KEYSTONE AUTOMOTIVE INDUSTRIES INC
Form 10-K
June 28, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X]ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 30, 2001

OR

[_]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 0-28568

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	95-2920557 (I.R.S. Employer Identification Number)

700 East Bonita Avenue, Pomona, California 91767
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (909) 624-8041

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, no par value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of

1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this form 10-K. [_]

The aggregate market value of the voting stock held by nonaffiliates of the registrant based upon the closing sales price of its Common Stock on June 7, 2001 on the Nasdaq National Market was approximately $141,564,627. For purposes of the foregoing calculation, shares of Common Stock held by each officer and director and by each person who may be deemed to be an affiliate have been excluded.

The number of shares of Common Stock outstanding as of June 7, 2001: 14,365,595.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III is incorporated by reference to portions of the Registrant's definitive proxy statement for the 2001 Annual Meeting of Stockholders which will be filed with the Securities and Exchange Commission within 120 days after the close of the 2001 fiscal year.

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve risks and uncertainties, such as statements of the Company's strategies, plans, objectives, expectations and intentions. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Cautionary Statements" in Item 1 below and elsewhere in this Annual Report. The cautionary statements made in this Annual Report should be read as being applicable to all related forward-looking statements wherever they appear in this Annual Report.

PART I

ITEM 1. BUSINESS

General

Keystone Automotive Industries, Inc. ("Keystone" or the "Company") is the nation's leading distributor of aftermarket collision replacement parts produced by independent manufacturers for automobiles and light trucks. Keystone distributes products primarily to collision repair shops throughout most of the United States. In addition, the Company recycles and produces chrome plated and plastic bumpers and remanufactures alloy wheels. The Company's product lines consist of automotive body parts, bumpers, autoglass and remanufactured alloy wheels, as well as paint and other materials used in repairing a damaged vehicle. Keystone currently offers more than 19,000 stock keeping units to over 25,000 collision repair shop customers, out of an estimated 51,000 shops nationwide. Founded in Southern California in 1947, the

Company operates a "hub and spoke" distribution system consisting of 113 service centers, 24 of which serve as regional hubs, and 19 depots, located in 35 states throughout the United States, as well as in Vancouver, Canada and Tijuana, Mexico. From these service centers, Keystone has approximately 1,135 service and salespersons who call on or have contact with collision repair shops. In addition, the Company operates nine wheel remanufacturing facilities and 40 plastic and steel bumper recycling facilities.

The Company is in the process of becoming certified as an ISO 9001 distributor. ISO 9001 implementation policies and procedures include quality and service, performance, lot traceability, customer satisfaction and complaint resolution. The Company expects to have its executive offices and approximately 95 locations registered under the program by June 30, 2002; however, there can be no assurance that the registration process will be completed by that date. At that time, the Company believes that it may be the only company in its industry that will be ISO 9001 certified.

The Company has met the requirements of the Manufacturers' Qualification and Validation Program ("MQVP"). One of the requirements of the program involves becoming ISO 9001 qualified. The MQVP program defines expectations and part quality requirements for manufacturers, suppliers and distributors of aftermarket collision parts. The Company's implementation of the ISO 9001 program and participation in MQVP reflects its commitment to quality parts and customer satisfaction. The Company believes that Nationwide Insurance Company's return to specifying certain aftermarket collision parts in the repair of insured vehicles is currently limited to parts available from MQVP qualified manufacturers and distributors. While any distributor may become qualified under MQVP by meeting its requirements, the Company believes that to date only two distributors have qualified.

To emphasize the high quality of aftermarket parts distributed by Keystone, it instituted its "Keystone Platinum Plus" program in September 2000. This program covers only the highest quality parts, which are warranted for the lifetime of the owner of the vehicle being repaired, as long as that owner remains the owner of the vehicle. The Company believes that Platinum Plus is the first and only premium brand of independently produced collision replacement parts. To date, Platinum Plus product categories include radiators and condensers, wheels, grilles, lights, hoods, fenders and certain bumpers. The Company anticipates adding additional products to the Platinum Plus program during the current fiscal year.

See "Cautionary Statements" below concerning the impact on the Company of the decision in the State Farm Mutual Automobile Insurance Company ("State Farm") class action lawsuit and subsequent actions by other insurers and state legislatures and administrators.

Industry Overview

History. The Company estimates that the wholesale market for aftermarket collision parts is about $1.5 billion in annual expenditures, or approximately 12% of the collision parts market. These estimates do not take into account a possible shrinkage in the market as a result of the State Farm decision and subsequent actions. See "Cautionary Statements" below. In addition, the Company estimates that annual wholesale sales of paint and related supplies and equipment for collision repair currently account for approximately $2.4 billion. Substantially all of the remainder of the collision parts market consists of parts produced by original equipment manufacturers ("OEMs"), and a substantial number of collision parts are available exclusively from OEMs and are likely to remain so. The growth in sales of aftermarket collision parts over the last decade has been due primarily to the increased availability of quality parts and to cost containment efforts by the insurance industry.

Before 1980, automotive collision parts were manufactured almost exclusively by OEMs. During the 1960s and 1970s, due to prohibitive tariffs in Taiwan on imported automobiles and restrictions on foreign ownership of manufacturing facilities in Taiwan, certain Taiwanese automobile manufacturers commenced producing automobiles for sale in Taiwan, which created the need for additional parts manufacturers to supply the assembly lines. Since the early 1980s, these Taiwanese manufacturers have sought to reduce the effect on their business of the cyclical demand for new automobiles by producing aftermarket collision parts.

The Company estimates that approximately 85% of all automobile collision repair work is paid for in part by insurance. Accordingly, major insurance companies exert significant influence over the selection of collision parts used by collision repair shops. The availability of aftermarket collision parts has been a major factor in the insurance industry's efforts to contain the escalating cost of collision repairs.

Aftermarket collision parts generally sell for between 20% and 40% less than comparable OEM parts, resulting in substantial savings for insurance companies by providing consumers with less expensive aftermarket parts and creating competition, often resulting in lower prices for comparable OEM parts. The Company believes that it may be somewhat insulated from downturns in the general economy as a result of the fact that it is estimated that approximately 85% of all automobile collision repair work is paid for in part by insurance.

As a part of their ongoing efforts to improve customer service, most major insurance companies have adopted programs designating selected collision repair shops in particular geographic areas as Direct Repair Providers ("DRPs"). DRPs are generally directed additional collision repair business by the insurers in return for adhering to certain criteria, which may include the use of aftermarket collision parts when available. To encourage consumers to use DRPs, the insurers authorize the repair of collision damage without obtaining the prior approval of the insurer's adjuster (thereby generally providing for a quicker return of the vehicle to its owner) and offer additional warranties concerning the repair services and parts used.

Companies offering collision support services, including Automated Data Processing ("ADP"), Mitchell International and CCC Information Services, Inc., have developed proprietary software and databases to provide insurance claims adjusters and collision repair shops with computerized access to the inventories and prices of selected distributors of both aftermarket and OEM collision parts nationwide. The Company's inventory and prices are included in these databases. Access to the providers' databases enables distributors with computerized inventory control systems, such as the Company's, to update prices rapidly and notify collision repair shops of the availability of new products.

Quality Assurance. In 1987, the Certified Automotive Parts Association ("CAPA") was founded to provide insurance companies, distributors, collision repair shops and consumers with an objective method of evaluating the functional equivalence of aftermarket collision parts and OEM collision parts. CAPA, a non-profit

3

association of insurance companies, manufacturers, importers, distributors, collision repair shops and consumer groups, establishes the specifications for, tests and certifies the quality of aftermarket automotive collision parts. Through independent testing laboratories, CAPA develops engineering specifications for aftermarket collision parts based upon an examination of OEM parts; certifies the factories, manufacturing processes and quality control procedures used by independent manufacturers; and certifies the materials, fit and finish of specific aftermarket collision parts. While, according to CAPA, the number of collision part applications entitled to bear the CAPA certification had increased from approximately 700 in August 1989 to approximately 2,500 by May 2000, the number of CAPA-certified parts approximates only 5% of the total number of aftermarket collision parts. CAPA randomly reviews both the factories and individual parts previously certified by it and solicits comments concerning the quality of certified parts from collision repair shops and consumers on a regular basis.

Most major insurance companies have adopted policies recommending or requiring the use of parts certified by CAPA, when available. The Company distributes parts certified by CAPA when available and actively participates with CAPA, insurance companies and consumer groups in encouraging independent manufacturers of collision parts to seek CAPA certification. Management believes that the Company is the largest distributor of CAPA-certified parts in the United States. See "Cautionary Statements" below for information with respect to a class action lawsuit challenging the quality of aftermarket collision replacement parts produced by independent manufacturers and the validity of CAPA certifications.

The Company is in the process of becoming ISO 9001 certified and has qualified to participate in the MQVP. See "Business-General."

Consolidation. The collision repair shop industry has been in the process of consolidating due to, among other things, (i) an increase in the technical complexity of collision repairs generally, (ii) an increase in governmental regulations, including environmental regulations, applicable to collision repair shops, (iii) the designation of certain collision repair shops as DRPs and (iv) a reduction in the number of collision repairs generally. The increasing number of aftermarket collision parts and makes and models of automobiles has resulted in distributors being required to maintain larger inventories. In addition, the trend towards fewer, larger and more efficient collision repair shops has increased the pressure on distributors to provide price concessions, just-in-time delivery and certain value-added services, such as training, that collision repair shops require in their increasingly complex and competitive industry. The above factors, in turn, have contributed to a consolidation of distributors of aftermarket collision parts, which has provided the Company with an opportunity to expand its operations into new markets and to penetrate further existing markets. See "Cautionary Statements" below.

Strategy

Historically, the Company's growth strategy has been a combination of acquisitions, product expansion and increases in same store sales. Currently, the Company's primary strategy is to grow internally through such actions as the introduction of its Platinum Plus program, differentiation from competitors by becoming ISO 9001 certified, qualification under MQVP and expansion of product sales not impacted by the State Farm decision. The Company also anticipates that it may grow in fiscal year 2002 through possible acquisitions and openings of new locations.

Products

The Company distributes more than 19,000 stock keeping units of aftermarket collision parts and repair materials for most popular models of domestic and foreign automobiles and light trucks, generally for the eight most recent model years. The Company's principal product lines consist of automotive body parts, bumpers, paint and other materials, remanufactured alloy wheels, autoglass and light truck accessories. In addition, the Company recycles, produces and distributes new and remanufactured plastic and chrome bumpers to wholesale bumper distributors and to manufacturers of truck accessories.

4

Automotive Body Parts. The Company distributes automotive and light truck parts manufactured by multiple foreign and domestic manufacturers, including fenders, hoods, radiators and condensers and head and tail light assemblies. These products accounted for approximately $151.8 million, or 43.2% of the Company's net sales in the fiscal year ended March 30, 2001.

Bumpers. The Company distributes new and remanufactured plastic bumper covers and steel bumpers manufactured by multiple domestic and foreign manufacturers. For the fiscal year ended March 30, 2001, sales of plastic and steel bumpers accounted for approximately $107.2 million, or 30.5% of the Company's net sales. The Company believes that it is one of the nation's largest non-OEM providers of new and recycled chrome plated bumpers for the collision repair and restoration markets.

Beginning in the late 1970s and the early 1980s, manufacturers of new automobiles began changing from an almost exclusive use of chrome plated steel bumpers to painted plastic bumpers. By the 1996 model year, manufacturers were using painted plastic bumpers almost exclusively for their automobiles. Chrome plated steel bumpers are still used extensively on light trucks and sport utility vehicles. On an annual basis, the Company electroplates approximately 220,000 steel plated bumpers for automobiles and light trucks. Bumpers used in the operations include new steel stampings, collision-damaged bumpers that require straightening and replating and older model or antique bumpers that require restoration and replating. The bumper repair and replating process generally includes some or all of the following steps: straightening or reforming to original dimensions; welding breaks or cracks; surface grinding to remove rust and corrosion; chemical stripping to remove the original electroplated finishes; metal polishing and buffing; electroplating layers of copper, nickel and chromium; and inspecting and packaging.

Paint and Other Materials. Beginning in fiscal 1993, the Company significantly increased its emphasis on the sale of paint and other materials used in repairing a damaged vehicle, including sandpaper, abrasives, masking products and plastic filler. The paint and other materials distributed by the Company are purchased from numerous domestic suppliers. For the fiscal year ended March 30, 2001, sales of paint and other materials accounted for approximately $59.5 million, or 16.9% of the Company's net sales. Certain of these products are distributed under the name "Keystone."

Remanufactured Alloy Wheels. In October 1995, the Company acquired a remanufacturer of collision damaged alloy wheels located in Denver, Colorado, and since that time, has opened or acquired eight additional remanufacturing operations. According to industry sources, the percentage of new automobiles equipped with alloy wheels, as opposed to steel wheels and hubcaps, has increased from approximately 11% in 1985 to 55% for the 2001 model year. The average wholesale cost of a new replacement alloy wheel is approximately $225, compared to an average wholesale cost of approximately $125 for a remanufactured alloy wheel. The alloy wheel remanufacturing process generally includes some or all of the following steps: straightening, welding minor dents or chips, machining, painting and applying clear powder coat. For the fiscal year ended March 30, 2001, sales of remanufactured alloy wheels accounted for approximately $24.7 million, or 7.03% of the Company's net sales.

The remanufacturing of alloy wheels is generally conducted by many small independent operators. The Company believes that there is a large and growing demand for remanufactured alloy wheels and that, using its existing distribution system and customer base, the Company is well-positioned to service that demand.

Autoglass. The Company distributes autoglass, including windshields, side windows and rear windows, which are purchased from two domestic manufacturers. For the fiscal year ended March 30, 2001, sales of autoglass, which was introduced by Keystone in fiscal 1993, accounted for approximately $4.9 million, or 1.4% of the Company's net sales.

Distribution, Marketing and Sales

The Company's distribution system is designed to provide responsive customer service and to foster long-term customer relations.

Distribution System. The Company has developed a national "hub and spoke" distribution system consisting of 113 service centers, 24 of which serve as regional hubs, and 19 depots. Each regional hub receives container shipments directly from foreign and domestic manufacturers. Using the Company's fleet of over 1,000 delivery trucks, each regional hub makes regular shipments to the service centers in its region, which in turn make regular deliveries to its repair shop customers. By maintaining a fleet of delivery trucks, the Company ensures rapid delivery within its distribution system and to its customers. In addition, each service center can order products directly from any hub or service center. The Company manages its inventory and the ordering, shipment, storage and delivery of products through centralized information systems that allow the regional hubs and service centers to obtain timely information regarding the location and availability of products. The continuing increase in the number of makes and models of automobiles and light trucks and the number of aftermarket collision parts has increased the pressure on distributors to maintain larger inventories. The Company believes that its "hub and spoke" distribution system allows it to offer its customers one of the broadest available selections of aftermarket collision parts and to fill most orders within 24 hours, while minimizing inventory costs.

Sales and Marketing Staff. The Company has a marketing staff, which operates from its corporate headquarters, and has over 1,200 sales representatives and route salespersons who operate from its service centers. The marketing staff develops all marketing and promotional materials, assists the service centers in recruiting and training sales representatives, route salespersons and customer service representatives, supervises the Company's in-house management training program and supports general managers of its service centers, sales representatives and route salespersons with computerized analyses of sales by product, route and customer. In addition, the marketing staff conducts educational programs for regional insurance executives and claims adjusters to explain the role of aftermarket collision parts in containing the escalating costs of claims and in order to facilitate the implementation of insurance companies' policies favoring aftermarket collision parts.

The general managers of the Company's service centers are actively involved in customer calls. The Company believes that this local control and expertise have contributed significantly to its growth. Through periodic training programs and performance reviews, the Company seeks to enhance the professionalism and technical expertise of its route salespersons. As a result, the Company believes that its route salespersons are highly attendant to the needs of the Company's customers.

Marketing Programs. The Company offers various marketing programs to foster closer customer relations, including a warranty program in which the Company generally warrants its products against defects in material and workmanship for as long as the repair shop's customer owns the vehicle.

Customers

The Company's current customers consist of more than 25,000 collision repair shops located in 35 states and Vancouver, Canada and Tijuana, Mexico, none of which accounted for more than 1% of the Company's net sales during the fiscal year ended March 30, 2001. The Company also distributes its bumpers to wholesale distributors and to manufacturers of truck accessories. The size of its customer base reduces the Company's dependence on any single customer and its national scope tends to mitigate the effects of regional economic changes and regional weather patterns. The Company estimates that there are over 51,000 collision repair shops nationwide. The number of collision repair shops to whom the Company sold products increased from approximately 13,400 in fiscal 1993 to approximately 25,000 in fiscal 2001.

The Company's regional hubs also sell collision parts to local distributors who may compete with the Company. These sales accounted for less than 10% of the Company's net sales during the fiscal year ended March 30, 2001 and no distributor accounted for more than 1% of the Company's net sales for such fiscal year.

Suppliers

The products distributed by the Company are manufactured by over 60 manufacturers, and no single supplier provided as much as 10% of the products purchased by the Company during fiscal 2001. The Company

believes that it is one of the largest customers of each of its ten largest suppliers. In fiscal 2001, approximately 85% of the products distributed by the Company were manufactured in the United States or Canada, and approximately 15% were imported directly from manufacturers in Taiwan. The Company's orders from domestic suppliers generally are received within 10 days and orders from foreign manufacturers generally are received in between 60 and 90 days. Although the Company has no manufacturing agreements with any of its suppliers and competes with other distributors for production capacity, the Company believes that its sources of supply and its relationships with its suppliers are satisfactory. Although alternative suppliers exist for substantially all products distributed by the Company, the loss of any one supplier could have a material adverse effect on the Company until alternative suppliers are located and have commenced providing products.

Competition

Based upon industry estimates, the Company believes that approximately 82% of collision parts are supplied by OEMs, compared with approximately 12% by distributors of aftermarket collision parts and 6% by distributors of salvage parts. See "Cautionary Statements" below for a discussion of a recent court decision which is impacting the market share of aftermarket collision parts. The Company encounters intense competition from OEMs, all of which have substantially greater financial, distribution, marketing and other resources, including greater brand recognition and a broader selection of collision parts, than the Company. Accordingly, OEMs are in a position to exert pricing and other competitive pressure on the Company. The distribution industry for aftermarket collision parts is highly fragmented. The Company's competitors generally are independently owned distributors having from one to three distribution centers. The Company expects to encounter significant competition in the future, including competition from OEMs, automobile dealerships, distributors of salvage parts, buying groups and other large distributors.

The Company competes with OEMs on the basis of price and perceived product quality, and it competes with distributors of aftermarket collision parts primarily on the basis of the competitive advantages provided by its position as a market leader, experienced executive management and service center managers, entrepreneurial corporate culture, superior customer service, its relationship with certain insurance companies, and, to a lesser extent, on the basis of price.

The Company's chrome bumper plating operations compete in the wholesale bumper distribution segment of the market with four companies, whom the Company believes have greater regional sales than the Company. It also competes with small chrome bumper platers or distributors in virtually every geographical market in which it operates. The Company competes with small chrome bumper platers and distributors primarily on the basis of quality and service. Over the last 10 years, there has been a significant decrease in the number of small bumper platers as a result of the decreasing use of chrome plated bumpers on new automobiles and the increasing environmental requirements for electroplaters. The Company believes that this trend will continue, creating more sales opportunities for larger regional chrome bumper platers, who are capable of meeting the increased financial and environmental requirements of the future.

The Company also encounters competition from the OEM's who supply new replacement bumpers to the collision repair market and it competes with these OEM's on the basis of price and perceived product quality.

Government Regulation and Environmental Hazards

The Company is subject to increasing restrictions imposed by various federal, state and local laws and regulations. Various state and federal regulatory agencies, such as the Occupational Safety and Health Administration and the EPA, have jurisdiction over the Company's operations with respect to matters including worker safety, community and employee "right-to-know" laws, and laws regarding clean air and water. In addition, in part as a result of the State Farm decision and the attendant publicity, certain state legislatures and regulators are considering imposing, or have imposed, restrictions on the use of aftermarket collision parts. The General Accounting Office ("GAO") report to the United States Congress, released in January 2001, captioned "NHTSA's Ability to Detect and Recall Defective Replacement Crash Parts is Limited" may result in hearings

in Congress and possible legislation which could be adverse to the interests of Keystone. See "Cautionary Statements--Federal and State Action" below for additional information about governmental activities with respect to aftermarket collision replacement parts.

See "Cautionary Statements--Compliance with Governmental Regulations; Environmental Hazards" below for information with respect to the Company's environmental exposure.

Prior Ford Litigation

In 1987, Ford Motor Company ("Ford") filed suit against the Company on the grounds that between 1982 and 1987, the Company had misrepresented the quality of the aftermarket collision parts sold by it for Ford automobiles. In May 1992, Ford and the Company settled this lawsuit. As part of the settlement, the Company and its insurance companies paid Ford $1.8 million, of which the Company contributed $450,000, as damages and agreed to finance a one-year corrective advertising campaign conducted by Ford using the Company's name. As a result of this settlement and the corrective advertising campaign, certain insurance companies ceased listing the Company as an approved supplier of aftermarket collision parts. Currently, most major insurance companies list the Company as an approved supplier of aftermarket collision parts, and all major insurance companies reimburse the cost of collision repairs using the Company's products. The Company's business is highly dependent on the continued acceptance of aftermarket collision parts in general, and the Company's products in particular, by insurers, collision repair shops, consumers and governmental agencies. See "Cautionary Statements" below.

Employees

At May 30, 2001, the Company had 2,692 full-time employees, of whom 384 were engaged in corporate management and administration, 1,203 in sales and customer service, 579 in warehousing and shipping and 526 in manufacturing. None of the Company's employees are covered by collective bargaining agreements. The Company considers its relations with its employees to be satisfactory.

Cautionary Statements

State Farm Decision and Pending Actions. In July 1997, certain individuals initiated a class action lawsuit against State Farm in the Illinois Circuit Court in Williamson County (Marion, Illinois), asserting claims for breach of contract, consumer fraud and equitable relief relating to State Farm's then practice of sometimes specifying the use of parts manufactured by sources other than the original equipment manufacturer ("non-OEM crash parts") when adjusting claims for the damage to insured vehicles. The Williamson County Court certified a near-nationwide class. It was alleged that this practice breached State Farm's insurance agreements with its policyholders and was a violation of the Illinois Consumer Fraud and Deceptive Business Practices Act because non-OEM crash parts are inherently inferior to OEM crash parts and, consequently, vehicles are not restored to their "pre-loss condition" as specified in their policy. In October 1999, after a lengthy trial, the jury awarded the class damages in the amount of approximately $586 million and the judge assessed punitive damages against State Farm of over $600 million. In April 2001, the Appellate Court of Illinois, Fifth District, upheld the verdict reducing damages by $130 million to an aggregate of $1.06 billion.

Shortly after the verdict in the Williamson County case, State Farm suspended specifying most non-OEM crash parts used in connection with repairing cars covered by their insurance. Effective November 8, 1999, Nationwide Insurance and Farmers Insurance also temporarily suspended specifying many non-OEM crash parts. However, in early 2001, both companies announced that they were again going to specify certain aftermarket parts in the repair of vehicles insured by them. See "Business--General" with respect to Nationwide Insurance. The action of insurance companies following the State Farm decision has had, and continues to have, a material adverse impact on the Company's sales and net income. See "Management Discussion and Analysis of Financial Condition and Result of Operations-General" below.

At the present time, lawsuits are pending in a number of states against several insurance companies alleging violation of contractual provisions and various laws and statutes relating to the specification of non-OEM crash parts in connection with the repair of damaged vehicles. These cases have been brought as class actions and generally involve two different legal theories. One line of cases is similar to State Farm contending that non-OEM crash parts do not restore a vehicle to their "pre-loss condition" as provided for in the insurance policy. The other theory is that of "diminished value," with the contention being that in addition to repairing the vehicle, the owner should be compensated for the difference between the pre-loss value and the value after the vehicle is repaired. In at least one pending action, the Company believes that CAPA has been joined as a defendant in connection with their certification of non-OEM crash parts.

While the Company was, or is, not a party to the State Farm lawsuit or the other pending lawsuits, a substantial portion of the Company's business consists of the distribution of non-OEM crash parts to collision repair shops for the use in repairing automobiles, the vast majority of which are covered by insurance policies. In the event that the State Farm verdict is repeated in other similar cases or there is a substantial verdict upholding the diminished value theory, and such cases are not overturned on appeal, with the result that non-OEM crash parts are no longer specified by insurance companies to repair insured vehicles, the aggregate cost to consumers will be substantial and the impact on Keystone would be material and adverse. Once again, OEM's would likely have monopoly pricing power with respect to many of the products required to repair damaged vehicles.

The Company believes that substantially all of the non-OEM crash parts which it distributes are of similar quality to OEM crash parts and when installed in a competent manner by collision repair shops, vehicles are restored to their "pre-loss condition." In addition, the Company provides a warranty with respect to the parts it distributes for as long as the owner at the time repairs are made continues to own the vehicle.

Federal and State Action. During the past four years, legislation was introduced or considered in over 25 states seeking to prohibit or limit the use of aftermarket parts in collision repair work and/or require special disclosure before using aftermarket parts. Similar legislation has been introduced in many states during 2001 and the Company anticipates that the introduction of such legislation will continue in the foreseeable future. While legislation has been passed in eight states requiring some form of consent from the vehicle owner prior to installing aftermarket collision replacements parts, to date, state laws have not had a material impact on the Company's overall business. If a number of states were to adopt legislation prohibiting or restricting the use of non-OEM crash parts, it could have a material adverse impact on the Company.

During 2000, persons with a business interest in restricting the use of non-OEM parts have also sought help from insurance regulators in at least three states to attempt to do administratively what to date has not be accomplished legislatively. In Florida, the Commissioner of the Department of Agriculture & Consumer Services, has taken action designed to eliminate the use of non-OEM crash parts in connection with insured repairs. The Commissioner has also brought a legal action against an insurance company for specifying the use of non-OEM parts. These actions have had a material adverse impact on the Company's sales in Florida. Action in the other two states is ongoing and the Company cannot predict the outcome.

In addition, during 2000, a U.S. Congressman requested that the General Accounting Office ("GAO") review the role of the National Highway and Transportation Safety Administration in regulating the safety and quality of replacement automotive parts. A GAO report was released in January 2001. The report may lead to congressional hearings and possible future legislation, which could be adverse to the interests of the Company.

Management Information Systems. In October 1998, the Company entered into an agreement with a vendor for the purchase of a software package to be installed on an enterprise-wide basis. The Company has also entered into agreements with various service providers and integrators to assist with the installation of the package. To date, the Company has expended an aggregate of approximately $9.4 million on the purchase of hardware and the software implementation relating to the installation of the new enterprise software package. In fiscal year 2001, the Company wrote down approximately $4.7 million of these costs under SFAS No. 121.

To date, the costs have been paid using funds generated from operating cash flow or borrowings under the Company's line of credit and it is anticipated that future costs will be paid from existing working capital, cash flow from operations or borrowings under the Company's line of credit.

At the present time, the Company estimates that the new enterprise software system, which will consolidate the Company's various systems and address a number of management issues, will be installed and operating company-wide in 18 to 24 months, at an additional cost of between $8.0 million and $10.0 million. The estimated cost of the projects described above are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources and other factors. However, there can be no guarantee that these time or cost estimates will be achieved, and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, and the inherent difficulty in integrating new computer systems into the Company's existing operations and the availability and cost of additional hardware which may be needed to complete the installation.

Continued Acceptance of Aftermarket Collision Replacement Parts. Based upon industry sources, the Company estimates that approximately 87% of automobile collision repair work is paid for in part by insurance; accordingly, the Company's business is highly dependent upon the continued acceptance of aftermarket collision replacement parts by the insurance industry and the governmental agencies that regulate insurance companies and the ability of insurers to recommend the use of such parts for collision repair jobs, as opposed to OEM parts. As described above, the use of many of the products distributed by the Company is being disputed in various forums.

Dependence on Key and Foreign Suppliers. The Company is dependent on a relatively small number of suppliers. Although alternative suppliers exist for substantially all products distributed by the Company, the loss of any one supplier could have a material adverse effect on the Company until alternative suppliers are located and have commenced providing products. In fiscal 2001, approximately 85% of the products distributed by the Company were manufactured in the United States or Canada and approximately 15% were imported directly from manufacturers in Taiwan. As a result, the Company's operations are subject to the customary risks of doing business abroad, including, among other things, transportation delays, political instability, expropriation, currency fluctuations and the imposition of tariffs, import and export controls and other non-tariff barriers (including changes in the allocation of quotas), as well as the uncertainty regarding future relations between China and Taiwan. The percentage of imported products may decline in the future if sales of autoglass, paint and related supplies and equipment, and remanufactured alloy wheels, which are manufactured in the United States, continue to grow. Any significant disruption in the Company's Taiwanese sources of supply or in its relationship with its suppliers located in Taiwan could have a material adverse effect on the Company.

Competition. The Company competes directly with, and encounters intense competition from, OEMs, all of which have substantially greater financial, distribution, marketing and other resources, including greater brand recognition and a broader selection of collision replacement parts. Accordingly, OEMs are in a position to exert pricing and other competitive pressures on the Company and other independent distributors, which could have a material adverse effect on the results of operations of the Company. The aftermarket collision replacement parts distribution industry is highly fragmented. Typically, the Company's other competitors are independently owned distributors having from one to three distribution centers. The Company anticipates that it will encounter significant competition in the future, including competition from automobile dealerships, distributors of salvage parts, buying groups and other large distributors.

Compliance with Government Regulations; Environmental Hazards. The Company is subject to increasing restrictions imposed by various federal, state and local laws and regulations. Various state and federal regulatory agencies, such as the Occupational Safety and Health Administration and the United States Environmental Protection Agency (the "EPA"), have jurisdiction over the Company's operations with respect to matters including worker safety, community and employee "right-to-know" laws, and laws regarding clean air and water. Under various federal, state and local laws and regulations, an owner or lessee of real estate or the operator

of a business may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in, or emanating from, property owned or used in the business, as well as related costs of investigation and property damage. Such laws often impose such liability without regard to whether the owner, lessee or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Other than as described below with respect to its bumper plating operations, the Company does not currently generate substantial hazardous waste in the ordinary course of its business. The Company believes that it currently is in substantial compliance with all applicable laws and regulations, and is not aware of any material environmental problem at any of its current or former facilities. No assurance can be given, however, that the Company's prior activities or the activities of a prior owner or operator of an acquired service center or other facility did not create a material environmental problem for which the Company could be responsible or that future uses or conditions (including, without limitation, changes in applicable laws and regulations) will not result in material environmental liability to the Company. Furthermore, compliance with legislative or regulatory changes may cause future increases in the Company's operating costs or otherwise adversely affect operations. Certain of the Company's products, such as paints and solvents, are highly flammable. Accordingly, the storage and transportation of these materials expose the Company to the inherent risk of fire.

The Company acquired North Star's bumper plating operations in March 1997 and Midwest Bumper's plating operations in March 1999. The Company previously conducted similar operations at 12 sites, 11 of which were closed between 1983 and 1993 and one of which was closed in 2000. The Company's bumper plating operations, which use a number of hazardous materials, are subject to a variety of federal and state laws and regulations relating to environmental matters, including the release of hazardous materials into the air, water and soil. The Company endeavors to ensure that its bumper plating operations comply with applicable environmental laws and regulations. To date, compliance with such laws and regulations has not had a material effect on the Company's capital expenditures, earnings or competitive position. While the Company is currently doing remediation at the site of its former Newark, New Jersey plating facility (closed in 2000), the Company does not anticipate material expenditures in completing that operation. No material capital expenditures with respect to the Company's bumper plating operations are anticipated during the next 12 months. Although the Company believes it is in substantial compliance with all applicable environmental laws and regulations relating to its bumper plating operations, there can be no assurance that the Company's current or former operations have not, or will not in the future, violate such laws and regulations or that compliance with such laws and regulations will not have a material adverse effect on the Company's operations. Any inadvertent mishandling of hazardous materials or similar incident could result in costly remediation efforts and administrative and legal proceedings, which could materially and adversely affect the Company's business and results of operations. In addition, future environmental regulations could add to overall costs of the Company's bumper plating business or otherwise materially and adversely affect these operations.

Decline in the Number of Collision Repairs. The number of collision repairs has declined in recent years, and may continue to do so, due to, among other things, automotive safety improvements, more rigorous enforcement of stricter drunk driving laws resulting in fewer accidents and the increase in unit body construction and higher collision repair costs resulting in a larger number of automobiles being declared a total loss in lieu of being repaired. The continuation of such decline may have a material adverse effect on the Company.

Volatility of Stock Price. The trading price of the Company's Common Stock may be subject to significant fluctuations as a result of variations in the Company's actual or anticipated operating results, changes in general market conditions and other factors. In recent years, the stock market generally has experienced significant price and volume fluctuations which often have been unrelated or disproportionate to the operating performance of a specific company or industry. There can be no assurance that the market price of the Company's Common Stock will not decline below the current market price. It is possible that in some future quarter, the Company's operating results will be below the expectations of public market analysts or investors. In such event, the price of the Company Common Stock may be materially and adversely affected.

ITEM 2. PROPERTIES

The Company's principal executive offices are located in Pomona, California, contain approximately 20,000 square feet and are owned by the Company. In addition, the Company owns facilities used as service centers in Chicago, Illinois; Bethlehem, Pennsylvania; Denver, Colorado; New Albany, Indiana and Palmyra, New Jersey, of which two of the facilities also serve as regional hubs, three serve as wheel remanufacturing facilities and three serve as plastic bumper recycling facilities. The Company leases its remaining facilities.

The Company's regional hub facilities range from approximately 8,800 square feet to 225,000 square feet. Its service center facilities range from approximately 2,500 square feet to 75,000 square feet. All of its leased properties are leased for terms expiring on dates ranging from on or about the date hereof to the year 2015, many with options to extend the lease term. The Company believes that no single lease is material to its operations, its facilities are adequate for the foreseeable future and alternative sites presently are available at market rates.

Of the Company's service centers, six are leased from parties in whom current officers or directors of the Company have an interest. See "Item 13" below. The Company believes that the terms and conditions of leases with affiliated parties are no less favorable to the Company than could have been obtained from unaffiliated parties in arm's-length transactions at the time of the execution of such leases.

ITEM 3. LEGAL PROCEEDINGS

The Company is from time to time involved in litigation incidental to the conduct of its business. The Company currently is not a party to any material pending litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's Common Stock began trading publicly on The Nasdaq Stock Market under the symbol "KEYS" on June 20, 1996. The following table sets forth, for the periods indicated, the range of high and low sale prices for Keystone's Common Stock as reported by The Nasdaq Stock Market.

	High	Low
Fiscal 2000		
First Quarter	$19.25	$14.13
Second Quarter	19.00	10.88
Third Quarter	10.13	5.38
Fourth Quarter	7.00	4.88
Fiscal 2001		
First Quarter	7.38	5.06
Second Quarter	6.94	4.81
Third Quarter	7.00	4.56
Fourth Quarter	8.38	6.50
Fiscal 2002		
First Quarter (through June 20, 2001)	11.99	6.94

On June 20, 2001, the last reported sale price for the Common Stock of the Company, as reported on The Nasdaq Stock Market, was $10.00 per share. As of June 20, 2001, there were approximately 421 shareholders of record of the Common Stock.

The Company has never paid cash dividends on its Common Stock. The Company currently intends to retain any future earnings to provide funds to operate and expand its business and does not anticipate paying cash dividends on its Common Stock in the foreseeable future. The payment of dividends is within the discretion of the Company's Board of Directors, and will depend upon, among other things, the Company's earnings, financial condition and capital requirements, general business conditions and any restrictions in credit agreements.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto and Item 7, "Management's Discussion and Analysis Financial Condition and Results of Operations" also included elsewhere herein.

	Fiscal year ended				
	March 28, 1997	March 27, 1998	March 26, 1999	March 31, 2000(1)	March 30, 2001
	(In thousands, except per share amounts)				
Consolidated Statement of Operations Data:					
Net sales	$223,806	$263,802	$332,047	$372,466	$351,845
Cost of sales	130,590	149,855	186,150	211,840	204,073
Gross profit	93,216	113,947	145,897	160,626	147,772
Selling and distribution expenses	61,063	73,551	93,169	110,976	110,170
General and administrative expenses	15,699	18,101	24,873	30,800	30,155
Non-recurring expenses	905	1,147	1,814	3,881	7,104
Operating income	15,549	21,148	26,041	14,969	343
Other income	373	1,086	3,617	2,613	2,037
Interest expense	(1,477)	(504)	(50)	(954)	(1,456)
Income before income taxes	14,445	21,730	29,608	16,628	924
Income taxes	4,435	7,497	11,843	6,810	1,401
Net income (loss)	$ 10,010	$ 14,233	$ 17,765	$ 9,809	$ (477)
Net income (loss) per share:					
Basic	$ 0.88	$ 1.02	$ 1.06	$ 0.62	$ (.03)
Diluted	$ 0.87	$ 1.01	$ 1.05	$ 0.62	$ (.03)
Weighted average common shares outstanding:					
Basic	11,408	13,915	16,784	15,899	14,420
Diluted	11,474	14,105	16,913	15,917	14,420
Pro forma information (unaudited)(2):					
Net income (loss), as previously reported	$ 10,010	$ 14,233	$ 17,765	$ 9,809	$ (477)
Pro forma tax adjustment	(1,288)	(1,345)	--	--	--
Pro forma net income (loss)	$ 8,722	$ 12,888	$ 17,765	$ 9,809	$ (477)

Pro forma net income (loss) per share:					
Basic	$ 0.76	$ 0.93	$ 1.06	$ 0.62	$ (.03)
Diluted	$ 0.76	$ 0.91	$ 1.05	$ 0.62	$ (.03)
Consolidated Balance Sheet Data:					
Working capital	$ 30,154	$ 72,454	$105,330	$ 86,152	$ 88,393
Total assets	87,183	119,696	194,094	183,817	183,756
Total current liabilities	38,240	21,539	26,551	31,869	35,283
Long-term debt	2,087	503	100	68	49
Shareholders' equity	46,453	97,228	163,205	150,195	145,941

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

(2) Pro forma information gives effect to an income tax adjustment to reflect taxation of the income of two corporations acquired in January 1998 (accounted for as poolings of interests), as "C" corporations, rather than "S" corporations, at an estimated statutory rate of approximately 39%.

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 results may not be meaningful.

The results of operations for fiscal 2001 and 2000 include the results with respect to four acquisitions completed subsequent to March 26, 1999, accounted for as "purchases," whereas fiscal 1999 does not include any results of operations for those acquired entities. See "Recent Acquisitions" below. In addition, the results of operations for fiscal 1999 include the results for Republic Automotive Parts, Inc. ("Republic") only for the period subsequent to the acquisition (June 27, 1998) and for the Midwest Bumper Group only for the period subsequent to the acquisition (January 4, 1999), whereas the results of operations for fiscal 2001 and 2000 include the results for those operations for the entire period.

As a result of the verdict in the State Farm class action in October 1999 and the fact that numerous other class actions are pending, State Farm, Nationwide Insurance, Farmers Insurance and certain other insurers temporarily suspended specifying the use of many aftermarket collision replacement parts in connection with the repair of vehicles which they insure. See "Cautionary Statements" above. These suspensions had a material, adverse effect on the Company's revenues and earnings for fiscal 2001 and 2000. However, during the last quarter of fiscal 2001, certain insurance companies again began specifying some aftermarket parts.

Acquisitions

In June 1998, the Company completed the acquisition of Republic and issued 2,907,000 shares of its Common Stock to the former Republic shareholders. The total purchase price amounted to $63.1 million and the acquisition of Republic was accounted for under the purchase method of accounting. Following the Republic acquisition, the Company sold the net operating assets of Republic's hard parts operations in a series of transactions for cash.

Also during fiscal 1999, the Company acquired the assets of the following businesses: Unico Corporation and Greenville Unico II Corporation, a distributor of aftermarket collision replacement parts with operations in North and South Carolina, in August 1998; Clark Supply Corporation, a distributor of paint and related supplies doing business in Iowa, in November 1998; California Chrome, a distributor of aftermarket collision replacement parts with operations in central California, in January 1999; Inventory Recovery Systems, Inc., a distributor of aftermarket collision replacement parts with operations in Michigan, in January 1999; 1-800 Used Rim, Inc.. a distributor of wheels for automobiles and light trucks with operations in southern California, in March 1999; and Midwest Bumper Company, International Warehouse Distributing Co., Midwest Bumper Company of Lansing, Collision Parts Distributors Co. and Carhart Products, Inc., affiliated distributors of aftermarket collision replacement parts with operations in Michigan, in March 1999. 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 2000, the Company acquired certain assets of the following businesses: Quality Bumpers, LLC, a distributor of plastic and steel bumpers with operations in Alabama, in May 1999; Nordan Products Division, Inc. and Nordan Distributors, Inc., distributors of aftermarket collision replacement parts with operations in Washington and Vancouver, British Columbia, in May 1999; Supreme Bumpers Inc., a distributor of recycled or remanufactured bumpers in Ohio and Michigan, in October 1999 and Auto Body Supply Co., Inc. a distributor of aftermarket collision replacement parts in Pennsylvania, in November 1999. 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 2001, the Company acquired certain assets of Johnstown Bumper Mart, Inc., a small distributor of aftermarket collision replacement parts with operations in Pennsylvania.

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 26, 1999	March 31, 2000	March 30, 2001
Net sales	100.0%	100.0%	100.0 %
Cost of sales	56.1	56.9	58.0
Gross profit	43.9	43.1	42.0
Selling and distribution expenses	28.1	29.8	31.3
General and administrative expenses	7.5	8.3	8.6
Non-recurring expenses	0.5	1.0	2.0
Operating income	7.8	4.0	0.1
Other income	1.1	0.7	0.6
Interest expense	0.0	0.3	0.4
Income before income taxes	8.9	4.4	0.3
Income taxes	3.5	1.8	0.4
Net income (loss)	5.4%	2.6%	(0.1)%

Fiscal 2001 Compared to Fiscal 2000

Net sales were $351.8 million in fiscal 2001 compared to $372.5 million in fiscal 2000, a decrease of $20.7 million, or 5.5%. This decrease was primarily due to decreases of $9.5 million in sales of automotive body parts and $11.7 million in sales of new and recycled bumpers, which represent decreases of approximately 5.9%, and 9.9%, respectively, compared to fiscal 2000, offset in part by an increase of $1.7 million in sales of paint and related materials, which represents an increase of 3.0%. In addition, the Company sold $24.7 million of remanufactured alloy wheels in fiscal 2001 compared to $23.0 million in the prior fiscal year, an increase of 7.3%.

On a same store sales basis, sales were down approximately 3.7% for the year, primarily as a result of the impact of the State Farm decision and subsequent actions by certain insurance companies. For the last six months of fiscal 2001 and the month of March 2001, same store sales were up approximately 2.1% and 6.5%, respectively, primarily as a result of a severe winter in the East and South and the fact that certain insurance companies once again began specifying aftermarket parts. See "General" above.

Gross profit decreased to $147.8 million (42.0% of net sales) in fiscal 2001 from $160.6 million (43.1% of net sales) in fiscal 2000, a decrease of 8.0%, primarily as a result of the decrease in net sales. The Company's

16

gross profit margin decreased, primarily as a result of price competition, product mix and decreased sales. 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 decreased to $110.2 million (31.3% of net sales) in fiscal 2001 from $111.0 million (29.8% of net sales) in fiscal 2000, a decrease of 0.7%. The increase in these expenses in fiscal 2001 as a percentage of net sales was generally the result of reduced revenue across the entire organization as a result of the impact of the State Farm verdict, due to the relative fixed nature of certain of these costs, and higher fuel costs.

General and administrative expenses decreased to $30.2 million (8.6% of net sales) in fiscal 2001 from $30.8 million (8.3% of net sales) in fiscal 2000, a decrease of 2.1%. The increase in these expenses in fiscal 2001 as a percentage of net sales resulted from a number of factors, including an increase in employee benefit costs and decreased sales, offset by reduced headcount.

During fiscal 2001, the Company recognized approximately $7.1 million of nonrecurring expenses as compared to $3.9 million in fiscal 2000. In fiscal 2001, 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. In fiscal 2000, these expenses were the result of write-downs of goodwill and covenants not to compete relating to certain acquisitions and a write-off relating to tooling acquired in an acquisition.

While the tax provision in fiscal 2000 was approximately 41.0% of income before income taxes, the tax provision in fiscal 2001 was 151.6%. Part of the increase is the result of the fact that goodwill from tax-free acquisitions (which is not deductible for tax purposes) is spread over a lower income base and that approximately $0.6 million of the nonrecurring expense write-offs were also not deductible for tax purposes.

As a result of the above factors, the Company experienced a decrease in net income, incurring a loss of $476,704 (0.1% of net sales) in fiscal 2001 as compared to net income of $9.8 million (2.6% of net sales) in fiscal 2000.

Fiscal 2000 Compared to Fiscal 1999

Net sales were $372.5 million in fiscal 2000 compared to $332.0 million in fiscal 1999, an increase of $40.4 million, or 12.2%. This increase was due primarily to an increase of $14.3 million in sales of automotive body parts, an increase of $7.3 million in sales of paint and related materials and an increase of $15.2 million in sales of new and recycled bumpers, which represent increases of approximately 9.6%, 14.6% and 14.8%, respectively, over fiscal 1999. In addition, the Company sold $23.0 million of remanufactured alloy wheels in fiscal 2000 compared to $17.4 million in the prior fiscal year, an increase of 32.5%.

The increased net sales were attributable primarily to an increase in the number of service centers in operation primarily as a result of acquisitions. Price increases were not a material factor in increased net sales. On a same store sales basis, sales were down approximately 1.0% for the year and approximately 7.0% for the last six months of fiscal 2000, as a result of the State Farm decision and subsequent actions by certain insurance companies. See "General" above. Management anticipates recent sales trends may continue for the foreseeable future, subject to the continuing impact of the State Farm decision.

Gross profit increased to $160.6 million (43.1% of net sales) in fiscal 2000 from $145.9 million (43.9% of net sales) in fiscal 1999, an increase of 10.1%, primarily as a result of the increase in net sales. The Company's gross profit margin decreased, primarily as a result of higher freight costs with respect to product shipped from

overseas, a shift in product mix as fewer higher margin collision parts are being written on repair estimates and a write off of excess inventories. 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 $111.0 million (29.8% of net sales) in fiscal 2000 from $93.2 million (28.1% of net sales) in fiscal 1999, an increase of 19.1%. The increase in these expenses in fiscal 2000 as a percentage of net sales was generally the result of reduced revenue across the entire organization as a result of State Farm, Farmers Insurance and Nationwide restricting usage of aftermarket collision replacement parts. The Company was staffed in anticipation of a normal winter selling season which did not materialize. Higher fuel costs during the current fiscal year may result in increases in selling and distribution expenses as a percentage of net sales.

General and administrative expenses increased to $30.8 million (8.3% of net sales) in fiscal 2000 from $24.9 million (7.5% of net sales) in fiscal 1999, an increase of 23.8%. The increase in these expenses in fiscal 2000 as a percentage of net sales resulted from a number of factors, including an increase in amortization of goodwill and other intangibles. Amortization of goodwill and other intangibles, as a result of acquisitions, increased to $7.3 million in fiscal 2000 compared to approximately $2.1 million in fiscal 1999, due to the application of purchase accounting.

During fiscal 2000, the Company incurred approximately $3.9 million of nonrecurring expenses as compared to $1.8 million in fiscal 1999. In fiscal 1999, these expenses were the result of a write-off of an abandoned computer project of $700,000, $650,000 related to consolidating duplicate warehouse facilities and $450,000 of severance payments. In fiscal 2000, these expenses were the result of write-downs of goodwill and covenants not to compete aggregating $3.3 million relating to certain acquisitions and a write-off of approximately $600,000 relating to tooling acquired in an acquisition.

During fiscal 2000, other income decreased from $3.6 million to $2.6 million. This decrease is primarily attributable to a decrease in interest income earned on invested cash.

As a result of the above factors, net income decreased to $9.8 million (2.6% of net sales) in fiscal 2000 from $17.8 million (5.4% of net sales) in fiscal 1999.

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 reduced 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 need for funds over the past two years has been to finance the growth of inventory and accounts receivable and to develop and implement an enterprise-wide management information system. Over the next 18 to 24 months, the Company estimates that it will spend an additional $8.0 million to $10.0 million to complete the installation and implementation of the management information system. At March 30, 2001, working capital was $88.4 million compared to $86.2 million at March 31, 2000. The increase in working capital is primarily the result of increases in inventory, accounts receivable and deferred taxes, offset in part by increased

borrowing under the Company's line of credit. The Company has been financing its working capital requirements from its cash flow from operations and advances drawn under its line of credit.

During fiscal 2001, the Company's cash and cash equivalents increased by $121,000. This increase is the result of an increase in cash provided by operating activities of $10.2 million from a variety of sources, primarily the non-cash impact of depreciation and amortization and write-downs of impaired assets; offset in part by (i) a decrease in cash used in investing activities of $9.1 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 (ii) a decrease in cash provided by financing activities of $1.0 million, primarily as a result of the repurchase of shares of the Company's Common Stock, offset in part by paydowns with respect to the Company's borrowings.

The Company has in place a revolving line of credit with its commercial lender that provides for a $30 million unsecured credit facility that expires in November 2001. Advances under the revolving line of credit bear interest at LIBOR plus 1.0%. At June 20, 2001, $13.7 million had been drawn down under the line of credit. 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 not in compliance with all such covenants as of March 30, 2001, but obtained a waiver from its commercial lender prior to the filing of this Annual Report.

In fiscal 1999, the Company initiated a stock repurchase program. Through June 20, 2001, an aggregate of 3.5 million shares had been repurchased for $45.8 million, an average of $13.01 per share. During fiscal 2001, 533,000 shares were repurchased for $3.2 million, an average of $6.03 per share.

The Company believes that its existing working capital, anticipated cash flow from operations and funds available under its line of credit will enable it to finance its operations, including implementation of the management information system, and possible acquisitions, for at least the next 12 months.

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.

Goodwill

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to $33.5 million at March 30, 2001, or approximately 18.2% of total assets or 23.0% of consolidated shareholders' equity. The amortization of goodwill in fiscal 2001 was approximately $1.6 million, or approximately 177.0% of pretax income. The Company's estimate of the useful life of goodwill of between 15 and 30 years is considered appropriate due to the long-term nature of the business, including its customers, supply sources and longevity of operations. The risk associated with the carrying value of goodwill is whether future operating income (before amortization of goodwill) will be sufficient on an undiscounted basis to recover the carrying value. The Company reviews the recoverability of goodwill whenever significant events or changes occur which might impair the recovery of recorded costs. The measurement of possible impairment is based on either significant losses of an entity or the inability to recover the balance of the long-lived asset from expected future operating cash flows on an undiscounted basis. If an impairment exists, the amount of such impairment would be calculated based upon the discounted cash flows or the market values compared to the recorded costs. In management's opinion, the recorded amounts for goodwill are recoverable and no impairment existed at March 30, 2001. However, any significant change in the useful lives of goodwill, as estimated by management, or any changes to accounting for goodwill as new accounting standards are issued in the future, could have a material adverse effect on future results of operations and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company's results of operations are exposed to changes in interest rates primarily with respect to borrowings under its credit facility, where interest rates are tied to the prime rate or LIBOR. Under its current policies, the Company does not use interest rate derivative instruments to manage exposure to interest rate changes. Based on the current levels of debt, the exposure to interest rate fluctuations is not considered to be material. The Company is also exposed to currency fluctuations, primarily with respect to its product purchases in Taiwan. While all transactions with Taiwan are conducted in U.S. Dollars, changes in the relationship between the U.S. dollar and New Taiwan dollars might impact the price of products purchased in Taiwan. The Company might not be able to pass on any price increases to customers. Under its present policies, the Company does not attempt to hedge its currency exchange rate exposure.

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 30, 2001 and March 31, 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 30, 2001. Our audits also included the financial statement schedule listed in the index at 14(a). 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 30, 2001 and March 31, 2000 and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 30, 2001, 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.

/s/ Ernst & Young LLP

Los Angeles, California
June 1, 2001

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	March 30, 2001	March 31, 2000
ASSETS		

Current assets:		
Cash and cash equivalents	$ 3,005	$ 2,884
Accounts receivable, less allowance for doubtful accounts of $1,029 in 2001 and $1,145 in 2000	29,702	27,644
Inventories, primarily finished goods	82,499	80,176
Prepaid expenses and other current assets	2,392	3,650
Deferred taxes	6,078	3,667
Total current assets	123,676	118,021
Property, plant and equipment, at cost:		
Land	519	519
Buildings and leasehold improvements	10,446	10,086
Machinery and equipment	24,411	23,759
Furniture and fixtures	12,251	11,616
	47,627	45,980
Accumulated depreciation and amortization	(26,357)	(22,391)
	21,270	23,589
Goodwill, net of accumulated amortization of $4,773 in 2001 and $3,274 in 2000	33,531	35,204
Other intangibles, net of accumulated amortization of $2,275 in 2001 and $3,123 in 2000	1,168	1,647
Other assets	1,387	2,242
Deferred taxes	2,724	3,114
Total assets	$183,756	$183,817

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Credit facility	$ 14,880	$ 12,500
Accounts payable	12,070	12,693
Accrued salaries, wages and related benefits	5,114	5,098
Other accrued liabilities	3,179	1,461
Long-term debt, due within one year	40	117
Total current liabilities	35,283	31,869
Long-term debt, less current maturities	49	68
Other long-term liabilities	2,483	1,685
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--14,359,000 in 2001 and 14,892,000 in 2000, at stated value	78,581	81,817
Warrants	236	236
Additional paid-in capital	1,260	1,260
Retained earnings	66,405	66,882
Accumulated other comprehensive loss	(541)	--
Total shareholders' equity	145,941	150,195
Total liabilities and shareholders' equity	$183,756	$183,817

See accompanying notes.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share and share amounts)

	Year ended March 30, 2001	Year ended March 31, 2000	Year ended March 26, 1999
Net sales	$ 351,845	$ 372,466	$ 332,047
Cost of sales	204,073	211,840	186,150
Gross profit	147,772	160,626	145,897
Operating expenses:			
Selling and distribution	110,170	110,976	93,169
General and administrative	30,155	30,800	24,873
Non-recurring	7,104	3,881	1,814
	147,429	145,657	119,856
Operating income	343	14,969	26,041
Other income	2,037	2,613	3,617
Interest expense	(1,456)	(954)	(50)
Income before income taxes	924	16,628	29,608
Income taxes	1,401	6,819	11,843
Net (loss) income	$ (477)	$ 9,809	$ 17,765
Net (loss) income per share--basic	$ (0.03)	$ 0.62	$ 1.06
Weighted average common shares outstanding--basic	14,420,000	15,899,000	16,784,000
Net (loss) income per share--diluted	$ (0.03)	$ 0.62	$ 1.05
Weighted average common shares outstanding--diluted	14,420,000	15,917,000	16,913,000

See accompanying notes.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except per share and share amounts)

	Common Stock Shares	Common Stock Amount	Warrants	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Tota
Balance at March 27, 1998..................	14,642,000	$ 57,196	$ --	$ 724	$39,308	$ --	$ 97,
Net income.............	--	--	--	--	17,765	--	17,
Defined benefit plan funding adjustments net of taxes of $363.......	--	--	--	--	--	(527)	(
Comprehensive income....	--	--	--	--	--	--	17,
Issuance of stock in connection with acquisition of Collision Parts Distributor Co. at $12.19 per Share.......	150,000	1,828	--	--	--	--	1,
Issuance of stock in connection with acquisition of Republic Automotive at $21.69 per share.............	2,907,000	63,063	--	--	--	--	63,
Stock options exercised.............	168,000	2,188	--	--	--	--	2,
Tax benefit of stock options exercised	--	--	--	499	--	--	
Repurchase of common stock.................	(1,009,000)	(18,839)	--	--	--	--	(18,
Balance at March 26, 1999..................	16,858,000	105,436	--	1,223	57,073	(527)	163,
Net income.............	--	--	--	--	9,809	--	9,
Defined benefit plan funding adjustments net of taxes of $363.......	--	--	--	--	--	527	
Comprehensive income....	--	--	--	--	--	--	10,
Issuance of warrants....	--	--	236	--	--	--	
Stock option exercised..	11,000	103	--	--	--	--	
Tax benefit of stock options exercised......	--	--	--	37	--	--	
Repurchases of common stock.................	(1,977,000)	(23,722)	--	--	--	--	(23,
Balance at March 31, 2000..................	14,892,000	81,817	236	1,260	66,882	--	150,
Net loss...............	--	--	--	--	(477)	--	(
Defined benefit plan funding adjustments net of taxes of $341.......	--	--	--	--	--	(541)	(
Comprehensive loss......	--	--	--	--	--	--	(1,
Repurchase of common stock.................	(533,000)	(3,236)	--	--	--	--	(3,
Balance at March 30,							

2001..................	14,359,000	$ 78,581	$ 236	$1,260	$66,405	$(541)	$145,
	==========	========	=====	======	=======	=====	=====

See accompanying notes.

25

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended		
	March 30, 2001	March 31, 2000	March 26, 1999
Operating activities			
Net (loss) income............................	$ (477)	$ 9,809	$ 17,765
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization..............	5,249	4,607	4,318
Amortization of goodwill and other intangibles...............................	2,296	2,649	2,050
Deferred taxes.............................	(2,020)	(3,462)	679
Loss on impairment/closures................	7,104	3,881	--
Provision for losses on uncollectible accounts.................................	(116)	127	601
Provision for losses on inventory..........	(172)	19	251
Loss on sales of assets....................	142	5	27
Changes in operating assets and liabilities:			
Accounts receivable......................	(1,940)	3,701	(2,305)
Inventories..............................	(1,776)	(5,429)	(1,151)
Prepaid expenses and other current assets................................	981	433	(1,949)
Accounts payable.........................	(623)	(2,236)	521
Accrued salaries, wages and related benefits................................	17	3,314	(2,286)
Other accrued liabilities................	515	(3,110)	(532)
Other, net...............................	1,011	3,115	624
Net cash provided by operating activities.............................	10,191	17,423	18,613
Investing activities			
Proceeds from sales of assets................	157	232	42,629
Acquisitions of certain service centers, net of cash received...........................	(380)	(9,615)	(12,517)
Purchases of property, plant and equipment....	(8,895)	(8,745)	(5,126)
Net cash (used in) provided by investing activities.............................	(9,118)	(18,128)	24,986
Financing activities			
Borrowings under bank credit facility.........	2,380	12,500	--
Payments under bank credit facility...........	--	--	(20,000)
Bankers acceptances...........................	--	(2,961)	1,109
Principal payments on long-term debt..........	(96)	(115)	(1,133)

Purchase of common stock	(3,236)	(23,722)	(18,839)
Proceeds from stock option exercises	--	103	2,189
Net cash used in financing activities	(952)	(14,195)	(36,674)
Net increase (decrease) in cash and cash equivalents	121	(14,900)	6,925
Cash and cash equivalents at beginning of year	2,884	17,784	10,859
Cash and cash equivalents at end of year	$ 3,005	$ 2,884	$ 17,784
Supplemental disclosures:			
Interest paid during the year	$ 1,436	$ 847	$ 242
Income taxes paid during the year	2,060	6,607	11,655
Supplemental schedule of non-cash financing and investing activities:			
Acquisition of businesses using debt	$ --	$ --	$ 150
Acquisition of businesses using stock	--	--	64,891
Minimum pension liability adjustment	541	(527)	527
Issuance of warrants	--	236	--

See accompanying notes.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Business Information

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

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 30, 2001 and March 29, 1999 included 52 weeks. The fiscal year ended March 31, 2000 included 53 weeks.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 2001 and 2000, the Company imported 15% and 20% of its products from the Far East, respectively.

Fair Values of Financial Instruments

Fair values of cash and cash equivalents, accounts receivable, accounts payable, bankers' acceptances and other short-term obligations approximate cost due to the short period of time to maturity. Fair values of long-term debt, which have been determined based on borrowing rates currently available to the Company for loans with similar terms or maturity, approximate the carrying amounts in the consolidated financial statements.

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 after market collision replacement parts, paint and related items and bumpers. Inventories are stated at the lower of cost (first-in, first-out method) or market.

Long-Lived Assets

The Company reviews the reasonability of its long-lived assets, including goodwill, as required by Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," whenever significant events or changes occur which might impair the recovery of the recorded costs. The Company records impairment losses on long-lived assets held and used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than their related carrying amounts. If impairment exists, the amount of such impairment is calculated based upon discounted cash flows or the market values compared to the recorded costs. In addition, the Company accounts for its long-lived assets to be disposed of at the lower of their carrying amounts or fair value less selling and disposal costs.

During fiscal 2000, the Company recorded an impairment reserve related to goodwill and covenants not to compete aggregating $3.3 million relating to certain acquisitions and an impairment reserve of approximately $630,000 relating to tooling acquired in an acquisition.

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

Goodwill, representing the excess of the purchase price over the fair values of the net assets of acquired entities, is amortized over 15 to 30 years using the straight-line method. 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 from product sales 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 Accounting Principles Board Opinion (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 June 1998, the Financial Accounting Standards Board (FASB) issued SFAS

No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives in the statement of financial position and measure those instruments at fair value. In 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133--an amendment of FASB Statement No. 133," which defers the effective date of SFAS No. 133 for one year. The Company must implement SFAS No. 133 by the first quarter of fiscal year 2002 and has not yet made a final determination of its impact on the financial statements.

Effective April 1, 2000, the Company adopted Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which requires that entities recognize revenue subject to certain criteria. The adoption of SAB 101 did not have a significant impact on the Company's results of operations.

2. ACQUISITIONS

In June 1998, the Company completed its acquisitions of Republic Automotive Parts, Inc. ("Republic"). The Company issued approximately 2,907,000 shares of its common stock in exchange for the outstanding common stock of Republic (total purchase price of approximately $63.1 million using an average share price of $21.69). The fair value of the assets acquired approximated $41.9 million, net of approximately $28.8 million of liabilities assumed. The excess of the purchase price over assets acquired (goodwill) approximated $21.2 million and is being amortized over 30 years. The acquisition of Republic is being accounted for under the purchase method of accounting. At the time of the acquisition, Republic was engaged in the distribution of automotive mechanical hard parts and aftermarket collision replacement parts.

The net assets acquired as part of the Republic transaction, which related to the Republic mechanical hard parts operations, were recorded as assets held for sale in the allocation of the opening balance sheet at June 27, 1998. The assets held for sale were recorded at fair value based upon the final sales price. The results of operations from June 27, 1998 through the date of sale of the mechanical hard parts operations were accounted for as an adjustment to the carrying amount of the assets. The assets held for sale were sold in a series of transactions during fiscal 1999, which resulted in a gain. The gain on sales has been accounted for as an adjustment of the original purchase price. The operating results of the Company from June 27, 1998, excluded any effects from the mechanical hard parts business.

The unaudited pro forma results of operations for the year ended March 26, 1999, as though Republic had been combined with the Company at the beginning of fiscal 1998, is as follows (in thousands, except share and per share amounts):

	March 26, 1999
Net sales	$ 347,346
Net income	$ 17,325
Net income per diluted share	$ .98
Weighted average shares outstanding diluted	17,649,000

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

In addition to the Republic acquisition, Keystone acquired six other companies for approximately $17.8 million cash, $1.8 million in stock and a note payable of $150,000. These acquisitions were accounted for as purchases, 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 $9.9 million and has been recorded as goodwill and is being amortized over 15 to 20 years. The unaudited proforma results for fiscal 1999, assuming these other acquisitions had been made at the beginning of fiscal 1998, would not be materially different from the pro forma results presented above.

3. GOODWILL AND OTHER INTANGIBLES

Amortization expense for goodwill and other intangibles for the years ended March 30, 2001, March 31, 2000 and March 26, 1999 was $2,296,000, $2,649,000 and $2,050,000, respectively, and is included with depreciation and amortization expense.

4. FINANCING ARRANGEMENTS

The Company maintains a revolving line of credit with a commercial lender that provides a $30,000,000 unsecured credit facility that expires, as amended, in November 2001. Initial advances under the revolving line of credit are made with interest at the lender's prime rate; however, at the Company's option, all advances may be converted to LIBOR plus 1.00%. The agreement also contains an unused line charge of 0.25%. At March 30, 2001, $14,880,000 was outstanding under the line of credit. 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 30, 2001.

5. SHAREHOLDERS' EQUITY

In June 1998, as part of the Company's acquisition of Republic, the Company issued approximately 2,907,000 shares using an average share price of $21.69.

The Company maintains a stock repurchase plan as authorized by the Board of Directors to purchase shares of its common stock at such times and at such prices as the President and Chief Financial Officer deemed appropriate. Repurchased shares are redeemed and treated as authorized but unissued shares. Since the inception of the plan, the Company has repurchased 3.5 million shares for approximately $45.8 million, an average of $13.01 per share. At March 30, 2001, shares with an aggregate value of $4,135,000 remained as authorized to be repurchased under the plan. During the years ended March 30, 2001 and March 31, 2000, the Company had repurchased approximately 533,000 shares and 1,977,000 shares, respectively, of its common stock at an average cost of $6.07 and $11.99 per share, respectively.

In March 1999, the Company issued 150,000 shares of unregistered stock using an average share price of $12.19 to acquire Collision Parts Distributors Co.

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 on the agreement. Using the intrinsic value method, the Company recorded the warrants in equity at $236,000 and will amortize the expense over the period services are received from the vendor.

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

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

6. EARNINGS PER SHARE

The Company calculates earnings per share as required by SFAS No. 128, "Earnings Per Share." Under SFAS No. 128 basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. The following table sets forth the computation of basic and diluted earnings per share:

	Year ended		
	March 30, 2001	March 31, 2000	March 26, 1999
	(in thousands, except share and per share amounts)		
Numerator:			
Net (loss) income	$ (477)	$ 9,809	$17,765
Denominator:			
Denominator for basic (loss) earnings per share--weighted average Shares	14,420	15,899	16,784
Effect of dilutive securities:			
Employee stock options	--	18	129
Denominator for dilutive (loss) earnings per share--adjusted weighted average shares and assumed conversions	14,420	15,917	16,913
Basic (loss) earnings per share	$ (0.03)	$ 0.62	$ 1.06
Diluted (loss) earnings per share	$ (0.03)	$ 0.62	$ 1.05

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 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 party lease agreements, included in the total rent expense, amounted to $917,915, $1,373,000 and $1,863,000 for the fiscal years 2001, 2000 and 1999, respectively, exclusive of the Company's obligation for property taxes and insurance.

8. 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 and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

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

	March 30, 2001	March 31, 2000
	(in thousands)	
Deferred tax assets:		
Inventory	$2,025	$2,066
Intangibles	2,374	2,542
Excess of tax basis over book basis of property and equipment	1,739	--
Accrued expenses	2,612	2,021
Other, net	475	196
Total deferred tax assets	9,225	6,825
Valuation allowance	(379)	--
	8,846	6,825
Deferred tax liabilities:		
Prepaid expenses	(45)	(44)
Total deferred tax liabilities	(45)	(44)
Net deferred tax assets	$8,801	$6,781

The Company recorded a valuation allowance related to an 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 30, 2001	Year ended March 31, 2000	Year ended March 26, 1999
	(in thousands)		
Current:			
Federal	$ 3,011	$ 8,512	$ 7,136
State	410	1,769	1,984
	3,421	10,281	9,120
Deferred:			
Federal	(1,777)	(3,090)	1,792
State	(243)	(372)	931
	(2,020)	(3,462)	2,723
	$ 1,401	$ 6,819	$11,843

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

	Year ended March 30, 2001	Year ended March 31, 2000	Year ended March 26, 1999
	(in thousands)		
Income taxes at statutory tax rate	$ 457	$5,821	$10,363
State income taxes, net of federal tax effect	56	710	1,229
Non-deductible expenses	509	288	251
Valuation allowance	379	--	--
	$1,401	$6,819	$11,843

9. 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 and postretirement life and health insurance plans ("Health and Life Plans"). 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. Under the Health and Life Plans, the Company contributes toward the cost of health insurance benefits for certain retired employees. In order to be eligible for postretirement health insurance coverage, an employee must retire after attainment of age 55 and completion of 10 years of service, or attainment of age 50 and completion of 15 years of service. After attainment of age 65, the employee will not be eligible for coverage under the health insurance plan. Effective July 1, 2000, the Company terminated its practice of reimbursing certain retirees for the cost of supplemental Medicare medical insurance coverage. These retirees had been receiving a maximum benefit of $75 per month. Termination of this benefit resulted in a settlement gain of $823,000. In order to be eligible for life insurance benefits, an employee must retire after attaining age 55 and completing 10 years of service, or attaining age 50 and completing 15 years of service. Eligible retirees will receive a life insurance benefit of $2,500 for which the Company pays the full cost. The Health and Life Plans are unfunded and therefore, premiums are paid from the Company's current operations.

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.

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

	Pension Benefits			Other Benefits		
	March 30, 2001	March 31, 2000	March 26, 1999	March 30, 2001	March 31, 2000	March 26, 1999
	(in thousands)					
Service cost............	$ --	$ 67	$ 281	$ 5	$ 5	$11
Interest cost...........	365	485	424	30	87	58
Recognized gains or (losses)...............	3	(193)	29	--	--	--
Prior service cost recognized............	--	130	--	--	--	--
Expected return on assets................	(279)	(284)	(500)	--	--	--
	$ 89	$ 205	$ 234	$ 35	$ 92	$69

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

	Pension Benefits March 30, 2001	Pension Benefits March 31, 2000	Other Benefits March 30, 2001	Other Benefits March 31, 2000
	(in thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 4,062	$ 8,140	$1,068	$ 1,107
Service cost	--	67	5	5
Interest cost	365	485	30	87
Plan participants' contributions	--	--	--	12
Actuarial losses (gains)	633	(87)	95	(49)
Settlement loss (gain)	--	671	(823)	--
Benefits paid	(262)	(3,121)	(87)	(94)
Plan amendments	--	(324)	--	--
Change in assumptions	571	(1,769)	--	--
Benefit obligation at end of year	$ 5,369	$ 4,062	$ 288	$ 1,068
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 3,627	$ 6,464	$ --	$ --
Actual return on plan assets	(191)	284	--	--
Company contributions	--	--	--	--
Benefits paid	(262)	(3,121)	--	--
Fair value of plan assets at end of year	$ 3,174	$ 3,627	$ --	$ --
Funded status:				
Funded status of the plan (underfunded)	$(2,195)	$ (435)	$ (288)	$(1,068)
Unrecognized net actuarial (gain) losses	882	(39)	--	(143)
Net amount recognized	$(1,313)	$ (474)	$ (288)	$(1,211)
Amounts recognized in the statement of financial position:				
Accrued benefit liability	$(2,195)	$ (474)	$ (288)	$(1,211)
Accumulated other comprehensive loss	882	--	--	--
Net amount recognized	$(1,313)	$ (474)	$ (288)	$(1,211)

In accordance with the provisions of SFAS No. 87, "Employers Accounting for Pensions," at March 30, 2001 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 $882,000 was reported in accumulated comprehensive loss, net of applicable deferred income taxes of $341,000. No minimum pension liability existed at March 31, 2000.

In determining the actuarial present value of projected benefit obligations at March 30, 2001 and March 31, 2000, a discount rate of 7.25% and 8%, 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 years ended March 30, 2001 and March 31, 2000.

For the Health and Life Plans, the actuarial present value of benefit obligations at March 30, 2001 and March 31, 2000, assumed a discount rate of 7.25% and 8%, respectively. The assumed healthcare cost trend rate for 2001 and later was 7%. The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
	(in thousands)	
Effect on the total of service cost and interest cost components in fiscal 2001....................................	$ 4	$ (3)
Effect on the postretirement benefit obligation as of March 30, 2001...........................	$16	$(14)

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 $1,318,000, $1,074,000 and $1,058,000 for the years ended March 30, 2001, March 31, 2000 and March 26, 1999, respectively.

10. STOCK COMPENSATION PLANS

In 1996, the Board of Directors of the Company adopted a Stock Incentive Plan (the "1996 Plan"). There were 2,200,000 shares of Common Stock reserved for issuance under the 1996 Plan. 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	Weighted Average Exercise Price
Outstanding at March 27, 1998	588,250	$13.99
Granted	390,000	19.30
Exercised	(168,525)	14.76
Expired	(10,250)	9.16
Outstanding at March 26, 1999	799,475	16.36
Granted	395,000	14.13
Exercised	(11,400)	9.00
Expired/Cancelled	(327,575)	19.55
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

The following tabulation summarizes certain information concerning outstanding and exercisable options at March 26, 1999, March 31, 2000 and March 30, 2001:

	Price Range			
	$5.53- $9.00	$12.00- $20.00	$20.375	$24.13
Outstanding options as of March 26, 1999:				
Number outstanding	150,600	436,875	67,000	145,000
Weighted average exercise price	$ 9.00	$ 15.75	$20.375	$ 24.13
Weighted average remaining contractual life in years	7.2	7.6	8.4	9.1
Exercisable options:				
Number exercisable	75,300	125,744	16,750	--
Weighted average exercise price	$ 9.00	$ 15.61	$20.375	$ --
Outstanding options as of March 31, 2000:				
Number outstanding	121,700	690,300	43,500	--
Weighted average exercise price	$ 9.00	$ 15.61	$20.375	$ --
Weighted average remaining contractual life in years	6.2	7.9	7.4	--
Exercisable options:				
Number exercisable	96,275	321,675	21,750	--

Weighted average exercise price	$ 9.00	$ 15.61	$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	$ --

If the Company had elected to recognize compensation cost based on the fair value of the options granted at the grant date as prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," net (loss) income and (loss) earnings per share would have been reduced to the pro forma amounts shown below:

	March 30, 2001	March 31, 2000	March 26, 1999
	(In thousands, except per share amounts)		
Pro forma:			
Net (loss) income	$(1,710)	$8,444	$17,009
Net (loss) income per share:			
Basic	$ (.12)	$ .53	$ 1.01
Diluted	$ (.12)	$ .53	$ 1.01

The effects of applying SFAS No. 123 for purposes of determining pro forma net income and net income per share are not likely to be representative of the effects on reported net income 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 30, 2001	March 31, 2000	March 26, 1999
Risk free interest rate	4.57%-6.03%	5.24%	5.89%
Expected life in years	4	4	4
Expected volatility	54.1%	49.6%	31.6%
Expected dividend yield	0.00%	0.00%	0.00%

11. 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 noncancelable operating leases with initial terms of one year or more, are approximately as follows at March 30, 2001:

	Related Party Leases	Other	Total Operating Leases
	(in thousands)		
2002	$1,095	$12,349	$13,444
2003	1,109	10,341	11,450
2004	1,053	8,169	9,222
2005	873	5,420	6,293
2006	393	3,644	4,037
Thereafter	--	8,522	8,522
Total minimum rental payments	$4,523	$48,445	$52,968

Total rent expense amounted to $13,679,000, $12,985,000 and $10,695,000 for fiscal 2001, 2000 and 1999, respectively, exclusive of the Company's obligation for property taxes and insurance. Certain leases contain provisions for rent escalation that is being amortized on a straight-line basis over the lives of the leases.

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.

12. NON-RECURRING EXPENSES

During fiscal 2001, the Company recorded approximately $7.1 million of nonrecurring expenses as compared to $3.9 million in fiscal 2000. In fiscal 2001, 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. In fiscal 2000, non-recurring expenses were the result of write-downs of goodwill and covenants not to compete relating to certain acquisitions and a write-off relating to tooling acquired in an acquisition.

During fiscal 1999, the Company expensed approximately $1.8 million of non-recurring expenses. These expenses relate to an approximately $700,000 write-off of an abandoned computer project, approximately $650,000 related to costs incurred to consolidate duplicate warehouse facilities and approximately $450,000 related to severance payments.

13. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended March 30, 2001 and March 31, 2000.

	Quarter Ended (1)			
	June 30	September 29	December 29	March 30
	(In thousands, except per share amounts)			
2001:				
Net Sales......................	$86,612	$82,834	$85,450	$96,949
Gross Profit...................	36,938	34,522	35,969	40,343
Non-recurring expenses.........	--	--	--	7,104 (/2/)
Net Income (Loss)..............	1,466	359	716	(3,018)
Net Income (Loss) Per Share-- Basic.........................	0.10	0.02	0.05	(0.03)
Net Income (Loss) Per Share-- Diluted.......................	0.10	0.09	0.05	(0.03)

	Quarter Ended			
	July 2	October 1	December 31	March 31
	(In thousands, except per share amounts)			
2000:				
Net Sales.......................	$101,381	$92,501	$86,197	$92,387
Gross Profit....................	44,906	39,283	37,227	39,209
Non-recurring expenses..........	--	--	--	3,881 (/3/)
Net Income (Loss)...............	5,495	3,191	1,337	(214)
Net Income (Loss) Per Share-- Basic...........................	0.33	0.20	0.09	(0.01)
Net Income (Loss) Per Share-- Diluted.........................	0.33	0.20	0.09	(0.01)

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) Fiscal 2001 contained 52 weeks and fiscal 2000 contained 53 weeks. The extra week in fiscal 2000 was included in the quarter ended July 2, 2000.

(2) Write-down of certain computer related expenses and the Company's investment in an Internet business-to-business service provider and reserves relating to closing or consolidation of various locations.

(3) Impairment reserve expense related to goodwill, covenant not to compete and tooling.

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 following table sets forth information regarding the directors and executive officers of the Company.

Name	Age	Position	Years Employed by Company
Ronald G. Foster	59	Chairman of the Board	--
Charles J. Hogarty	60	President, Chief Executive Officer and Director	40
John M. Palumbo	45	Vice President, Treasurer, and Chief Financial Officer	5
D. Currey Hall	35	Vice President(1)	12(2)
Carl F. Hartman	47	Vice President(1)	21(3)
Christopher Northup	41	Vice President(1)	18
Kim D. Wood	45	Vice President(1)	19(4)
James C. Lockwood	63	Vice President--General Counsel and Secretary	4
A. Jayson Adair(5)	31	Director	--
Ronald G. Brown	64	Director	--
Timothy C. McQuay(5)(6)	49	Director	--
Al A. Ronco(5)	65	Director	--
George E. Seebart(5)(6)	72	Director	--
Keith M. Thompson(6)	60	Director	--

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(1) Operating officers are listed alphabetically.

(2) Includes years of service at Fenders & More, Inc.

(3) Includes years of service at Midwest Bumper Company.

(4) Includes years of service at North Star Plating Company.

(5) Member of the Audit Committee.

(6) Member of the Compensation Committee.

RONALD G. FOSTER was elected a director of the Company in August 2000 and was elected as Chairman of the Board of Directors in August 2000. Mr. Foster has been a consultant since he left the automotive division of Tenneco, Inc. in October 1993, specializing in acquisitions, joint ventures, turnaround situations and quality systems such as QS9000. For the prior 25 years, he had held various positions within the automotive division, most recently as the Senior Vice President of Tenneco Automotive and General Manager of Monroe Auto Equipment Company, the world's largest manufacturer of ride control systems.

CHARLES J. HOGARTY has served as the President, Chief Operating Officer and a director of the Company since 1987 and was appointed the Chief Executive Officer of the Company in May 1997. From his joining the Company in 1960 until 1987, Mr. Hogarty held various positions, including salesman, sales manager,

general manager and regional manager. Mr. Hogarty served as a director of the Aftermarket Body Parts Association from 1984 to 1993, President in 1989 and Chairman in 1990.

JOHN M. PALUMBO joined the Company as Vice President and Treasurer in March 1996 and was appointed Chief Financial Officer in May 1997. From 1988 until he joined the Company in 1996, Mr. Palumbo served as Chief Financial Officer, Treasurer and Corporate Secretary of American United Global, Inc., a public company engaged in the manufacture of certain automotive parts.

D. CURREY HALL was elected a Vice President of the Company in August 2000. Mr. Hall was a Vice President of Fenders & More, Inc. from May 1989 to July 1997, when he became President of that company, a position which he occupies at the present time. Mr. Hall has been a member of the Board of Directors of the Aftermarket Body Parts Association since 1997.

CARL F. HARTMAN was elected a Vice President of the Company in May 2001. Mr. Hartman was employed by Midwest Bumper Company and related companies from September 1979 until it was acquired by the Company in March 1999. He occupied various positions with those companies, beginning as a sales manager and immediately prior to the acquisition he was Vice President and General Manager. Mr. Hartman served on the Board of Directors of the Aftermarket Body Parts Association for 17 years and the Bumper Recyclers Association of North America for 3 years. He was a member of the CAPA Technical Committee for 9 years and is currently an advisor to that Committee.

CHRISTOPHER NORTHUP has served as a Vice President of the Company since October 1996. From 1987 until October 1996, Mr. Northup served as the National Marketing Director. From his joining the Company in 1983 until 1987, Mr. Northup held the position of Publications Manager.

KIM D. WOOD was elected President and Chief Operating Officer of North Star upon completion of the North Star Merger in March 1997 and was elected a Vice President of the Company in May 1997. Mr. Wood served as Vice President of North Star from 1982 until the completion of the North Star Merger. Mr. Wood is a director of the Certified Automotive Parts Association. From 1989 until 1999, a member of the Board of Directors of the Aftermarket Body Parts Association, serving as its Chairman from 1993 through 1995.

JAMES C. LOCKWOOD joined the Company in April 1997 and was appointed Vice President--General Counsel and Secretary in May 1997. From July 1985 until he joined the Company in April 1997, Mr. Lockwood was a member of the law firm of

Troy & Gould Professional Corporation.

A. JAYSON ADAIR has been the President of Copart, Inc., a publicly-held company ("Copart"), since November 1996 and has served as a director of that corporation since September 1992. From April 1995 until October 1996, Mr. Adair served as Copart's Executive Vice President and from August 1990 until April 1995, he served as its Vice President of Sales and Operations. From June 1988 to August 1990, Mr. Adair served as Copart's Manager of Operations.

RONALD G. BROWN was elected a director of the Company upon completion of the merger of North Star Plating Company and the Company (the "North Star Merger") pursuant to the terms of the Merger Agreement and was elected as Chairman of the Board of Directors in May 1997. Mr. Brown served as Chairman of the Board until he resigned in August 2000. Mr. Brown served as President of North Star from its founding in 1968 until the North Star Merger and he is currently the Vice-President--Manufacturing of North Star. Mr. Brown has served as a member of the Board of Directors and Vice President of the Bumper Recycling Association of North America.

TIMOTHY C. MCQUAY was appointed a director of the Company upon the completion of its initial public offering in June 1996. Mr. McQuay joined A.G. Edwards & Sons, Inc. as a Senior member of its Investment Banking Department in July 1997, where he is currently a Managing Director. From October 1994 to July 1997, he was Managing Director--Corporate Finance of Crowell, Weedon & Co. From May 1993 to October 1994,

Mr. McQuay was Vice President, Corporate Development with Kerr Group, Inc., a NYSE-listed plastics manufacturing company. From May 1990 to May 1993, Mr. McQuay was Managing Director--Merchant Banking with Union Bank. Mr. McQuay is a director of Meade Instruments Corp., a publicly-held company.

AL A. RONCO served as the Executive Vice President of the Company from 1987 until he retired in August 1998. He also served as Secretary of the Company from 1987 until he resigned that position in May 1997. From his joining the Company in 1959 until 1987, Mr. Ronco held various positions, including salesman, production manager, general manager and regional manager. Mr. Ronco has been a director of the Company since 1987.

GEORGE E. SEEBART was appointed a director of the Company upon the completion of its initial public offering in June 1996. From 1964 until his retirement in 1993, Mr. Seebart was employed in various executive positions with Farmers Group, Inc., including as Senior Vice President, Field Operations and Vice President, Sales and Marketing. Additionally, from 1987 to 1993, Mr. Seebart was President of Mid-Century Insurance Company, a subsidiary of Farmers Group, Inc.

KEITH M. THOMPSON was the President and Chief Executive Officer of Republic Automotive Parts, Inc. ("Republic") from 1986 until he resigned on November 30, 1998. Republic was acquired by the Company in June 1998. Mr. Thompson was elected a director of the Company in March 1999.

Pursuant to the North Star Merger, certain shareholders of the Company, including Charles J. Hogarty, Al A. Ronco and John M. Palumbo, agreed to vote all shares held by them to maintain Ronald G. Brown as a director of the Company.

All directors are elected annually and serve until the next annual meeting of shareholders or until their successors have been elected and qualified. All officers are appointed by and serve at the discretion of the Board of

Directors, subject to employment agreements, where applicable. There are no family relationships between any directors or officers of the Company.

The Board of Directors has established an Audit Committee, whose members are currently Messrs. McQuay, Ronco and Seebart and a Compensation Committee whose members are Messrs. McQuay, Seebart and Thompson.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be contained in the Company's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders under the captions "Election of Directors" and "Executive Compensation," and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item will be contained in the Company's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders under the caption "Security Ownership," and is incorporated herein by reference.

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 2001 Annual Meeting of Stockholders under the caption "Certain Transactions," and is incorporated herein by reference.

PART IV

ITEM 14. 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]*
4.3(14)	Warrant to Purchase 100,000 shares of Common Stock dated February 21, 2000. [4.3]*
10.1(1)(A)	Employment Agreement dated June 20, 1996, between the Registrant and Charles J. Hogarty.[10.2]*
10.2(3)(A)	Employment Agreement between North Star and Ronald G. Brown. [10.5]*
10.3(3)(A)	Employment Agreement between North Star and Kim D. Wood. [10.6]*
10.4(14)(A)	Employment Agreement between the Registrant and John M. Palumbo dated December 1, 1999. [10.4]*
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

Exhibit No.	Description
10.12(1)	The Registrant's Employee Defined Benefit Pension Plan, as amended. [10.11]*
10.13(1)	Lease Agreement, dated January 5, 1995, between V-JAC Properties, Ltd. and the Registrant. [10.14]*
10.14(1)	Lease Agreement, dated January 5, 1995, between V-JAC Properties, Ltd. and the Registrant. [10.18]*
10.15(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]*
10.16(3)	Credit Agreement dated March 25, 1997 between the Registrant and Mellon Bank, N.A. [10.38]*
10.17(7)	Amendment No. 1 to Credit Agreement between the Registrant and Mellon Bank, N.A.
10.18(7)	Amendment No. 2 to Credit Agreement between the Registrant and Mellon Bank, N.A.
10.19(9)	Amendment No. 3 to Credit Agreement between the Registrant and Mellon Bank, N.A. [10.25]*
10.20(9)	Amendment No. 4 to Credit Agreement between the Registrant and Mellon Bank, N.A. [10.26]*
10.21(10)	Amendment No. 5 to Credit Agreement between the Registrant and Mellon Bank, N.A. [a]*
10.22(13)	Amendment No. 6 to Credit Agreement between the Registrant and Mellon Bank, N.A. [10.27]*
10.23(13)	Amendment No. 7 to Credit Agreement between the Registrant and Mellon Bank, N.A. [10.28]*
10.24(4)	Lease Agreement, dated January 1, 1995, between North Star and

	the spouses of Ronald G. Brown and Kim D. Wood. [10.41]*
10.25(4)	Lease Agreement, dated January 1, 1995, between North Star and the spouse of Ronald G. Brown and a third party. [10.42]*
10.26(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]*
10.27(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]*
10.28(14)(A)	Key Employee Salary Continuation Agreement between Registrant and James C. Lockwood dated April 11, 2000. [10.26]*
21.1(15)	Subsidiaries.
23.1(15)	Consent of Ernst & Young LLP, independent auditors of Registrant

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* 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.

(10) Filed as an exhibit to Registrant's Form 10-Q filed with the Securities and Exchange Commission on February 14, 2000.

(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.

(13) Filed as an exhibit to Registrant's Form 10-Q filed with the Securities and Exchange Commission on November 13, 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 herewith.

(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 23, 2001, the Company filed a Current Report on Form 8-K with the Securities and Exchange Commission with respect to Item 5. Other Events.

(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.

45

KEYSTONE AUTOMOTIVE INDUSTRIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

		Additions			
Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
Year ended March 26, 1999					
Allowance for uncollectible accounts............	$ 593	$601	$ 249	$ 481	$ 962
Year ended March 31, 2000					
Allowance for uncollectible accounts............	$ 962	$923	$ --	$ 738	$1,145
Year ended March 30, 2001					
Allowance for uncollectible accounts............	$1,145	$735	$ --	$ 851	$1,029

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

Description	Balance at Beginning of Year	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Year
Year ended March 26, 1999					
Allowance for slow-moving inventory.....	$1,190	$251	$ 156	$ 75	$1,522
Year ended March 31, 2000					
Allowance for slow-moving inventory.....	$1,522	$408	$ --	$ 290	$1,640
Year ended March 30, 2001					
Allowance for slow-moving inventory.....	$1,640	$849	$ --	$1,021	$1,468

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 27, 2001

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 27, 2001
/s/ John M. Palumbo John M. Palumbo	Vice President and Treasurer (Principal Financial and Accounting Officer)	June 27, 2001
	Director	June , 2001

A. Jayson Adair		
/s/ Ronald G. Brown	Director	June 27, 2001
Ronald G. Brown		
/s/ Timothy C. McQuay	Director	June 27, 2001
Timothy C. McQuay		
/s/ Al A. Ronco	Director	June 27, 2001
Al A. Ronco		
/s/ George E. Seebart	Director	June 27, 2001
George E. Seebart		
/s/ Keith M. Thompson	Director	June 27, 2001
Keith M. Thompson		
/s/ Timothy C. McQuay	Director	June 27, 2001
Timothy C. McQuay		