KEYSTONE AUTOMOTIVE INDUSTRIES INC
Form 10-Q
August 11, 2003
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, DC 20549**

# FORM 10-Q

**(Mark One)**

**x Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.**

**For the quarterly period ended: June 27, 2003**

**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** | **95-2920557** |
|---|---|
| **(State or other jurisdiction of** | **(I.R.S. Employer Identification Number)** |

**incorporation or organization)**

**700 East Bonita Avenue, Pomona, CA 91767**

**(Address of principal executive offices) (Zip Code)**

**(909) 624-8041**

**(Registrant s telephone number including area code)**

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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 ¨.

The number of shares outstanding of the registrant s Common Stock, no par value, at June 27, 2003 was 14,844,195 shares.

This Form 10-Q contains 18 pages.

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Keystone Automotive Industries, Inc.**

**Condensed Consolidated Balance Sheets**

**(In thousands, except share amounts)**

| | June 27, 2003 | March 28, 2003 |
|---|---|---|
| | (Unaudited) | (Note) |
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 4,228 | $ 3,658 |
| Accounts receivable, net of allowance of $1,492 at June 2003 and $1,291 at March 2003 | 38,059 | 39,753 |
| Inventories, primarily finished goods | 105,056 | 101,594 |
| Other current assets | 8,402 | 10,017 |
| Total current assets | 155,745 | 155,022 |
| Plant, property and equipment, net | 25,095 | 23,658 |
| Goodwill | 5,024 | 3,040 |
| Other intangibles, net of accumulated amortization of $3,219 at June 2003 and $3,099 at March 2003 | 1,541 | 1,046 |
| Other assets | 9,051 | 9,043 |
| Total assets | $ 196,456 | $ 191,809 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| Current Liabilities: | | |
| Credit facility | $ 17,585 | $ 16,606 |
| Accounts payable | 17,837 | 18,330 |
| Accrued liabilities | 11,493 | 12,992 |
| Current portion of long-term debt | 8 | 15 |
| Total current liabilities | 46,923 | 47,943 |
| Other long-term liabilities | 2,083 | 2,224 |
| 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 14,844,000 at June 2003 and 14,692,000 at March 2003 | 82,848 | 81,221 |
| Warrant | 236 | 236 |
| Additional paid-in capital | 2,270 | 2,269 |

| | | |
|---|---|---|
| Retained earnings | 63,299 | 59,119 |
| Accumulated other comprehensive loss | (1,203) | (1,203) |
| Total shareholders equity | 147,450 | 141,642 |
| Total liabilities and shareholders equity | $ 196,456 | $ 191,809 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTE: The balance sheet at March 28, 2003 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

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**Keystone Automotive Industries, Inc.**

**Condensed Consolidated Statements of Income**

**(In thousands, except share and per share amounts)**

**(Unaudited)**

| | Thirteen Weeks Ended June 27, 2003 | Thirteen Weeks Ended June 28, 2002 |
|---|---|---|
| Net sales | $ 118,100 | $ 106,724 |
| Cost of sales | 66,569 | 60,250 |
| Gross profit | 51,531 | 46,474 |
| Operating expenses: | | |
| Selling and distribution | 34,672 | 31,815 |
| General and administrative | 10,349 | 9,042 |
| Operating income | 6,510 | 5,617 |
| Other income | 544 | 423 |
| Interest expense | (174) | (131) |
| Income before income taxes | 6,880 | 5,909 |
| Income taxes | 2,700 | 2,364 |
| Net income | $ 4,180 | $ 3,545 |
| Per Common Share: | | |
| Net income per share: | | |
| Basic | $ 0.28 | $ 0.24 |
| Diluted | $ 0.28 | $ 0.23 |
| Weighted average common shares outstanding: | | |
| Basic | 14,760,000 | 14,597,000 |
| Diluted | 15,118,000 | 15,155,000 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**Keystone Automotive Industries, Inc.**

**Condensed Consolidated Statements of Cash Flows**

**(In thousands)**

**(Unaudited)**

| | Thirteen Weeks Ended June 27, 2003 | Thirteen Weeks Ended June 28, 2002 |
|---|---|---|
| Operating activities: | | |
| Net income | $ 4,180 | $ 3,545 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,540 | 1,367 |
| Provision for losses on uncollectible accounts | 268 | 423 |
| Provision for write-down of inventories | 597 | 1,184 |
| Loss (gain) on sale of assets, net | (30) | 14 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 1,596 | (75) |
| Inventories | (3,209) | (5,485) |
| Other assets | 1,550 | 845 |
| Accounts payable | (492) | 154 |
| Accrued liabilities | (1,640) | (477) |
| Net cash provided by operating activities | 4,360 | 1,495 |
| Investing activities: | | |
| Proceeds from sale of assets | 47 | 91 |
| Acquisitions of certain distribution centers, net of cash received | (3,833) | (5,532) |
| Purchases of property, plant and equipment | (2,603) | (1,453) |
| Net cash used in investing activities | (6,389) | (6,894) |
| Financing activities: | | |
| Other debt, net | (7) | (21) |
| Borrowings on credit facility | 979 | 5,328 |
| Net proceeds on option exercises | 1,627 | 404 |
| Net cash provided by financing activities | 2,599 | 5,711 |
| Net increase in cash and cash equivalents | 570 | 312 |
| Cash and cash equivalents at beginning of period | 3,658 | 3,652 |
| Cash and cash equivalents at end of period | $ 4,228 | $ 3,964 |
| Supplemental disclosures: | | |
| Interest paid during the period | $ 182 | $ 120 |
| Income taxes paid during the period | $ 203 | $ 205 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**Keystone Automotive Industries, Inc.**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

**June 27, 2003**

**1. Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals, considered necessary for fair presentation, with respect to the interim financial statements have been included. The results of operations for the 13 week period ended June 27, 2003 are not necessarily indicative of the results that may be expected for the full year ending March 26, 2004. For further information, refer to the financial statements and footnotes thereto for the year ended March 28, 2003, included in the Keystone Automotive Industries, Inc. Form 10-K filed with the Securities and Exchange Commission on June 26, 2003.

**2. Fiscal Year**

The Company uses a 52/53 week fiscal year. The Company s fiscal year ends on the last Friday of March.

**3. Income Taxes**

The income tax provision for interim periods is based on an estimated effective annual income tax rate.

**4. New Accounting Standards**

In May 2003, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 150, Accounting For Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an insurer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Adoption of SFAS No. 150 is not expected to have a material impact on the Company s consolidated results of operations or financial position.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amends and clarifies financial accounting and reporting derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement is effective for

contracts entered into or modified and for hedging relationships designated after June 30, 2003. The Company does not expect the adoption of this statement to have a material impact on its operating results or financial position.

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

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

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

**5. Goodwill and Other Intangibles**

Amortization expense for other intangibles for the quarters ended June 27, 2003 and June 28, 2002 was $0.1 million and $0.1 million, respectively.

The carrying amount of goodwill at June 27, 2003 and March 28, 2003 was $5.0 million and $3.0 million, respectively.

**6. Acquisitions**

The results of operations for the quarter ended June 27, 2003 reflect the operations from certain businesses acquired in January, April and June 2003, as of the date of each acquisition. No results relating to these acquisitions were included with respect to the first quarter of fiscal 2003. The unaudited pro forma results for the first quarter of fiscal 2004 and 2003, assuming these acquisitions had been made at the beginning of fiscal 2003, would not be materially different from the results presented.

**7. Stock Compensation Plans**

The Company adopted SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, which amends SFAS No. 123, Accounting for Stock-Based Compensation, SFAS No. 148 which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirement of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements of the effects of stock-based compensation. If the Company had elected to recognize compensation cost based on fair value of the reduced to the pro forma amounts shown below:

| | Thirteen Weeks Ended | |
|---|---|---|
| | June 27, 2003 | June 28, 2002 |
| | (thousands, except per share amount) | |
| Pro forma: | | |
| Net income as reported | $ 4,180 | $ 3,545 |
| Less: Fair value stock-based compensation | (148) | (173) |
| Net income pro forma | $ 4,032 | $ 3,372 |
| Net income per share as reported: | | |

| | | |
|---|---|---|
| Basic | $ 0.28 | $ 0.24 |
| Diluted | $ 0.28 | $ 0.23 |
| Net income per share pro forma: | | |
| Basic | $ 0.27 | $ 0.23 |
| Diluted | $ 0.27 | $ 0.22 |

**8. Sales By Product**

| | Thirteen Weeks Ended | |
|---|---|---|
| | June 27, 2003 | June 28, 2002 |
| | (in thousands) | |
| Automotive body parts | $ 58.9 | $ 51.2 |
| Bumpers | 33.8 | 30.4 |
| Paint and related materials | 15.0 | 15.1 |
| Wheels and related products | 9.9 | 8.9 |
| Other | .5 | 1.1 |
| Net Sales | $ 118.1 | $ 106.7 |

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**Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**General**

Except for the historical information contained herein, certain matters addressed in this Item 2 constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those anticipated by the Company s management. The Private Securities Litigation Reform Act of 1995 (the Act ) provides certain safe harbor provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the Act and are subject to the cautionary statement set forth herein and in the Company s Form 10-K for the year ended March 28, 2003, on file with the Securities and Exchange Commission.

**Critical Accounting Policies**

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

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

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

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

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

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

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**Results of Operations**

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

| | Thirteen Weeks Ended June 27, 2003 | Thirteen Weeks Ended June 28, 2002 |
|---|---|---|
| Net sales | 100.0% | 100.0% |
| Cost of sales | 56.4 | 56.5 |
| Gross profit | 43.6 | 43.5 |
| Selling and distribution expenses | 29.4 | 29.8 |
| General and administrative expenses | 8.8 | 8.5 |
| Other income | 0.5 | 0.4 |
| Interest expense | (0.1) | (0.1) |
| Income before income taxes | 5.8 | 5.5 |
| Income taxes | 2.3 | 2.2 |
| Net income | 3.5% | 3.3% |

**Thirteen weeks ended June 27, 2003 compared to thirteen weeks ended June 28, 2002**

Net sales were $118.1 million for the quarter ended June 27, 2003 (the 2003 Quarter ) compared to $106.7 million for the quarter ended June 28, 2002 (the 2002 Quarter ), an increase of $11.4 million or 10.7%. This increase was primarily due to an increase in the sale of body parts, bumpers and wheels. During the 2003 Quarter, sales of automotive body parts (including fenders, hoods, headlights, radiators, grilles and other crash parts), increased by $7.7 million (an increase of 15.2%), sales of new and recycled bumpers increased by $3.4 million (an increase of 11.2%) and sales of wheels and related materials increased by $1.0 million or 11.7%. The increases were attributable primarily to the fact that insurance companies were specifying more aftermarket parts in connection with the repair of insured vehicles.

Gross profit increased in the 2003 Quarter to $51.5 million (43.6% of net sales) from $46.5 million (43.5% of net sales) in the 2002 Quarter, an increase of 10.8%, primarily as a result of the increase in net sales.

Selling and distribution expenses increased to $34.7 million (29.4% of net sales) in the 2003 Quarter from $31.8 million (29.8% of net sales) in the 2002 Quarter, an increase of 9.1%. The decrease in selling and distribution expenses as a percentage of net sales was generally the result of certain fixed costs being spread over increased sales and the fixed nature of certain of these costs. The increases are in part the result of acquisitions and greenfields.

General and administrative expenses increased to $10.3 million (8.8% of net sales) in the 2003 Quarter compared to $9.0 million (8.5% of net sales) in the 2002 Quarter, an increase of 14.4%. The increase in general and administrative expenses and its increase as a percentage of net sales was generally the result of costs relating to the management information system implementation as well as acquisitions and greenfields.

Income taxes increased to $2.7 million (2.3% of net sales) in the 2003 Quarter compared to $2.4 million (2.2% of net sales) in the 2002 Quarter, primarily as a result of increased income before income taxes.

As a result of the above factors, the Company experienced an increase in net income for the 2003 Quarter, $4.2 million (3.5% of net sales), as compared to net income of $3.5 million (3.3% of net sales) in the 2002 Quarter.

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**Variability of Quarterly Results and Seasonality**

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

**Liquidity and Capital Resources**

The Company s primary use of funds over the past two years has been for acquisitions, the development and implementation of an enterprise-wide management information system and the paydown of bank borrowings. At June 27, 2003, working capital was $108.8 million compared to $107.1 million at March 27, 2003. The Company financed its working capital requirements and the acquisition completed during the first quarter of fiscal 2003 primarily from borrowings under the Company s line of credit and from cash flow from operations.

During the three months ended June 27, 2003, the Company s cash and cash equivalents increased by $0.6 million. This increase is the result of (i) an increase in cash provided by operating activities of $4.4 million, and an increase in cash provided by financing activities of $2.6 million, partially offset by (ii) a decrease in cash used in investing activities of $6.4 million, primarily as a result of cash paid for acquisitions and cash used to purchase property and equipment primarily related to the implementation of the Company s enterprise software package. The increase in cash provided by operating activities resulted primarily from the elimination of $2.4 million of non-cash expenses from the reported net income of $4.2 million and from subtracting $3.2 million of decreased cash as the result of an increase in inventory. The most significant non-cash expenses were depreciation and amortization and the provision for a write-down of inventories. The increase in cash provided by financing activities resulted primarily from cash proceeds from the exercise of stock options and borrowings under the Company s credit facility.

The Company has in place a revolving line of credit with a commercial lender that provides for a $35.0 million secured credit facility which balance is due on June 1, 2005. Advances under the revolving line of credit bear interest either at LIBOR plus 1.0% or at the lender s prime rate. At June 27, 2003, $17.6 million had been drawn down under the line of credit and, of this amount, $16.0 million at interest rates ranging from 2.0% to 2.3% and $1.6 million was at 4.3% interest. The line of credit is subject to certain restrictive covenants set forth in the loan agreement, which requires that the Company maintain certain financial ratios. The Company was in compliance with all such covenants at June 27, 2003, and at the date of the filing of this Quarterly Report. In March 2002, the Company caused its commercial lender to issue a $2.0 million letter of credit to the Company s primary insurer to secure the Company s deductible reimbursement obligations. In December 2002, this letter of credit was renewed and an additional letter of credit was established for $2.3 million in April 2003. The amount of these letters of credit reduces the funds available under the Company s credit facility. At June 27, 2003, $13.1 million was available to the Company under the line of credit.

The Company believes that its existing working capital, anticipated cash flow from operations and funds anticipated to be available under its line of credit will enable it to finance its operations, including the costs related to the installation of the new enterprise-wide management information system (see Item 5. Other Information Prelude Software System Installation ) and possible acquisitions for at least the next 12 months. However, the Company s liquidity expectations are subject to numerous factors, many of which are beyond the Company s control. Anticipated cash flow from operations are subject to the risks of the business, the most significant of which are discussed under Other Information below. The availability of funds under the Company s line of credit could also be restricted or eliminated in the event that the Company does not maintain the financial ratios required under the Credit Agreement. These ratios include such items as amount of indebtedness, earnings before interest, taxes and depreciation and amortization, net worth and the current ratio. In the event that the Company s operations do not meet expectations it is

possible that needed liquidity will not be available under the credit facility.

**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.

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**Long-Lived Assets**

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to $5.0 million at June 27, 2003, or approximately 2.6% of total assets or 3.4% of consolidated shareholders equity. Goodwill amounted to $3.0 million at March 28, 2003, or approximately 1.6% of total assets or 2.1% of consolidated shareholders equity. The increase in goodwill was the result of the completion of two acquisitions.

Other intangible assets, consisting primarily of covenants not to compete obtained in acquisitions, which have finite lives, will continue to be amortized over the finite life. As of June 27, 2003, other intangible assets amounted to $1.5 million. For each of the quarters ended June 27, 2003 and June 28, 2002, amortization of other intangible assets was approximately $0.1 million.

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

**New Accounting Standards**

In May 2003, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 150, Accounting For Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an insurer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Adoption of SFAS No. 150 is not expected to have a material impact on the Company s consolidated results of operations or financial position.

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

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

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 clarifies the requirements of SFAS No. 5, Accounting for Contingencies, relating to a guarantor s accounting for, and disclosure of, the issuance of certain types of guarantees. For certain guarantees issued after December 31, 2002, FIN 45 requires a guarantor to recognize, upon issuance of a guarantee, a liability for the fair value of the obligations it

assumes under the guarantee. Guarantees issued prior to January 1, 2003, are not subject to liability recognition, but are subject to expanded disclosure requirements. The adoption of this Interpretation did not have a material impact on its consolidated financial position or statement of operations.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE 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 the New Taiwan dollar might impact the price of products purchased in Taiwan. The Company might not be able

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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 4. CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company s Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to the Company s management, including its Chief Executive Office and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Within 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures. Based on the foregoing, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective.

There have been no significant changes in the Company s internal controls or in other factors that could significantly affect the internal controls subsequent to the date the Company completed its evaluation.

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**PART II - OTHER INFORMATION**

Item 1. Legal Proceedings. None

Item 2. Changes in Securities and Use of Proceeds. None

Item 3. Defaults Upon Senior Securities. None

Item 4. Submission of Matters to a Vote of Security Holders. None

Item 5. Other Information.

*Litigation Impacting Aftermarket Collision Replacement Parts*. Over the past fifteen years, there have been numerous lawsuits brought relating to the use of aftermarket parts in repairing motor vehicles. Initially, these cases were brought primarily by automobile manufacturers (OEMs) against manufacturers and distributors of aftermarket parts seeking to protect their trademarks, copyrights and other proprietary interests in replacement parts. In more recent years, class action attorneys have commenced numerous cases against insurance companies primarily alleging a violation of the insurance contract and state consumer laws relating to the specification of aftermarket crash parts in the repair of policyholders vehicles on the theory that aftermarket parts are inferior to OEM parts and thus incapable of restoring a vehicle to its pre-loss condition as required in many insurance policies. Another line of cases currently in the courts is referred to as the Diminished Value cases, the contention being that an insured should be compensated by the insurance company for the difference between the pre-loss value of the vehicle and the value after the vehicle is repaired.

The leading case involving aftermarket crash parts *Avery v. State Farm Insurance Company* was brought in Marion, Illinois in July 1997. In that case, the plaintiffs asserted claims for breach of contract, consumer fraud and equitable relief relating to State Farm s then practice of sometimes specifying aftermarket parts rather than OEM parts when adjusting claims for the damage to insured vehicles. 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. In October 1999, after a lengthy trial, the jury in *Avery* awarded the plaintiffs compensatory damages of approximately $586 million. In addition, 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, resulting in an aggregate award of $1.06 billion. Thereafter, a Petition for Allowance of Appeal to the Illinois Supreme Court was filed by State Farm. In October, 2002, the Illinois Supreme Court agreed to hear the appeal. Oral arguments by the parties were made in May 2003 and a final decision is pending but the timing for that decision is uncertain.

Shortly after the verdict in the *Avery* case, State Farm and many other insurance companies suspended their practice of specifying non-OEM crash parts on repair estimates. In early 2001, however, certain insurance companies announced that they were again going to specify certain aftermarket parts in the repair of insured vehicles. While several insurance companies are once again specifying non-OEM crash parts, the action of insurance companies following the State Farm decision has had, and continues to have, an adverse impact on the Company s sales and net income.

Until May 2002, the Company had not been a party to any of the lawsuits filed against insurance companies. In March 2002, a Philadelphia Court certified a 50-state class joining all Erie policyholders whose cars had been repaired with one or more of 25 specific parts or had received monetary compensation based on the value of these parts between 1994 and the date the complaint was filed. In May 2002, Keystone, along with 44 other manufacturers and distributors of aftermarket crash parts, were joined as additional defendants in a class action filed in the Philadelphia County Court of Common Pleas in Philadelphia, Pennsylvania, captioned *Foultz v. Erie Insurance Exchange and Erie Insurance Company, et al*. Plaintiff alleges, among other things, that she was the holder of an Erie Insurance Company ( Erie ) automobile insurance policy, that her vehicle

had been in an accident and, at the direction of Erie, certain of the parts used to repair her vehicle were aftermarket parts rather than original equipment manufacturer parts. Plaintiff alleges that the aftermarket parts were defective, inferior and substandard compared to OEM parts and failed to restore her vehicle to its pre-loss condition and value in violation of her insurance contract and in violation of Pennsylvania laws.

Erie alleges that Keystone and the other additional defendants are liable to the policyholders and, to Erie by way of indemnification, based upon breach of express and implied warranties, for misrepresenting the quality of their aftermarket parts, negligence and violation of Pennsylvania consumer protection law. No specific amount of damages are sought by plaintiff on behalf of the class or by Erie. As of January 29, 2003, Erie and the plaintiffs have reached a settlement of the class action and the judge in the case has stayed all activity pending the settlement. The settlement would result in the dismissal of all claims against Keystone without prejudice, with no contribution by Keystone required. The settlement is before the Court for approval.

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Currently, there are a number of aftermarket parts cases pending in various jurisdictions across the country. Other than the Erie case, the Company has not been made a party in any of these cases. There can be no assurance, however, that Keystone will not be brought into one of these cases or some other aftermarket parts case in the future.

A recent case in the State of Georgia has upheld the Diminished Value theory. In *Mabry v. State Farm Mutual Automobile Ins. Co.*, the Georgia Supreme Court ruled that the insurer is obligated to pay not only the cost of repairs, but also the loss in the value of a damaged and repaired vehicle. Since no distinction appears to have been made in that case between original and aftermarket parts, the impact, if any, on the Company is uncertain. Other Diminished Value cases are pending against insurance companies.

A substantial portion of the Company s business consists of the distribution of aftermarket crash parts to collision repair shops, the vast majority of the customers of the repair shops are covered by insurance policies. In the event that the State Farm verdict is repeated in other similar cases, with the result that aftermarket 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. Should this occur, OEM s would likely have monopoly pricing power with respect to many of the products required to repair damaged vehicles. In addition, if the Company were to become a defendant in additional aftermarket parts cases, the costs of defense and the potential for liability could have a material adverse impact on the Company.

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 limited 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.

*Other Litigation*. In November 2002, General Motors Corporation instituted suit against Keystone and a Taiwan-based manufacturer in the Federal District Court for the Eastern District of Michigan, Southern Division. The complaint alleges that Keystone is distributing, replacement grilles for General Motors vehicles with a placeholder matched exactly to the Chevrolet Bow Tie design emblem and the GMC mark emblem, which infringes on General Motors federal, state and common law trademarks. The suit claims this violates the Lanham Act and constitutes unfair competition under Michigan law. General Motors is seeking damages in an unspecified amount as well as certain equitable relief, including an injunction.

Although the case is at an early stage and discovery has only recently commenced, Keystone believes that it has meritorious defenses and intends to defend its business practices. The Company estimates the products in question will constitute an immaterial percentage of total sales once it formally ascertains which products are the subject of the complaint. Consequently, Keystone believes that whatever the outcome of the case, it will not have a material adverse impact on the Company s operations or financial condition.

*Federal and State Action*. During the past five years, legislation was introduced or considered in the majority of states seeking to prohibit or limit the use of aftermarket parts in collision repair work and/or to require special disclosure before using aftermarket parts. During 2002, 37 separate bills have been considered in 14 states and, to date, none have passed into law. As of May 30, 2003, 40 bills were pending in 20 states. The Company anticipates that additional bills may be introduced in 2003.

To date, legislation has passed in only 11 states requiring some form of consent from the vehicle owner prior to installing aftermarket collision replacement parts. Approximately 36 states require consumer disclosure to vehicle owners. 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 aftermarket crash parts, it could have a material adverse impact on the Company.

In addition, during 2000, a U.S. Congressman requested that the General Accounting Office ( GAO ) review the role of the National Highway Traffic 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.

*Prelude Software System Installation.* The Company is at a crucial juncture in developing and installing an enterprise-wide management information system, consolidating the nine systems under which the Company now operates. This is an extremely costly and time-consuming process and an effective implementation is necessary to enable the Company to continue to grow and prosper in the future. In January 2002 the Company entered into an agreement with Prelude Systems, Inc. ( Prelude ) for the purchase of a software package which will enable the Company to migrate to an enterprise-wide system. The Company has also entered into other software license agreements and engaged service providers to enable it to fully implement the Prelude system. The Prelude system includes, among other capabilities, modules for financial reporting (general ledger and accounts payable and receivable), order entry, purchasing and distribution management (inventory and warehouse management and replenishment). Keystone is adopting the Prelude modules with limited customization.

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Management installed the system at five locations in California starting on July 1, 2002 as beta sites and adjustments to the system were made during this first implementation phase. Thereafter, through July 31, 2003, the system had been installed in 33 additional locations. Based upon the projected rollout, complete installation of the system company-wide is now expected by November 2004.

It is estimated that total costs from inception through the complete roll-out will be approximately $16.0 million, which includes hardware, software, infrastructure and employee related expenses. Through June 27, 2003, the Company had capitalized approximately $6.9 million of costs, primarily software licenses and hardware. The Company estimates that the total amount to be capitalized through implementation will be approximately $7.0 million. The balance of the costs will be expensed as incurred. The cost and timing for a project such as the Company is undertaking are subject to numerous uncertainties some of which are beyond the control of the Company and others of which cannot be foreseen at the present time. Consequently, the ultimate functionality may not meet the needs of the operations and the cost and timing to implement the Prelude system Company-wide may vary greatly from the estimates set forth above.

*Continued Acceptance of Aftermarket Collision Replacement Parts.* Based upon industry sources, the Company estimates that approximately 85% 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.

*Disruption of Shipping*. The Company s operations are dependent on a continued source of supply of the many automotive body parts, which are presently only available from Taiwan. These products are transported to the United States aboard container ships which dock primarily in the Los Angeles, California area. Any disruption in shipping for any prolonged period, such as might result from an act of terrorism, would likely have a material adverse impact on the Company s sales and earnings. Hostilities between China and Taiwan could also have an adverse impact on the Company s source of supply.

Item 6. Exhibits and Reports on Form 8-K.

a. Exhibits

| Exhibit No. | Description |
|---|---|
| 3.1(2) | Amended and Restated Bylaws of the Registrant. [3.4]* |
| 3.1.1(4) | Amendment to Amended and Restated Bylaws of the Registrant. [3.1.1]* |
| 3.1.2(9) | Amendment to Amended and Restated Bylaws of the Registrant. [3.1.2]* |
| 3.2(2) | Restated Articles of Incorporation of the Registrant. [3.5]* |
| 3.2.1(8) | Amendment to Restated Articles of Incorporation of Registrant. [3.2.1]* |
| 3.2.2(9) | Amendment to Restated Articles of Incorporation of Registrant. [3.2.2]* |
| 3.2.3(11) | Certificate of Determination of Series A Junior Participating Preferred Stock. [4.2(A)]* |
| 4.1(2) | Form of stock certificate. [4.1]* |
| 4.2(11) | Rights Agreement dated as of February 10, 2000. [4.2]* |
| 4.2.1(17) | First Amendment to Rights Agreement dated as of January 8, 2003. |
| 4.3(14) | Warrant to Purchase 100,000 shares of Common Stock dated February 21, 2000. |
| 10.5(1)(A) | Indemnification Agreement dated June 20, 1996 between the Registrant and Charles J. Hogarty. [10.6]* |

| | |
|---|---|
| 10.6(1)(A) | Indemnification Agreement dated June 20, 1996, between the Registrant and John M. Palumbo. [10.9]* |
| 10.7(3)(A) | Indemnification Agreement between the Registrant and Ronald G. Brown. [10.12]* |
| 10.8(3)(A) | Indemnification Agreement between the Registrant and Kim D. Wood. [10.13]*s |
| 10.9(1)(A) | Keystone Automotive Industries, Inc. 1996 Stock Incentive Plan, together with forms of incentive stock option, non-qualified stock option and restricted stock agreements. [10.10]* |
| 10.10(7)(A) | Amendment to Registrant s 1996 Stock Incentive Plan. |
| 10.11(12)(A) | Amendment to Registrant s 1996 Stock Incentive Plan |
| 10.12(16)(A) | Amendment to Registrant s 1996 Stock Incentive Plan |
| 10.13(16)(A) | Amendment to Registrant s 1996 Stock Incentive Plan |

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| Exhibit No. | Description |
|---|---|
| 10.14(18)(A) | Non-Qualified Stock Option Agreement with Timothy McQuay dated August 26, 1997 |
| 10.15(18)(A) | Non-Qualified Stock Option Agreement with Timothy McQuay dated August 31, 1998 |
| 10.16(18)(A) | Non-Qualified Stock Option Agreement with Timothy McQuay dated August 24, 1999 |
| 10.17(18)(A) | Non-Qualified Stock Option Agreement with Timothy McQuay dated August 23, 2000 |
| 10.18(18)(A) | Non-Qualified Stock Option Agreement with Timothy McQuay dated August 23, 2001 |
| 10.19(18)(A) | Non-Qualified Stock Option Agreement with Al Ronco dated August 31, 1998 |
| 10.20(18)(A) | Non-Qualified Stock Option Agreement with Al Ronco dated August 24, 1999 |
| 10.21(18)(A) | Non-Qualified Stock Option Agreement with Al Ronco dated August 23, 2001 |
| 10.22(18)(A) | Non-Qualified Stock Option Agreement with George Seebart dated August 26, 1997 |
| 10.23(18)(A) | Non-Qualified Stock Option Agreement with George Seebart dated August 31, 1998 |
| 10.24(18)(A) | Non-Qualified Stock Option Agreement with George Seebart dated August 24, 1999 |
| 10.25(18)(A) | Non-Qualified Stock Option Agreement with George Seebart dated August 23, 2001 |
| 10.26(18)(A) | Non-Qualified Stock Option Agreement with Keith Thompson dated August 24, 1999 |
| 10.27(18)(A) | Non-Qualified Stock Option Agreement with Keith Thompson dated August 23, 2000 |
| 10.28(18)(A) | Non-Qualified Stock Option Agreement with Keith Thompson dated August 23, 2001 |
| 10.29(1) | The Registrant s Employee Defined Benefit Pension Plan, as amended. [10.11]* |
| 10.30(1) | Lease Agreement, dated January 5, 1995, between V-JAC Properties, Ltd. and the Registrant. [10.14]* |
| 10.31(1) | Lease Agreement, dated January 5, 1995, between V-JAC Properties, Ltd. and the Registrant. [10.18]* |
| 10.32(3) | Voting Agreement dated December 6, 1996, among the Registrant, North Star Plating Company, Virgil K. Benton, II, Charles J. Hogarty, Al A. Ronco, Robert L. Blanton and John M. Palumbo. [10.37]* |
| 10.33(4) | Lease Agreement, dated January 1, 1995, between North Star and the spouses of Ronald G. Brown and Kim D. Wood. [10.41]* |
| 10.34(4) | Lease Agreement, dated January 1, 1995, between North Star and the spouse of Ronald G.Brown and a third party. [10.42]* |
| 10.35(4) | Lease Agreement, dated January 1, 1995, between North Star and a partnership owned by Kim D. Wood and an employee of North Star. [10.43]* |
| 10.36(4) | Lease Agreement, dated May 20, 1996, between North Star and a partnership owned by the spouses of Ronald G. Brown and Kim Wood and the Brown Family Limited Partnership. [10.44]* |
| 10.37(14)(A) | Key Employee Salary Continuation Agreement between Registrant and James C. Lockwood dated April 11, 2000. |
| 10.38(15) | Credit Agreement dated as of February 1, 2002 between Registrant and Wells Fargo Bank, National Association [10.29]*. |
| 10.38.1(20) | First Amendment to Credit Agreement dated as of February 1, 2003 between Registrant and Wells Fargo Bank, National Association |
| 10.39(19)(A) | Form of Key Employee Salary Continuation Agreement dated as of April 2002 with Charles J. Hogarty, D. Currey Hall, Christopher Northup, Carl Hartman and James C. Lockwood. |
| 10.40(19) | Proprietary Brand Purchase Agreement between Registrant and Genera Corporation; dated August 8, 2000. |
| 99.1 | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.2 | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

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

(1)

Filed as an exhibit to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 18, 1996 (File No. 333-3994).

(2) Filed as an exhibit to Amendment No. 2 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on June 17, 1996.

(3) Filed as an exhibit to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on December 23, 1996 (File No. 333-18663).

(4) Filed as an exhibit to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on June 6, 1997 (File No. 333-28709).

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(7) Filed as an exhibit to Registrant s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on May 18, 1998 (File No. 333-52969).
(8) Filed as an exhibit to Registrant s Form 10-K filed with the Securities and Exchange Commission on June 24, 1998.
(9) Filed as an exhibit to Registrant s Form 10-K filed with the Securities and Exchange Commission on June 24, 1999.
(11) Filed as an exhibit to Registrant s Form 8-K filed with the Securities and Exchange Commission on February 23, 2000.
(12) As described in Registrant s Proxy Statement filed with the Securities and Exchange Commission on July 19, 2000.
(14) Filed as an exhibit to Registrant s Form 10-K filed with the Securities and Exchange Commission on June 26, 2000.
(15) Filed as an Exhibit to Registrant s Form 8-K filed with the Securities and Exchange Commission on February 19, 2002.
(16) Filed as an Exhibit to Registrant s Form 10-Q filed with the Securities and Exchange Commission on February 10, 2003.
(17) Filed as an Exhibit to Registrant s Form 8-K filed with the Securities and Exchange Commission on January 14, 2003.
(18) Filed as an Exhibit to Registrant s Form 8-K filed with the Securities and Exchange Commission on February 19, 2003.
(19) Filed as an Exhibit to Registrant s Form 10-K filed with the Securities and Exchange Commission on June 27, 2002.
(20) Filed as an Exhibit to Registrant s Form 10-K filed with the Securities and Exchange Commission on June 26, 2003.
(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 June 5, 2003, the Company filed a Current Report on Form 8-K with respect to Item 5. Other Events and Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

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**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.**

By: /S/ John M. Palumbo

John M. Palumbo
Chief Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)

Date: August 8, 2003

**Table of Contents**

I, Charles J. Hogarty, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ CHARLES J. HOGARTY

**Charles J. Hogarty**

**President and Chief Executive Officer**

Date: August 8, 2003

**Table of Contents**

I, John M. Palumbo, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ JOHN M. PALUMBO

**John M. Palumbo**

**Chief Financial Officer** Date: August 8, 2003