



2003  
*investment brief*

***TO OUR SHAREHOLDERS*** FinishMaster sustained steady revenue growth in 2003 despite a troublesome economy and a competitive market. Sales increased 1.2% to \$347.0 million. Driving that growth to the bottom line proved more difficult due to declining gross margin rates. Net income of \$11.9 million was 8.1% lower than 2002 and earnings per share dropped from \$1.64 in 2002 to \$1.52 in 2003. However, the company recorded very solid balance sheet performance with debt reduced \$22.3 million, or 23.2%, and shareholder equity growing 15.6% to \$11.24 per share.

Despite disappointing net income results from 2003 operations, growth over the long run has been steady. From 1999 through 2003, FinishMaster sustained compound annual growth in operating income of 3.4%. A number of factors contributed to that growth: solid vendor partnerships with leading manufacturers such as BASF, DuPont, PPG and 3M; a compelling focus on customer service; and several strategic acquisitions. On the expense side, our focus has been on reducing overhead and operating expense as well as leveraging technology to help reduce the overall cost structure of the company.

FinishMaster's greatest challenge for the foreseeable future will be growing top line sales in a flat to negative growth market. During 2003, the company launched several initiatives to meet that growth challenge. To build same branch sales, we began the process of increasing our sales force by 15%. This additional horsepower will help retain existing business, drive our "share of wallet" for existing customers, and prospect for new accounts. The company is also investing in the overall effectiveness of the entire sales force through training that prescribes "The FinishMaster Way" of preparing for the sales call, identifying customer needs, and presenting a value proposition solution. In addition, we began developing expansion plans for new markets, new products and new geographic territories.

Strategic acquisitions continue to be an integral part of our overall growth plans. This past year we made one acquisition in the rapidly growing Denver metropolitan area that increased our market share and allowed us to reduce fixed operating costs through the consolidation of two overlapping branch locations. We also entered ten new markets in the states of Georgia, Texas, New York, Alabama, Nevada, Tennessee, Oklahoma, Missouri and Illinois through a large acquisition of Automotive Refinish Technologies. As part of this transaction we became a national distributor for paint and material sales generated through the bodyshopmall.com Internet ordering site. This acquisition allows us to better serve national accounts and support the strategies of our vendor partners while simultaneously reducing costs by spreading overhead across a larger national platform.

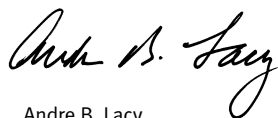
Technology has always played a critical role in our growth strategy and during 2003 we advanced technology in several ways to grow the business and differentiate FinishMaster in the marketplace. Early in the year we signed a multi-year agreement to market ComputerLogic's paint and material costing and invoicing software, PMCLogic™. This software helps a collision repair shop easily record the quantity of paint and materials used in the repair and refinish process, and it automatically generates an invoice that can be submitted to the customer and the insurance company. We also created a new format and new content for our internal business information system, InfoManager™, so it could be used to generate customized reports for key

multi-location customers. Tools like InfoManager™ and PMCLogic™ provide our customers with reliable and timely business intelligence and boost their productivity and profitability. We intend to continue to invest in these robust tools that differentiate our customer service and enhance our growth opportunities.

During 2003 we began the transition to lower cost, full functioning distribution centers that allow us to buy in large quantities and redistribute product based on geographic demand. When fully implemented, this new replenishment logic will improve customer service and ensure that the products a customer needs are available when and where the customer needs them. In addition, our costs will be lowered and the risk of obsolete and excess inventory will be significantly reduced. This distribution model will also help reduce our manufacturers' channel costs by allowing them to produce and ship in bulk. Implementation of full functioning distribution centers will be completed in 2004 to the benefit of all our partners in the supply chain.

FinishMaster filed a Form 15 with the Securities and Exchange Commission in July and our securities are now traded in the over-the-counter market and quoted on the Pink Sheets® quotation system rather than being listed on The Nasdaq SmallCap Market®. The primary reason for the filing was to reduce internal costs associated with being a "reporting company" under the Securities Exchange Act of 1934. Since we have fewer than 300 record holders, our Board of Directors concluded that the advantages of being a reporting company under the 1934 Act do not offset the costs associated with the SEC reporting requirements. This change in the status of our securities does not alter our commitment to provide shareholders with timely information on the company's progress. We still intend to provide our shareholders with unaudited quarterly financial information and audited annual financial information, as well as press releases mirroring those required for "reporting companies."

FinishMaster is generating momentum for the long haul. For our vendor partners, we will add value by promoting their products and programs and by providing excellent service to drive customer retention. We recognize that the market is changing and we want to stay flexible and support manufacturers in meeting their goals by responding to their unique needs. Ultimately, we want to be the lowest cost route to the market for our vendors. For our customers, we will continue to provide innovative tools that will power operational efficiencies and effectiveness. Our organization is beginning to develop a stronger process orientation and we believe that it is critical to integrate technology with process improvement efforts. Investments in our technology infrastructure will continue and our vendor partners and our customers will benefit from the resulting efficiencies. Finally, we understand that vendor partnerships, extraordinary customer service and technology innovations are propelled by FinishMaster employees. We will continue to invest in employees and focus on making FinishMaster a great place to work. As we continue to adapt to the evolving needs of our customers, execute on distribution fundamentals and generate reliable cash flow, we will continue on the journey of stable growth and long-term value appreciation for our investors.



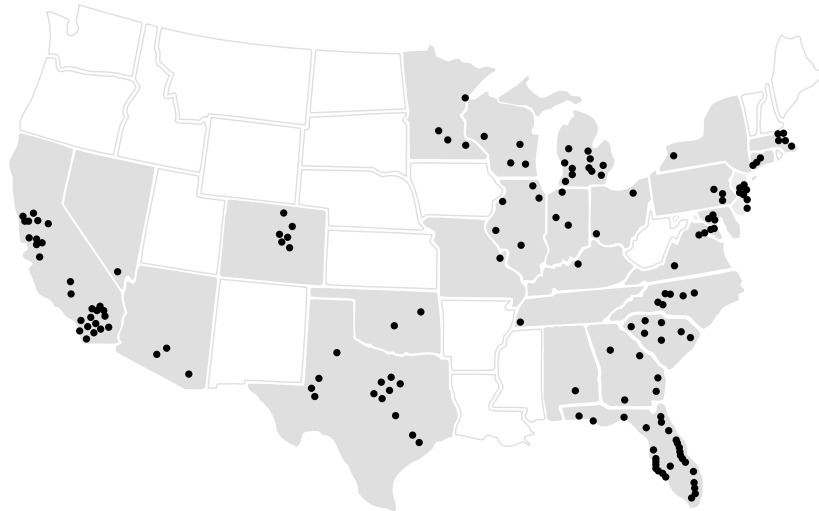
Andre B. Lacy  
Chairman & Chief Executive Officer



J. A. Lacy  
President & Chief Operating Officer

***COMPANY OVERVIEW*** FinishMaster, Inc. is the leading national independent distributor of automotive paints, coatings and related accessories to the \$2.5 billion U.S. automotive paint refinishing market. The company provides a full line of brand-name and private-label refinishing products to collision repair shops, automotive dealerships and fleet operators. These high quality products are from leading manufacturers such as BASF, DuPont, PPG and 3M.

FinishMaster's history has three roots. The first is "the old FinishMaster company" started in 1968 in Grand Rapids, Michigan. It grew into a network of branches that initially served the Great Lakes region with later expansion into Texas, Philadelphia and Washington, D.C. The second root is Thompson PBE, which began as the Thompson Lacquer Company in the 1930s. Their initial focus was the West Coast, but by the 1990s they had expanded into the Southeast and New England, and were the largest jobber in the nation. The third root is LDI Ltd., LLC, a 91-year-old company that has owned and operated distribution businesses in industries as diversified as motorcycle parts and apparel, mountain bike components, and pre-recorded video cassettes. As a result of a 1995 strategic planning process, driven by the LDI Board of Directors, the company entered the industry by purchasing a small automotive paint distributor in Florida. In 1996, LDI purchased a controlling interest in FinishMaster. Less than two years later FinishMaster acquired Thompson PBE. Today we are headquartered in Indianapolis and employ 1,500 associates throughout our national network of 165 sales branches and three distribution centers in 28 states.



### ***COMPANY LOCATIONS***

Alabama 1 Arizona 3 California 27 Colorado 6 Connecticut 3  
Delaware 1 Florida 36 Georgia 5 Illinois 5 Indiana 3 Kentucky 1  
Maryland 3 Massachusetts 5 Michigan 11 Minnesota 4  
Missouri 1 Nevada 1 New Jersey 7 New York 1 North Carolina 6  
Ohio 2 Oklahoma 2 Pennsylvania 3 South Carolina 7  
Tennessee 1 Texas 13 Wisconsin 4 Virginia 3

## FINANCIAL HIGHLIGHTS

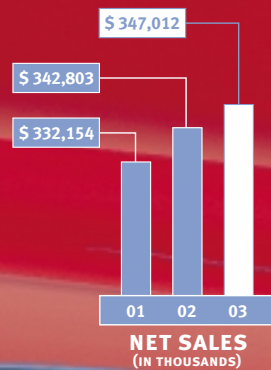
YEAR ENDED DECEMBER 31

2003

2002

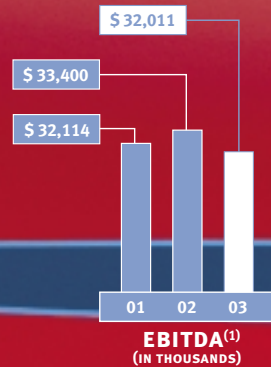
2001

(IN THOUSANDS, EXCEPT PER SHARE DATA)



### Statements of Operations Data

NET SALES	\$ 347,012	\$ 342,803	\$ 332,154
GROSS MARGIN	\$ 108,562	\$ 111,171	\$ 105,895
INCOME FROM OPERATIONS	\$ 26,622	\$ 28,548	\$ 21,991
NET INCOME	\$ 11,852	\$ 12,897	\$ 6,208
EBITDA <sup>(1)</sup>	\$ 32,011	\$ 33,400	\$ 32,114



### Per Share Data - Diluted

INCOME PER SHARE	\$ 1.52	\$ 1.64	\$ 0.81
WEIGHTED AVERAGE SHARES OUTSTANDING	7,820	7,856	7,648

### Balance Sheet Data (AS OF DECEMBER 31)

NET WORKING CAPITAL	\$ 45,991	\$ 61,392	\$ 33,087
TOTAL ASSETS	\$ 223,016	\$ 205,627	\$ 202,036
LONG-TERM DEBT	\$ 63,600	\$ 88,726	\$ 77,868
SHAREHOLDERS' EQUITY	\$ 87,898	\$ 76,380	\$ 62,535



### Stock Price Data

STOCK PRICE PER SHARE (AS OF YEAR END)	\$ 9.50	\$ 11.65	\$ 10.25
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(1) EBITDA (Earnings before interest, taxes, depreciation and amortization) is presented for supplemental purposes only, and should not be considered as an alternative to measures of performance determined with generally accepted accounting principles.

## ***CORPORATE INFORMATION***

### **Board of Directors**

Andre B. Lacy, Chairman of the Board and Chief Executive Officer, FinishMaster, Inc., and  
Chairman and Chief Executive Officer, LDI Ltd., LLC  
Thomas U. Young, Vice Chairman, FinishMaster, Inc.  
J. A. Lacy, President and Chief Operating Officer, FinishMaster, Inc.  
Peter L. Frechette, Chairman and Chief Executive Officer, Patterson Dental Company  
David W. Knall, Senior Managing Director, McDonald Investments, Inc.  
Michael L. Smith, Executive Vice President and Chief Financial Officer, Anthem, Inc.  
Walter S. Wiseman, Private Investor, Retired President, Major Video Concepts, Inc.

### **Executive Officers**

Andre B. Lacy, Chairman of the Board and Chief Executive Officer  
Thomas U. Young, Vice Chairman  
J. A. Lacy, President and Chief Operating Officer  
Daniel A. Courtney, Senior Vice President, Operations  
Richard J. Esce, Senior Vice President, Sales  
Robert R. Millard, Senior Vice President, Finance and Chief Financial Officer  
Charles L. VanSlaars, Senior Vice President, Marketing

### **Shareholder Information**

FinishMaster's common stock trades in the over the counter market and is quoted on the Pink Sheets® quotation system under the symbol FMST.PK. For investor relations, please write Robert R. Millard at the Company's corporate office. For more information on the Company via the Internet, visit FinishMaster's website at <http://www.finishmaster.com/>.

### **Annual Report**

FinishMaster's Audited Financial Statements accompany this Investment Brief. Please refer to these financial statements for further information on 2003 results.

### **Corporate Office**

Address 54 Monument Circle, Suite 800, Indianapolis, IN 46204-2979, Phone (317) 237-3678

