitions, the development and implementation of an enterprise-wide management information system and the paydown of bank borrowings. At March 28, 2003, working capital was $107.1 million compared to $95.4 million at March 29, 2002. The increase in working capital is primarily the result of cash generated from operations. The Company financed its working capital requirements and the acquisitions completed during fiscal 2003 from cash flow from operations and borrowings under the Company s line of credit.

During the year ended March 28, 2003, the Company s cash and cash equivalents were essentially unchanged, having increased by $6,000. This small increase is the result of (i) cash provided by operating activities of $5.3 million and cash provided by financing activities of $10.5 million, offset by (ii) cash used in investing activities of $15.9 million, primarily as a result of cash used to purchase property and equipment primarily related to the implementation of the Company s enterprise software package and cash paid for acquisitions. The cash provided by operating activities resulted from net income of $14.7 million increased by $9.6 million of non-cash expenses and partially offset by a $19.0 million decrease in cash from changes in working capital components. The working capital component change primarily reflects an increase in inventories and accounts receivable of $18.2 million and $5.9 million, respectively, offset by an increase in accounts payable of $4.1 million. The most significant non-cash expenses were depreciation and amortization of $5.5 million and a $3.2 million provision for a write-down of inventories and accounts receivable. The cash provided by financing activities was as a result of increased borrowings under the Company s bank credit facility of $9.7 million and cash provided from the exercise of stock options of $0.8 million.

The Company has in place a revolving line of credit with a commercial lender that provides for a $35.0 million secured credit facility which balance is due on June 1, 2005. Advances under the revolving line of credit bear interest either at LIBOR plus 1.0% or at the lender s prime rate. At March 28, 2003, $16.6 million had been drawn down under the line of credit and, of this amount, $8.0 million was at 2.3% interest, $5.0 million was at 2.4% interest and the balance was at 4.25% interest. The line of credit is subject to certain restrictive covenants set forth in the loan agreement, which requires that the Company maintain certain financial ratios. The Company

was in compliance with all such covenants at March 28, 2003, and at the date of the filing of this Annual Report. At June 20, 2003, the Company had drawn down $22.9 million under the line of credit. The increase in borrowings from March 28, 2003 is primarily the result of $3.8 million used to complete two acquisitions and the funding of short-term working capital requirements. In March 2002, the Company caused its commercial lender to issue a $2.0 million letter of credit to the Company s primary insurer to secure the Company s deductible reimbursement obligations. In December 2002, this letter of credit was renewed and an additional letter of credit was established for $2.3 million in April 2003. The amount of these letters of credit reduces the funds available under the Company s credit facility. At June 20, 2003, $7.8 million was available to the Company under the line of credit.

In September 1998, the Company initiated a stock repurchase program. Repurchased shares are retired and treated as authorized but unissued shares. Through March 28, 2003, the Company had repurchased approximately 3.5 million shares of its common stock at an average cost of $13.01 per share. No shares were repurchased during the years ended March 28, 2003 and March 29, 2002. During the year ended March 30, 2001, the Company repurchased 533,200 shares at a cost of approximately $3.2 million.

The Company believes that its existing working capital, anticipated cash flow from operations and funds anticipated to be available under its line of credit will enable it to finance its operations, including the costs related to the installation of the new enterprise-wide management information system (see Business Management Information Systems) and possible acquisitions for at least the next 12 months. However, the Company s liquidity expectations are subject to numerous factors, many of which are beyond the Company s control. Anticipated cash flow from operations are subject to the risks of the business, the most significant of which are discussed under Business Cautionary Statements above. Especially important are the risks discussed under Litigation Impacting Aftermarket Collision Replacement Parts and Federal and State Action, above. Since the Company s product sales are so dependent upon the acceptance of aftermarket parts by insurance companies, adverse verdicts or restrictive legislation could reduce sales and negatively impact cash flow from operations. The availability of funds under the Company s line of credit could also be restricted or eliminated in the event that the Company does not maintain the financial ratios required under the Credit Agreement. These ratios include such items as amount of indebtedness, earnings before interest, taxes and depreciation and amortization, net worth and the current ratio. In the event that the Company s operations do not meet expectations it is possible that needed liquidity will not be available under the credit facility.

The Company has no long-term debt or long-term capital commitments. The balance outstanding under the Company s revolving secured credit facility is due June 1, 2005. The following table summarizes future minimum operating lease commitments as of March 28, 2003.

Year Ending March	**Amount** (in thousands)
2004	$ 15,473
2005	12,558
2006	10,598
2007	7,471
2008	4,197
Thereafter	7,991
Total minimum rental payments	$ 58,288

Inflation

The Company does not believe that the relatively moderate rates of inflation over the past three years have had a significant effect on its net sales or its profitability.

Long-Lived Assets

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to $3.0 million at March 28, 2003, or approximately 1.6% of total assets or 2.1% of consolidated shareholders equity. Goodwill amounted to $1.8 million at March 29, 2002, or approximately 1.1% of total assets or 1.4% of consolidated shareholders equity. At March 30, 2001, goodwill, net of amortization, was $33.5 million. In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting, and broadens the criteria for recording intangible assets apart from goodwill. The Company continues to review the impairment of goodwill under SFAS No. 142. Goodwill and intangible assets that have indefinite useful lives are no longer amortized but are tested at least annually for impairment. Intangible assets with finite useful lives will continue to be amortized over their useful lives. See Note 3 of Notes to Consolidated Financial Statements.

As a result of the early adoption of SFAS Nos. 141 and 142 effective March 31, 2001, the Company tested its goodwill for impairment and recorded a charge of $28.7 million, net of tax, retroactive to the first quarter of fiscal 2002, accounted for as the cumulative effect of a change in accounting principle. The decrease in goodwill at the end of fiscal 2002, compared to fiscal 2001, reflects this charge. With SFAS No. 142, effective March 31, 2001, the Company ceased amortizing goodwill. Goodwill amortization was $1.8 million for fiscal 2001.

The Company reviews the recoverability of its long-lived assets as required by SFAS No. 144 and makes assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for these assets. Effective January 1, 2002, the Company adopted SFAS No. 144 and has reviewed recoverability of its long-lived assets in accordance with the statement.

Other intangible assets, consisting primarily of covenants not to compete obtained in acquisitions, which have finite lives, will continue to be amortized over the finite life. As of March 28, 2003, other intangible assets amounted to $1.0 million. For the year ended March 28, 2003, amortization of other intangible assets was approximately $0.5 million, as compared to $0.5 million for the year ended March 29, 2002. Other intangible assets will continue to be evaluated under SFAS No. 142.

New Accounting Standards

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amends and clarifies financial accounting and reporting derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement is effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003. The Company does not expect the adoption of this statement to have a material impact on its operating results or financial position.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which addresses issues regarding the recognition, measurement and reporting of costs associated with exit and disposal activities, including restructuring activities. This statement requires that costs associated with exit or disposal activities be recognized when they are incurred rather than at the date of commitment to an exit or disposal plan. The implementation of this Standard did not have a material effect on the Company.

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 clarifies the requirements of SFAS No. 5, Accounting for Contingencies, relating to a guarantor s accounting for, and disclosure of, the issuance of certain types of guarantees. For certain guarantees issued after December 31, 2002, FIN 45 requires a guarantor to recognize, upon issuance of a guarantee, a liability for the fair value of the obligations it assumes under the guarantee. Guarantees issued prior to January 1, 2003, are not subject to liability recognition, but are subject to expanded disclosure requirements. The Company does not believe that the adoption of this Interpretation will have a material impact on its consolidated financial position or statement of operations.

The Company reviews the recoverability of its long-lived assets as required by SFAS No. 144 and makes assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for these assets not previously recorded. Effective January 1, 2002, the Company adopted SFAS No. 144 and have reviewed recoverability of our long-lived assets in accordance with the statement.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders

Keystone Automotive Industries, Inc.

We have audited the accompanying consolidated balance sheets of Keystone Automotive Industries, Inc. and subsidiaries as of March 28, 2003 and March 29, 2002, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended March 28, 2003. Our audits also included the financial statement schedule listed in the index at Item 15(d). These financial statements and the financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Keystone Automotive Industries, Inc. at March 28, 2003 and March 29, 2002 and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 28, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

As discussed in Note 1, Keystone Automotive Industries, Inc. changed its method of accounting for goodwill and other intangible assets effective March 31, 2001.

/s/ Ernst & Young LLP

Los Angeles, California

June 4, 2003

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	March 28, 2003	March 29, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,658	$ 3,652
Accounts receivable, less allowance for doubtful accounts of $1,291 in 2003 and $1,046 in 2002	39,753	33,524
Inventories, primarily finished goods	101,594	81,503
Prepaid expenses and other current assets	4,732	3,995
Deferred taxes	5,285	4,095
Total current assets	155,022	126,769
Property, plant and equipment, at cost:		
Land	555	555
Buildings and leasehold improvements	11,691	11,233
Machinery and equipment	31,312	24,262
Furniture and fixtures	13,158	13,043
	56,716	49,093
Accumulated depreciation and amortization	(33,058)	(29,749)
	23,658	19,344
Goodwill	3,040	1,805
Other intangibles, net of accumulated amortization of $3,099 in 2003 and $2,755 in 2002	1,046	1,397
Other assets	1,766	1,406
Deferred taxes	7,277	8,965
Total assets	$ 191,809	$ 159,686
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Credit facility	$ 16,606	$ 6,832
Accounts payable	18,330	14,589
Accrued salaries, wages and related benefits	8,305	6,335
Other accrued liabilities	4,687	3,554
Long-term debt, due within one year	15	75
Total current liabilities	47,943	31,385
Long-term debt, less current maturities		14
Other long-term liabilities	2,224	1,973
Commitments and contingencies		
Shareholders equity:		
Preferred stock, no par value:		
Authorized shares 3,000,000		
None issued and outstanding		

Common stock, no par value:		
Authorized shares 50,000,000		
Issued and outstanding shares 14,692,000 in 2003 and 14,583,000 in 2002, at stated value	81,221	80,383
Warrants	236	236
Additional paid-in capital	2,269	1,864
Retained earnings	59,119	44,372
Accumulated other comprehensive loss	(1,203)	(541)
Total shareholders equity	141,642	126,314
Total liabilities and shareholders equity	$ 191,809	$ 159,686

See accompanying notes.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share and share amounts)

	Year ended		
	March 28, 2003	**March 29, 2002**	**March 30, 2001**
Net sales	$ 439,139	$ 382,274	$ 351,845
Cost of sales	247,913	218,475	204,073
Gross profit	191,226	163,799	147,772
Operating expenses:			
Selling and distribution	129,822	114,276	110,170
General and administrative	38,424	32,816	30,155
Non-recurring		6,796	7,104
	168,246	153,888	147,429
Operating income	22,980	9,911	343
Other income	1,782	1,895	2,037
Interest expense	(553)	(698)	(1,456)
Income before income taxes and cumulative effect of a change in accounting principle	24,209	11,108	924
Income taxes	9,462	4,450	1,401
Net income (loss) before cumulative effect of a change in accounting principle	14,747	6,658	(477)
Cumulative effect of a change in accounting principle (net of tax of $4,835)		(28,691)	
Net income (loss)	$ 14,747	$ (22,033)	$ (477)
Per Common Share:			
Income (loss) before cumulative effect of a change in accounting principle:			
Basic	$ 1.01	$ 0.46	$ (0.03)
Diluted	$ .99	$ 0.45	$ (0.03)
Cumulative effect of a change in accounting principle (net of tax):			
Basic	$	$ (1.98)	$
Diluted	$	$ (1.93)	$
Net income (loss) per share:			
Basic	$ 1.01	$ (1.52)	$ (0.03)
Diluted	$ .99	$ (1.48)	$ (0.03)
Weighted average common shares outstanding:			
Basic	14,635,000	14,467,000	14,420,000

Diluted	14,968,000	14,876,000	14,420,000

See accompanying notes.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(in thousands, except per share and share amounts)

	Common Stock						
	Shares	Amount	Warrants	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at March 31, 2000	14,892,000	$ 81,817	$ 236	$ 1,260	$ 66,882	$	$ 150,195
Net loss					(477)		(477)
Defined benefit plan funding adjustments net of taxes of $341						(541)	(541)
Comprehensive loss							(1,018)
Repurchase of common stock	(533,000)	(3,236)					(3,236)
Balance at March 30, 2001	14,359,000	78,581	236	1,260	66,405	(541)	145,941
Net loss					(22,033)		(22,033)
Stock options exercised	224,000	1,802					1,802
Tax benefit of stock options exercised				604			604
Balance at March 29, 2002	14,583,000	80,383	236	1,864	44,372	(541)	126,314
Net income					14,747		14,747
Defined benefit plan funding adjustments net of taxes of $425						(662)	(662)
Comprehensive income							14,085
Stock options exercised	109,000	838					838
Tax benefit of stock options exercised				405			405
Balance at March 28, 2003	14,692,000	$ 81,221	$ 236	$ 2,269	$ 59,119	$ (1,203)	$ 141,642

See accompanying notes.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year ended		
	March 28, 2003	**March 29, 2002**	**March 30, 2001**
Operating activities			
Net income (loss)	$ 14,747	$ (22,033)	$ (477)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect of a change in accounting principle (net of tax)		28,691	
Depreciation and amortization	4,982	5,189	5,249
Amortization of goodwill and other intangibles	483	484	2,296
Deferred taxes	498	(4,259)	(2,020)
Loss on impairment/closures	464	6,796	7,104
Provision for losses on uncollectible accounts	855	1,552	735
Provision for write-down of inventories	2,331	4,063	849
(Gain) loss on sales of assets	(21)	(21)	142
Changes in operating assets and liabilities:			
Accounts receivable	(5,930)	(3,837)	(2,791)
Inventories	(18,247)	(383)	(2,797)
Prepaid expenses and other current assets	(289)	3,031	981
Accounts payable	4,117	2,245	(623)
Accrued salaries, wages and related benefits	1,970	1,220	17
Other accrued liabilities	258	(134)	515
Other, net	(896)	367	1,011
Net cash provided by operating activities	5,322	22,971	10,191
Investing activities			
Proceeds from sales of assets	237	148	157
Acquisitions of certain service centers, net of cash received	(6,927)	(6,760)	(380)
Purchases of property, plant and equipment	(9,164)	(9,466)	(8,895)
Net cash used in investing activities	(15,854)	(16,078)	(9,118)
Financing activities			
Borrowings (payments) under bank credit facility, net	9,774	(8,048)	2,380
Principal payments on long-term debt	(74)		(96)
Purchase of common stock			(3,236)
Proceeds from stock option exercises	838	1,802	
Net cash provided by (used in) financing activities	10,538	(6,246)	(952)
Net increase in cash and cash equivalents	6	647	121
Cash and cash equivalents at beginning of year	3,652	3,005	2,884
Cash and cash equivalents at end of year	$ 3,658	$ 3,652	$ 3,005

Supplemental disclosures:			
Interest paid during the year	$ 525	$ 765	$ 1,436
Income taxes paid during the year	7,810	5,042	2,060
The following items are not included in the Consolidated Statement of Cash Flows:			
Minimum pension liability adjustment	$ 662	$	$ 541

See accompanying notes.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 28, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Keystone Automotive Industries, Inc. (Keystone) and its wholly owned subsidiaries. Significant subsidiaries included in the consolidated financial statements include Keystone Automotive Industries MN, Inc. (formerly North Star Plating Co.), Keystone Automotive Industries FL, Inc. (formerly Inteuro Parts Distributors, Inc.) and Keystone Automotive Industries Resources, Inc. (formerly Republic Automotive Parts, Inc.) (collectively with Keystone, the Company). All significant intercompany transactions have been eliminated in consolidation.

Business Information

The Company operates in one business segment. The principal business of the Company is the distribution of collision replacement parts for automobiles and light trucks to collision repair shops through a network of distribution centers located within the United States, one in Mexico, and one in Canada.

The Company s product offerings, comprised of more than 19,000 stock keeping units, may be divided into four primary categories: (i) the Company s core business continues to be automotive body parts which consist primarily of fenders, hoods, headlight and taillight assemblies, radiators, condensers and grilles, (ii) the Company distributes new and remanufactured plastic bumper covers and steel bumpers manufactured by multiple domestic and foreign manufacturers, (iii) the Company distributes paint and other materials used in repairing a damaged vehicle primarily to repair shops and (iv) the Company distributes wheels and related products.

Fiscal Year

The Company uses a 52/53 week fiscal year. The Company s fiscal year ends on the last Friday of March. The fiscal years ended March 28, 2003, March 29, 2002 and March 30, 2001 each included 52 weeks, respectively.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Concentrations of Risk

Accounts receivable subject the Company to a potential concentration of credit risk. Substantially all of the Company s customers are in the auto body repair business, none representing more than 1% of sales. The Company performs periodic credit evaluations of its customers financial condition and generally does not require collateral. Receivables are generally due within 30 days. Credit losses have consistently been within management s expectations.

During 2003 and 2002, the Company imported 20% and 18% of its products from the Far East, respectively.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Values of Financial Instruments

Fair values of cash and cash equivalents, accounts receivable, accounts payable, credit facility and other short-term obligations approximate cost due to the short period of time to maturity.

Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are held by major financial institutions.

Inventories

The Company s inventories consist primarily of automotive aftermarket collision replacement parts, paint and related items. Inventories are stated at the lower of cost (first-in, first-out method) or market.

Long-Lived Assets

The Company reviews the recoverability of its long-lived assets as required by Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. The Company has determined that no impairment of long-lived assets exists as of December 31, 2002.

During fiscal 2001, the Company recognized approximately $7.1 million of nonrecurring expenses. These expenses were primarily the result of a write-down of certain computer related expenses ($4.7 million) and the Company s investment in an Internet business-to-business service provider ($1.0 million) and the recording of a reserve for idle leased facilities relating to the closing or consolidation of three locations ($1.5 million). In addition, the Company recorded a reserve of $150,000 relating to the estimated environmental clean-up costs in connection with the closing of a plating facility in fiscal 2001.

Depreciation and Amortization

The Company uses the straight-line method for calculating depreciation and amortization of property, plant, and equipment over the following estimated useful lives:

Buildings	20 years
Machinery and equipment	5 12 years
Furniture and fixtures	5 7 years
Auto and truck	3 5 years
Leasehold improvements	Term of lease or life of the asset, whichever is shorter

Goodwill and Other Intangibles

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations. SFAS No. 141 supersedes Accounting Principle Board Opinion (APB) No. 16 Business Combinations and SFAS No. 38 Accounting for Preacquisition Contingencies of Purchased Enterprises.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. The Company implemented SFAS No. 141 on March 31, 2001. This statement did not have a material effect on the Company s consolidated financial position or results of operations.

The Company elected to early adopt the provisions of SFAS No. 142, Goodwill and Other Intangible Assets, which supersedes AFB No. 17. SFAS No. 142 applies to goodwill and intangible assets acquired after June 30, 2001, as well as goodwill and intangible assets previously acquired. Under this statement, goodwill as well as certain other intangible assets, determined to have an infinite life, will no longer be amortized. These assets will be reviewed for impairment on a periodic basis. The Company early adopted SFAS No. 142 effective March 31, 2001. Consequently, all goodwill on the Company s balance sheet from that date forward will no longer be subject to amortization. Other intangibles, consisting of covenants not to compete with finite lives, will continue to be amortized over the term of the respective covenant. Pursuant to SFAS No. 142, the Company performed a transitional assessment of impairment of goodwill and other intangibles by applying a fair-value-based test and determined that the Company s goodwill was impaired.

Subsequent to the adoption of SFAS No. 142, goodwill, representing the excess of the purchase price over the fair values of the net assets of acquired entities, is not amortized, but is subject to an annual impairment review as provided in SFAS No. 142. Other intangibles are comprised of covenants not to compete. Covenants not to compete are amortized using the straight-line method over the terms of the agreements, generally 3 5 years.

Revenue Recognition

The Company recognizes revenue upon concluding that all of the fundamental criteria for product revenue recognition have been met. Such criteria are usually met at the time title passes to the customer, typically at the time of delivery or shipment. The costs related to shipping and handling fees are included in selling and distribution expenses. The Company provides its customers the right to return products that are damaged or defective. The effect of these programs is estimated and current period sales and costs of sales are reduced accordingly.

Stock-Based Compensation

The Company elected to continue to account for stock-based compensation plans using the intrinsic value-based method of accounting prescribed by APB No. 25, Accounting for Stock Issued to Employees, and related interpretations. Under the provisions of APB No. 25, compensation expense is measured at the grant date for the difference between the fair value of the stock and the exercise price. The Company has not granted stock options at less than the fair value of the stock at the date of grant.

New Accounting Standards

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amends and clarifies financial accounting and reporting derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement is effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003. The Company does not expect the adoption of this statement to have a material impact on its operating results or financial position.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which addresses issues regarding the recognition, measurement and reporting of costs associated

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

with exit and disposal activities, including restructuring activities. This statement requires that costs associated with exit or disposal activities be recognized when they are incurred rather than at the date of commitment to an exit or disposal plan. The implementation of this Standard did not have a material effect on the Company.

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 clarifies the requirements of SFAS No. 5, Accounting for Contingencies, relating to a guarantor s accounting for, and disclosure of, the issuance of certain types of guarantees. For certain guarantees issued after December 31, 2002, FIN 45 requires a guarantor to recognize, upon issuance of a guarantee, a liability for the fair value of the obligations it assumes under the guarantee. Guarantees issued prior to January 1, 2003, are not subject to liability recognition, but are subject to expanded disclosure requirements. The Company does not believe that the adoption of this Interpretation will have a material impact on its consolidated financial position or statement of operations.

In January 2003, FASB issued Interpretation No. 46 (FIN 46), an interpretation of Accounting Research Bulletin No. 51. Under FIN 46, which requires the Company to consolidate variable interest entities for which it is deemed to be the primary beneficiary and disclose information about variable interest entities in which it has a significant variable interest. FIN 46 became effective immediately for variable interest entities formed after January 31, 2003 and will become effective in the third quarter of 2003 for any variable interest entities formed prior to February 1, 2003. The Company does not believe that this Interpretation will have a material impact on its consolidated financial statements.

2. ACQUISITIONS

During fiscal 2003, the Company acquired certain assets of the following businesses: Perfect Cooling Industries, Inc., a distributor of aftermarket radiators and condensers with operations in Carson, California, Chicago, Illinois, Norcross, Georgia and Bensalem Township, Pennsylvania in April 2002; Arizona Plating, a bumper recycling facility in Phoenix, Arizona in April 2002; and Advance Plating, a distributor of aftermarket collision replacement parts in Republic, Missouri in January 2003. The Company acquired these three companies for approximately $6.7 million in cash, net of cash received. All of these acquisitions were accounted for under the purchase method of accounting and accordingly the assets and liabilities of the acquired entities have been recorded at their estimated fair value at the dates of acquisition. The excess of purchase price over the estimated fair values of the assets acquired was approximately $0.9 million and has been recorded as goodwill. The consolidated financial statements include the results of operations for each business for all periods subsequent to the applicable purchase date. The results for fiscal 2003 and 2002, assuming that these acquisitions had been made at the beginning of fiscal 2002, would not have been materially different from the results presented.

During fiscal 2002, the Company acquired certain assets of the following businesses: After Crash, Inc., a distributor of aftermarket collision replacement parts in Baton Rouge, Louisiana in July 2001; I.W.C. International, Inc., a distributor of aftermarket wheel covers and center caps for automobiles and light trucks, with operations in Tampa, Florida, Hanover, Massachusetts, Haltom City, Texas, Hayward, California and Quincy, Illinois in January 2002; and Indiana Distributors incorporated, a distributor of aftermarket collision replacement parts in Elkhart, Indiana in January 2002. In addition, the Company acquired all of the outstanding capital stock of P-G Products, Inc., a distributor of aftermarket collision replacement parts in Cincinnati, Ohio in January 2002. The Company acquired these four companies for approximately $6.8 million cash, net of cash received. All of these acquisitions were accounted for under the purchase method of accounting, and accordingly the assets and liabilities of the acquired entities have been recorded at their estimated fair values at the dates of acquisition. The excess of purchase price over the estimated fair values of the assets acquired was approximately

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$1.8 million and has been recorded as goodwill. The consolidated financial statements include the results of operations for each business for all periods subsequent to the applicable purchase date. The results for fiscal 2002 and 2001, assuming that these acquisitions had been made at the beginning of fiscal 2001, would not be materially different from the results presented.

3. GOODWILL AND OTHER INTANGIBLES

Amortization expense for other intangibles for the years ended March 28, 2003, March 29, 2002 and March 30, 2001 was $483,000, $484,000 and $496,000.

The carrying amount of goodwill as of March 28, 2003 and March 29, 2002, was $3.0 million and $1.8 million, respectively. Amortization expense for goodwill amounted to $1.8 million for the year ended March 30, 2001.

The pro forma effect on fiscal 2001 earnings of excluding goodwill amortization expense, net of tax, is as follows (in thousands, except per share amounts):

	March 30, 2001
Reported net (loss)	$ (477)
Add back goodwill amortization, net of tax	884
Pro forma net income	$ 407
Basic and diluted (loss) earnings per share:	
Reported net (loss) earnings per share	$ (.03)
Add back goodwill amortization	.06
Pro forma earnings per share, basic and diluted	$ .03

4. FINANCING ARRANGEMENTS

The Company maintains a revolving line of credit with a commercial lender that provides a $35,000,000 secured credit facility and the balance is due on June 1, 2005. Initial advances under the revolving line of credit are made with interest at the lender s prime rate (4.25% at March 28, 2003). The Company has converted a portion of the advances to LIBOR plus 1.00% (2.3% at March 28, 2003). At March 28, 2003, $16.6

million was outstanding under the line of credit. In December 2002, the Company caused the commercial lender to issue a letter of credit in the amount of $2.0 million to secure certain obligations to its primary insurer, which reduces the amount available under the credit facility. The availability under the line of credit at March 28, 2003 was $16.4 million. The loan agreement is subject to certain restrictive covenants and requires that the Company maintain certain financial ratios. The Company was in compliance with all covenants as of March 28, 2003.

5. SHAREHOLDERS EQUITY

The Company maintains a stock repurchase plan as authorized by the Board of Directors, which at March 28, 2003, authorized the purchase of up to $4.1 million of its common stock at such times and at such prices as the President and Chief Financial Officer deemed appropriate. Repurchased shares were redeemed and treated as authorized but unissued shares. Since the inception of the plan, the Company has repurchased approximately 3.5 million shares for approximately $45.8 million, an average of $13.01 per share. During the year ended March 30, 2001, the Company had repurchased approximately 533,000 shares of its common stock at an average cost of $6.07 per share. No shares were repurchased during fiscal 2003 or fiscal 2002.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In February 2000, the Company issued 100,000 warrants to purchase the Company s stock at an exercise price of $6.50 to a vendor. The warrants are exercisable starting in February 2001 through 2005, or through the date of dissolution of the agreement. Using the intrinsic value method, the Company recorded the warrants in equity at $236,000 and amortized the expense over the period services were received from the vendor. The warrants were fully amortized in fiscal 2002.

The Company may pay dividends at the discretion of the Board of Directors. The Company has never paid dividends.

6. EARNINGS PER SHARE

The Company calculates basic and diluted earnings per share as required by SFAS No. 128, Earnings Per Share. Basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is calculated including the dilutive effects of warrants, options, and convertible securities, if any. The income from continuing operations is used as the numerator to determine whether potential common shares are dilutive or antidilutive. The following table sets forth the computation of basic and diluted earnings per share:

	Year ended		
	March 28, 2003	**March 29, 2002**	**March 30, 2001**
	(in thousands, except share and per share amounts)		
Numerator:			
Net income (loss)	$ 14,747	$ (22,033)	$ (477)
Denominator:			
Denominator for basic earnings (loss) per share weighted average shares	14,635	14,467	14,420
Effect of dilutive securities:			
Employee stock options and warrants	333	409	
Denominator for dilutive earnings (loss) per share adjusted weighted average shares and assumed conversions	14,968	14,876	14,420
Basic earnings (loss) per share	$ 1.01	$ (1.52)	$ (0.03)
Diluted earnings (loss) per share	$ .99	$ (1.48)	$ (0.03)

Warrants to purchase 100,000 shares with an exercise price greater than the average market price of common stock were outstanding at March 30, 2001. These warrants, along with the employees stock options, were excluded from the fiscal 2001 computation of diluted earnings per share because their effect would be antidilutive.

7. RELATED PARTY TRANSACTIONS

The Company has entered into various property lease agreements with related parties, including certain of the Company s directors and officers and agreements with a corporation which is owned by a family member of a Company officer and director. The leases contain terms up to 10 years. The Company believes that the terms and conditions of such leases with affiliated parties are no less favorable than could have been obtained from unaffiliated parties in arm s length transactions at the time such leases were entered into. Rent expense for related

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

party lease agreements, included in the total rent expense, amounted to $956,000, $956,000 and $918,000 for the fiscal years 2003, 2002 and 2001 respectively, exclusive of the Company s obligation for property taxes and insurance.

8. SALES BY PRODUCT

	Fiscal Year Ended		
	March 28, 2003	March 29, 2002	March 30, 2001
		(in millions)	
Automotive body parts	$ 216.6	$ 176.9	$ 151.8
Bumpers	127.8	112.2	107.4
Paint and related materials	56.0	59.0	59.5
Wheels and related products	35.8	29.0	24.7
Other	2.9	5.2	8.4
Total Sales	$ 439.1	$ 382.3	$ 351.8

9. INCOME TAXES

The liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities. The provision for income taxes reflects the taxes to be paid for the period and the change during the period in the deferred tax assets and liabilities.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Significant components of the Company s deferred tax liabilities and assets are as follows:

	March 28, 2003	March 29, 2002
	(in thousands)	
Deferred tax assets:		
Inventories	$ 3,256	$ 2,246
Intangibles	6,276	6,701
Excess of tax basis over book basis of property and equipment	40	1,513
Accrued expenses	3,271	2,685
Other, net	525	514
Total deferred tax assets	13,368	13,659
Valuation allowance	(384)	(376)
	12,984	13,283
Deferred tax liabilities:		
Prepaid expenses	(422)	(223)
Total deferred tax liabilities	(422)	(223)
Net deferred tax assets	$ 12,562	$ 13,060

The Company recorded a valuation allowance related to a deferred tax asset recorded as a result of the write-off of its investment in an internet company.

Significant components of the provision for income taxes attributable to operations under the liability method are as follows:

	Year ended		
	March 28, 2003	March 29, 2002	March 30, 2001
	(in thousands)		
Current:			
Federal	$ 8,916	$ 3,429	$ 3,011
State	1,044	439	410
Foreign		6	

	9,960	3,874	3,421
Deferred:			
Federal	(446)	(3,776)	(1,777)
State	(52)	(483)	(243)
	(498)	(4,259)	(2,020)
	$ 9,462	$ (385)	$ 1,401

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The reconciliation of income taxes at the U.S. federal statutory tax rate to reported income tax expense is as follows:

	Year ended		
	March 28, 2003	**March 29, 2002**	**March 30, 2001**
		(in thousands)	
Income taxes at statutory tax rate	$ 8,490	$ (7,466)	$ 457
State income taxes, net of federal tax effect	1,033	(636)	56
Non-deductible intangibles		7,542	
Non-deductible expenses	234	178	509
Rate change and other	(303)		
Valuation allowance	8	(3)	379
	$ 9,462	$ (385)	$ 1,401

10. EMPLOYEE BENEFIT PLANS

In March 1979, the Company adopted a defined benefit pension plan (the Plan) to provide pension benefits to all non-union employees. Plan benefits are based on an employee s years of service and the compensation during the five years of employment which would yield the highest average compensation. Effective in April 1997, the Company suspended the accrual of future benefits.

In June 1998, the Company acquired Republic, including its pension. Republic s defined benefit plan covers substantially all employees. Benefits under this plan generally are based upon the employee s years of service and compensation preceding retirement. The Company s general funding policy is to contribute amounts deductible for federal income taxes. Effective June 30, 1999, the accrual of future benefits under the Republic defined benefit plan was suspended. The defined benefit plans of the Company and Republic were merged on December 31, 1999.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The net periodic pension cost for all the Company s benefit plans was as follows:

	Pension Benefits			Other Benefits		
	March 28, 2003	March 29, 2002	March 30, 2001	March 28, 2003	March 29, 2002	March 30, 2001
			(in thousands)			
Service cost	$	$	$	$	$	$ 5
Interest cost	303	332	365			30
Recognized gains or (losses)	19	139	3			
Prior service cost recognized						
Expected return on assets	(289)	(261)	(279)			
	$ 33	$ 210	$ 89	$	$	$ 35

The following is a summary of the status of the funding of the plans:

	Pension Benefits		Other Benefits	
	March 28, 2003	March 29, 2002	March 28, 2003	March 29, 2002
		(in thousands)		
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 5,131	$ 5,369	$ 288	$ 288
Service cost				
Interest cost	303	332		
Plan participants contributions				
Actuarial (gains) losses	60	(305)	(288)	
Settlement gain				
Benefits paid	(327)	(658)		
Plan amendments				
Change in assumptions		393		
Benefit obligation at end of year	$ 5,167	$ 5,131	$	$ 288
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 3,426	$ 3,174	$	$
Actual return on plan assets	(735)	189		
Company contributions	594	721		

Benefits paid	(327)	(658)		
Fair value of plan assets at end of year	$ 2,958	$ 3,426	$	$
Funded status:				
Funded status of the plan (underfunded)	$ (2,209)	$ (1,685)	$ (288)	$ (288)
Unrecognized net actuarial (gain) losses	1,969	882		
Net amount recognized	$ (240)	$ (803)	$ (288)	$ (288)
Amounts recognized in the statement of financial position:				
Accrued benefit liability	$ (2,209)	$ (1,685)	$ (288)	$ (288)
Accumulated other comprehensive loss	1,969	882		
Net amount recognized	$ (240)	$ (803)	$ (288)	$ (288)

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In accordance with the provisions of SFAS No. 87, Employers Accounting for Pensions, at March 28, 2003 the Company recorded a minimum pension liability representing the excess of the accumulated benefit obligation over the fair value of the plan assets. The balance of the liability of $1,969,000 was reported in accumulated comprehensive income (loss), net of applicable deferred income taxes of $766,000.

In determining the actuarial present value of projected benefit obligations at March 28, 2003 and March 29, 2002, a discount rate of 6.00% and 6.75%, respectively, was used. There are no future compensation increases due to the suspension of benefit accruals. The expected long-term annual rate of return on assets was 8% for the year ended March 28, 2003 and March 29, 2002.

The Company maintains a 401(k) plan, as amended, that covers substantially all of its employees. Employees who have completed more than one year of service are eligible and may contribute from 1% to 15% of their base pay. The Company matches 50% of the first 6% of employee contributions. Employee contributions vest immediately, while employer contributions vest based on years of service. Employer contributions to the plan were $1,374,000, $1,265,000 and $1,318,000 as of March 28, 2003, March 29, 2002 and March 30, 2001, respectively.

11. STOCK COMPENSATION PLANS

In 1996, the Board of Directors of the Company adopted a Stock Incentive Plan (the 1996 Plan). There were 2,700,000 shares of Common Stock reserved for issuance under the 1996 Plan, as amended. The 1996 Plan provides for granting of stock options that may be either incentive stock options within the meaning of Section 422A of the Internal Revenue Code of 1986 (the Code) or non-qualified stock options, which do not satisfy the provisions of Section 422A of the Code. Options are required to be granted at an option price per share equal to the fair market value of Common Stock on the date of grant. Stock options may not be granted longer than 10 years from the date of the 1996 Plan. All options granted have ten-year terms and vest at the rate of 25% per year, commencing one year from the date of grant.

Stock Option Plan	Shares (1)	Weighted Average Exercise Price
Outstanding at March 31, 2000	855,500	$ 15.75
Granted	734,000	5.58
Exercised		
Expired/Cancelled	(93,675)	13.53
Outstanding at March 30, 2001	1,495,825	10.24
Granted	199,175	10.49
Exercised	(223,775)	6.92
Expired/Cancelled	(4,500)	10.31
Outstanding at March 29, 2002	1,466,725	$ 10.53
Granted	312,383	18.18
Exercised	(108,700)	7.55

Expired/Cancelled	(51,265)	14.62
Outstanding at March 28, 2003	1,619,143	$ 12.02

(1) Includes 60,000 shares outstanding at March 28, 2003 granted to non-employee directors outside of the 1996 Plan during prior fiscal years.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tabulation summarizes certain information concerning outstanding and exercisable options at March 28, 2003, March 29, 2002 and March 30, 2001

	Price Range		
	$5.53-$9.00	**$10.00-$20.00**	**$20.375**
Outstanding options as of March 30, 2001:			
Number outstanding	824,700	632,625	38,500
Weighted average exercise price	$ 6.06	$ 15.06	$ 20.375
Weighted average remaining contractual life in years	8.2	6.6	6.8
Exercisable options:			
Number exercisable	116,700	351,625	28,875
Weighted average exercise price	$ 9.00	$ 15.32	$ 20.375
Outstanding options as of March 29, 2002:			
Number outstanding	655,150	771,375	40,200
Weighted average exercise price	$ 5.86	$ 13.99	$ 20.38
Weighted average remaining contractual life in years	8.1	6.8	5.8
Exercisable options:			
Number exercisable	203,125	446,875	40,200
Weighted average exercise price	$ 6.50	$ 15.30	$ 20.40
Outstanding options as of March 28, 2003:			
Number outstanding	567,100	1,011,843	40,200
Weighted average exercise price	$ 5.87	$ 15.14	$ 20.375
Weighted average remaining contractual life in years	7.1	6.7	4.8
Exercisable options:			
Number exercisable	305,775	539,813	40,200
Weighted average exercise price	$ 6.10	$ 14.70	$ 20.40

The Company adopted SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, which amends SFAS No. 123, Accounting for Stock-Based Compensation, SFAS No. 148 which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirement of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements of the effects of stock-based compensation. If the Company had elected to recognize compensation cost based on the fair value of the options granted at the grant rate as prescribed by SFAS No. 148, net income (loss) and earnings (loss) per share would have been reduced to the pro forma amounts shown below:

	March 28, 2003	**March 29, 2002**	**March 30, 2001**
	(In thousands, except per share amounts)		
Pro forma:			

Net income (loss) as reported	$ 14,747	$ (22,033)	$ (477)
Less: Fair value stock-based compensation	(780)	(687)	(1,233)
Net income (loss) pro forma	$ 13,967	$ (22,720)	$ (1,710)
Net income (loss) per share as reported:			
Basic	$ 1.01	$ (1.52)	$ (0.03)
Diluted	$ .99	$ (1.48)	$ (0.03)
Net income (loss) per share pro forma:			
Basic	$ .95	$ (1.57)	$ (.12)
Diluted	$ .93	$ (1.53)	$ (.12)

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The effects of applying SFAS No. 123 as amended by SFAS No. 148, for purposes of determining pro forma net income (loss) and net income (loss) per share are not likely to be representative of the effects on reported net income (loss) for future years. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	March 28, 2003	March 29, 2002	March 30, 2001
Risk free interest rate	5.59%	5.87%	4.57% 6.03%
Expected life in years	4	4	4
Expected volatility	41.5%	41.9%	54.1%
Expected dividend yield	0.00%	0.00%	0.00%

12. COMMITMENTS AND CONTINGENCIES

The Company leases substantially all of its property and a portion of its plant and equipment. Certain of the leases contained renewal options from two to five years.

Future minimum lease payments, under non-cancelable operating leases with initial terms of one year or more, are approximately as follows at March 28, 2003:

	Related Party Leases	Other	Total Operating Leases
		(in thousands)	
2004	$ 1,133	$ 14,340	$ 15,473
2005	1,017	11,541	12,558
2006	551	10,047	10,598
2007	168	7,303	7,471
2008	148	4,049	4,197
Thereafter	36	7,955	7,991
Total minimum rental payments	$ 3,053	$ 55,235	$ 58,288

Total rent expense amounted to $15,469,385, $13,588,000 and $13,679,000 for fiscal 2003, 2002 and 2001, respectively, exclusive of the Company s obligation for property taxes and insurance.

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have a material adverse effect on the financial position, results of operations or cash flow of the Company.

13. NON-RECURRING EXPENSES

In fiscal 2002, the enterprise software provider informed the Company that it was ceasing all development for the software package licensed by the Company. As a result, the Company determined that it could not proceed with the Company-wide installation and booked a pre-tax charge of $6.8 million to write-off the previously capitalized software development costs. With this charge, the Company has written-off its investment in this software package.

During fiscal 2001, the Company recognized approximately $7.1 million of nonrecurring expenses, these expenses were primarily the result of a write-down of certain computer related expenses of approximately $4,663,000 and the Company s investment in an Internet business-to-business service provider, accounted for, using the cost method of accounting, of approximately $981,000, and approximately $1,460,000 of expenses relating to the closing or consolidation of various locations.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended March 28, 2003 and March 29, 2002.

	Quarter Ended			
	June 28	**September 27**	**December 27**	**March 28**
	(In thousands, except per share amounts)			
2003:				
Net sales	$ 106,724	$ 101,137	$ 108,548	$ 122,730
Gross profit	46,474	43,878	47,516	53,358
Net income	3,545	2,663	3,595	4,944
Per Common Share:				
Net income per share:				
Basic	$ 0.24	$ 0.18	$ 0.25	$ 0.34
Diluted	$ 0.23	$ 0.18	$ 0.24	$ 0.33

	Quarter Ended			
	June 29	**September 28**	**December 28**	**March 29**
	(In thousands, except per share amounts)			
2002:				
Net sales	$ 91,527	$ 88,734	$ 94,149	$ 107,864
Gross profit	38,874	37,807	40,686	46,432
Non-recurring expenses		6,796(1)		
Net income (loss) before cumulative effect of a change in accounting principle	2,117	(2,381)	2,788	4,134
Cumulative effect of a change in accounting principle, net of tax	(28,691)(2)			
Net (loss) income	(26,574)	(2,381)	2,788	4,134
Per Common Share:				
Income (loss) before cumulative effect of a change in accounting principle:				
Basic	$ 0.15	$ (0.16)	$ 0.19	$ 0.29
Diluted	$ 0.15	$ (0.16)	$ 0.19	$ 0.28
Cumulative effect of a change in accounting principle (net of tax):				
Basic	$ (2.00)			
Diluted	$ (1.97)			
Net (loss) income per share:				
Basic	$ (1.85)	$ (0.16)	$ 0.19	$ 0.29
Diluted	$ (1.82)	$ (0.16)	$ 0.19	$ 0.28

Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with per share amounts for the year shown elsewhere.

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(1) Write-off of certain previously capitalized software development costs.

(2) During the fourth quarter of 2002, the Company changed its method of accounting for goodwill and other tangible assets in accordance with SFAS No. 142. Pursuant to SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements , effective March 31, 2001, the Company recorded the cumulative effect of the accounting change and accordingly, the quarterly information for the first quarter of 2002, which had been previously reported, has been restated.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item will be contained in the Company s definitive Proxy Statement for its 2003 Annual Meeting of Stockholders to be held August 19, 2003, which will be filed with the Securities and Exchange Commission within 120 days of March 28, 2003. Such information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be contained in the Company s definitive Proxy Statement for its 2003 Annual Meeting of Stockholders to be held August 19, 2003, which will be filed with the Securities and Exchange Commission within 120 days of March 28, 2003 to be held August 19, 2003. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Other than as set forth below, the information required by this Item will be contained in the Company s definitive Proxy Statement for its 2003 Annual Meeting of Stockholders to be held August 19, 2003, which will be filed with the Securities and Exchange Commission within 120 days of March 28, 2003. Such information is incorporated herein by reference.

Equity Compensation Plan Information

	March 28, 2003		
	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options,	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity

	warrants and rights		compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,559,143	$ 11.93	566,207
Equity compensation plans not approved by security holders	160,000	9.52	
Total	1,719,143		566,207

In February 2000, the Company issued a warrant to purchase 100,000 of Keystone Common Stock with an exercise price of $6.50 per share (the Warrant). The Warrant was issued as part of a transaction in which the Company agreed to purchase substantially all of the warrantholders alloy wheel cores and the warrantholder agreed to purchase certain remanufactured alloy wheels from the Company. The Warrant became exercisable in February 2001 and expires in February 2005. If the contractual relationship between the Company and the warrantholder is terminated before February 2004, the expiration date of the Warrant becomes one year following such termination. The Warrant is subject to standard anti-distribution protections.

The balance of the securities which may be issued pursuant to equity compensation plans not approved by security holders represent non-qualified stock options granted to four non-employee directors in 2001, 2000, 1999 and 1998.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item will be contained in the Company s definitive Proxy Statement for its 2003 Annual Meeting of Stockholders to be held August 19, 2003, which will be filed with the Securities and Exchange Commission within 120 days of March 28, 2003. Such information is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

Under the supervision and with the participation of management, including the Company s principal executive officer and principal financial officer, an evaluation was made of disclosure controls and procedures, as such term is defined under Rule 13a-14(c) promulgated under the Securities and Exchange Act of 1934, as amended, within 90 days of the filing date of this report. Based on their evaluation, the principal executive officer and principal financial officer concluded that the Company s disclosure controls and procedures are effective.

There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in the Company s internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced in the paragraph above.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

(a)(1) **Financial Statements:**

See the Index to Item 8 above.

(a)(2) **Financial Statement Schedule:**

See (d) below.

(a)(3) **Exhibits:**

The following exhibits are filed herewith or incorporated by reference herein:

Exhibit No.	Description
3.1(2)	Amended and Restated Bylaws of the Registrant. [3.4]*
3.1.1(4)	Amendment to Amended and Restated Bylaws of the Registrant. [3.1.1]*
3.1.2(9)	Amendment to Amended and Restated Bylaws of the Registrant. [3.1.2]*
3.2(2)	Restated Articles of Incorporation of the Registrant. [3.5]*
3.2.1(8)	Amendment to Restated Articles of Incorporation of Registrant. [3.2.1]*
3.2.2(9)	Amendment to Restated Articles of Incorporation of Registrant. [3.2.2]*
3.2.3(11)	Certificate of Determination of Series A Junior Participating Preferred Stock. [4.2(A)]*
4.1(2)	Form of stock certificate. [4.1]*
4.2(11)	Rights Agreement dated as of February 10, 2000. [4.2]*
4.2.1(17)	First Amendment to Rights Agreement dated as of January 8, 2003.
4.3(14)	Warrant to Purchase 100,000 shares of Common Stock dated February 21, 2000.
10.5(1)(A)	Indemnification Agreement dated June 20, 1996 between the Registrant and Charles J. Hogarty. [10.6]*
10.6(1)(A)	Indemnification Agreement dated June 20, 1996, between the Registrant and John M. Palumbo. [10.9]*
10.7(3)(A)	Indemnification Agreement between the Registrant and Ronald G. Brown. [10.12]*
10.8(3)(A)	Indemnification Agreement between the Registrant and Kim D. Wood. [10.13]*s
10.9(1)(A)	Keystone Automotive Industries, Inc. 1996 Stock Incentive Plan, together with forms of incentive stock option, non-qualified stock option and restricted stock agreements. [10.10]*

10.10(7)(A)	Amendment to Registrant s 1996 Stock Incentive Plan.
10.11(12)(A)	Amendment to Registrant s 1996 Stock Incentive Plan
10.12(16)(A)	Amendment to Registrant s 1996 Stock Incentive Plan
10.13(16)(A)	Amendment to Registrant s 1996 Stock Incentive Plan
10.14(18)(A)	Non-Qualified Stock Option Agreement with Timothy McQuay dated August 26, 1997
10.15(18)(A)	Non-Qualified Stock Option Agreement with Timothy McQuay dated August 31, 1998
10.16(18)(A)	Non-Qualified Stock Option Agreement with Timothy McQuay dated August 24, 1999
10.17(18)(A)	Non-Qualified Stock Option Agreement with Timothy McQuay dated August 23, 2000
10.18(18)(A)	Non-Qualified Stock Option Agreement with Timothy McQuay dated August 23, 2001
10.19(18)(A)	Non-Qualified Stock Option Agreement with Al Ronco dated August 31, 1998
10.20(18)(A)	Non-Qualified Stock Option Agreement with Al Ronco dated August 24, 1999

Exhibit No.	Description
10.21(18)(A)	Non-Qualified Stock Option Agreement with Al Ronco dated August 23, 2001
10.22(18)(A)	Non-Qualified Stock Option Agreement with George Seebart dated August 26, 1997
10.23(18)(A)	Non-Qualified Stock Option Agreement with George Seebart dated August 31, 1998
10.24(18)(A)	Non-Qualified Stock Option Agreement with George Seebart dated August 24, 1999
10.25(18)(A)	Non-Qualified Stock Option Agreement with George Seebart dated August 23, 2001
10.26(18)(A)	Non-Qualified Stock Option Agreement with Keith Thompson dated August 24, 1999
10.27(18)(A)	Non-Qualified Stock Option Agreement with Keith Thompson dated August 23, 2000
10.28(18)(A)	Non-Qualified Stock Option Agreement with Keith Thompson dated August 23, 2001
10.29(1)	The Registrant s Employee Defined Benefit Pension Plan, as amended. [10.11]*
10.30(1)	Lease Agreement, dated January 5, 1995, between V-JAC Properties, Ltd. and the Registrant. [10.14]*
10.31(1)	Lease Agreement, dated January 5, 1995, between V-JAC Properties, Ltd. and the Registrant. [10.18]*
10.32(3)	Voting Agreement dated December 6, 1996, among the Registrant, North Star Plating Company, Virgil K. Benton, II, Charles J. Hogarty, Al A. Ronco, Robert L. Blanton and John M. Palumbo. [10.37]*
10.33(4)	Lease Agreement, dated January 1, 1995, between North Star and the spouses of Ronald G. Brown and Kim D. Wood. [10.41]*
10.34(4)	Lease Agreement, dated January 1, 1995, between North Star and the spouse of Ronald G. Brown and a third party. [10.42]*
10.35(4)	Lease Agreement, dated January 1, 1995, between North Star and a partnership owned by Kim D. Wood and an employee of North Star. [10.43]*
10.36(4)	Lease Agreement, dated May 20, 1996, between North Star and a partnership owned by the spouses of Ronald G. Brown and Kim Wood and the Brown Family Limited Partnership. [10.44]*
10.37(14)(A)	Key Employee Salary Continuation Agreement between Registrant and James C. Lockwood dated April 11, 2000.
10.38(15)	Credit Agreement dated as of February 1, 2002 between Registrant and Wells Fargo Bank, National Association [10.29]*.
10.38.1	First Amendment to Credit Agreement dated as of February 1, 2003 between Registrant and Wells Fargo Bank, National Association
10.39(19)(A)	Form of Key Employee Salary Continuation Agreement dated as of April 2002 with Charles J. Hogarty, D. Curey Hall, Christopher Northup, Carl Hartman and James C. Lockwood.
10.40(19)	Proprietary Brand Purchase Agreement between Registrant and Genera Corporation; dated August 8, 2000.
21.1	Subsidiaries
23.1	Consent of Ernst & Young LLP, independent auditors of Registrant.
99.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates the exhibit number of the document in the original filing.

(1) Filed as an exhibit to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 18, 1996 (File No. 333-3994).
(2) Filed as an exhibit to Amendment No. 2 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on June 17, 1996.
(3) Filed as an exhibit to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on December 23, 1996 (File No. 333-18663).
(4) Filed as an exhibit to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on June 6, 1997 (File No. 333-28709).
(7) Filed as an exhibit to Registrant s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on May 18, 1998 (File No. 333-52969).
(8) Filed as an exhibit to Registrant s Form 10-K filed with the Securities and Exchange Commission on June 24, 1998.
(9) Filed as an exhibit to Registrant s Form 10-K filed with the Securities and Exchange Commission on June 24, 1999.
(11) Filed as an exhibit to Registrant s Form 8-K filed with the Securities and Exchange Commission on February 23, 2000.
(12) As described in Registrant s Proxy Statement filed with the Securities and Exchange Commission on July 19, 2000.
(14) Filed as an exhibit to Registrant s Form 10-K filed with the Securities and Exchange Commission on June 26, 2000.
(15) Filed as an Exhibit to Registrant s Form 8-K filed with the Securities and Exchange Commission on February 19, 2002.
(16) Filed as an Exhibit to Registrant s Form 10-Q filed with the Securities and Exchange Commission on February 10, 2003.
(17) Filed as an Exhibit to Registrant s Form 8-K filed with the Securities and Exchange Commission on January 14, 2003.
(18) Filed as an Exhibit to Registrant s Form 8-K filed with the Securities and Exchange Commission on February 19, 2003.
(19) Filed as an Exhibit to Registrant s Form 10-K filed with the Securities and Exchange Commission on June 27, 2002.
(A) A management contract or compensatory plan or arrangement as defined in Item 601 of Regulation S-K.

(b) **Reports on Form 8-K:**

On February 14, 2003, the Company filed a Current Report on Form 8-K with respect to Item 5. Other Events and Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) **Exhibits:**

See (a)(3) above.

(d) **Financial Statement Schedules:**

Schedule II Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is shown in the Registrant s financial statements or the related notes thereto.

KEYSTONE AUTOMOTIVE INDUSTRIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Description	Balance at Beginning of Year	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions(1)	Balance at End of Year
Year ended March 28, 2003					
Allowance for uncollectible accounts	$ 1,046	$ 855	$	$ 610	$ 1,291
Year ended March 29, 2002					
Allowance for uncollectible accounts	$ 1,029	$ 1,552	$	$ 1,535	$ 1,046
Year ended March 30, 2001					
Allowance for uncollectible accounts	$ 1,145	$ 735	$	$ 851	$ 1,029

(1) Uncollectible accounts written-off, net of recoveries.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

By: /s/ CHARLES J. HOGARTY

Charles J. Hogarty

President

Dated: June 23, 2003

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this Annual Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ CHARLES J. HOGARTY **Charles J. Hogarty**	President, Chief Executive Officer and Director	June 23, 2003
/s/ JOHN M. PALUMBO **John M. Palumbo**	Vice President and Treasurer (Principal Financial and Accounting Officer)	June 23, 2003
/s/ RONALD G. FOSTER **Ronald G. Foster**	Director	June 23, 2003
/s/ RONALD G. BROWN **Ronald G. Brown**	Director	June 23, 2003
/s/ TIMOTHY C. MCQUAY **Timothy C. McQuay**	Director	June 23, 2003
/s/ AL A. RONCO **Al A. Ronco**	Director	June 23, 2003
/s/ GEORGE E. SEEBART **George E. Seebart**	Director	June 23, 2003

/s/ KEITH M. THOMPSON **Keith M. Thompson**	Director	June 23, 2003

I, Charles J. Hogarty, certify that:

1. I have reviewed this annual report on Form 10-K of Keystone Automotive Industries, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of registrant s board of directors (or person performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls; and

6. The registrant s other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ CHARLES J. HOGARTY

Charles J. Hogarty

President and Chief Executive Officer Date: June 25, 2003

I, John M. Palumbo, certify that:

1. I have reviewed this annual report on Form 10-K of Keystone Automotive Industries, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of registrant s board of directors (or person performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls; and

6. The registrant s other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ John M. Palumbo

John M. Palumbo

Chief Financial Officer Date: June 25, 2003