

FinishMaster, Inc.



investment brief to shareholders

2002



To Our Shareholders

FinishMaster delivered another year of solid earnings growth during 2002. Net income adjusted to eliminate the one-time effect of an accounting change grew by more than one-third during 2002 on revenue growth of 3.2%. On a comparable basis, earnings per share climbed to \$1.64 from \$1.22 in 2001.

Several factors contributed to these results. Most of our growth in sales resulted from acquisitions completed in 2002 and the full year effect of prior year acquisitions. The challenges of slow economic conditions, flat to declining number of automobiles being repaired, and continued productivity improvements in the use of automotive paint caused same store sales growth to be flat for the year. We attacked the challenges of same store sales growth by investing in additional salespeople and arming them with better sales tools. These efforts began to produce results during 2002, with same store sales growth of 1.4% per quarter during the last two quarters of the year.

This increase in sales volume plus an improved margin rate drove gross profit up 5.0%. In addition, lower effective interest rates and average outstanding borrowings resulted in a decrease in interest expense. Despite increases in employee benefit expense, insurance costs, bad debt expense, and sales labor costs, operating income before amortization grew 7.2% from 2001 to 2002. FinishMaster's greatest challenge for the foreseeable future will be growing top line sales in a flat or negative growth market and exploring new ways to control the costs of doing business.

We finished the year with solid financial results through the diligent efforts of our employees in three key areas—commitment to customer service, focus on operational excellence and continuation of strategic acquisitions. Their efforts paid off and we thank them for their hard work and dedication to the organization.

Customer Service

Throughout the year, we endeavored to deliver uniform standards of customer service and, at the same time, recognize the unique needs of individual customers. Just as we

customize paint color for individual automobiles, we customize our service offerings for individual body shops. Some of those service offerings include technical support, product training, management seminars, inventory management, and assistance with environmental compliance reporting. Our customers look to FinishMaster to help them run successful businesses, not just deliver paint. We strive to have this partnership approach—from how we start to how our customers finish—to distinguish FinishMaster from the pack.

Operational Excellence

Continuous improvement in internal operations took place in several areas during 2002. We initiated EDI with our four major vendors in order to improve efficiency throughout the supply chain and reduce the cost of doing business with FinishMaster. A system for on-demand reporting was developed to give our managers and customers across the country better access to the information they need to run their businesses. We also piloted new distribution models to gain market share by extending services to customers previously uncovered by our traditional distribution model.

Strategic Acquisitions

In 2002 FinishMaster expanded its program of acquisitions in its existing markets. We acquired four companies and increased our presence in select markets coast-to-coast including Los Angeles, Louisville, Phoenix and Greenville, South Carolina. These strategic acquisitions allow FinishMaster to maintain or improve customer service in its markets while growing sales and controlling expenses.

The natural forces of consolidation are hard at work in the business of paint refinish distribution. At FinishMaster, we will continue to pursue our acquisition activities in markets where the economic or strategic reasons are compelling and offer attractive shareholder returns.

Board Restructuring

With the upcoming annual meeting, FinishMaster will be restructuring its Board of Directors as a first step in complying

It's all how

with the spirit and substance of the Sarbanes-Oxley Act. Two Board members, Margot E. Eccles and David N. Shane, will be leaving the Board. We thank them for their service and dedication to the success of FinishMaster. As a result of this restructuring, we will have a majority of independent directors on our Board.

Look To The Future

One important milestone during 2002 was our examination of the future of the automotive refinish industry and the challenges and opportunities ahead. We may not be able to predict the future, but one thing is clear—performance expectations throughout the supply chain will continue to intensify. Automobile owners want quality workmanship on their car repairs—at a reasonable cost. Body shops want increasing levels of service and sales support—at a reasonable cost.

Manufacturers want to get their products to market faster—at a reasonable cost. Everyone in the supply and service chain wants instantaneous access to useful information. We believe there will be a natural separation of distributors between those who are able to navigate these challenges and opportunities successfully and those who are not.

FinishMaster is the leading independent distributor with nationwide capability to rise to the challenge of these heightened performance expectations. We are large enough to establish a technology platform that will restrain costs and improve logistics, transactions and information. Our strong relationships in local markets give us the experience and knowledge to deliver value that matches the unique needs of individual body shops. Our commitment to customer service, focus on operational excellence in execution and pursuit of strategic acquisitions will help to build the financial strength to continue to deliver value to body shops, manufacturers and investors. As we say to them: It's All How You Finish.



Andre B. Lacy
Chairman & Chief Executive Officer



J. A. Lacy
President & Chief Operating Officer



Customer service is what we're all about at FinishMaster. So whatever it takes to help you and your business, we're there. Place your order in the morning and we'll do our darndest to get it there before noon. Have a question about a specific product or finish? We've probably got the answer, and if we don't, we'll find it. We'll even supply you with information reporting tools to guide training. Process improvements that will lead to higher body shop profitability. And yes, if it will improve your cycle time, I'll even walk your dog.

It's all how you finish.

you finish.

Company Overview

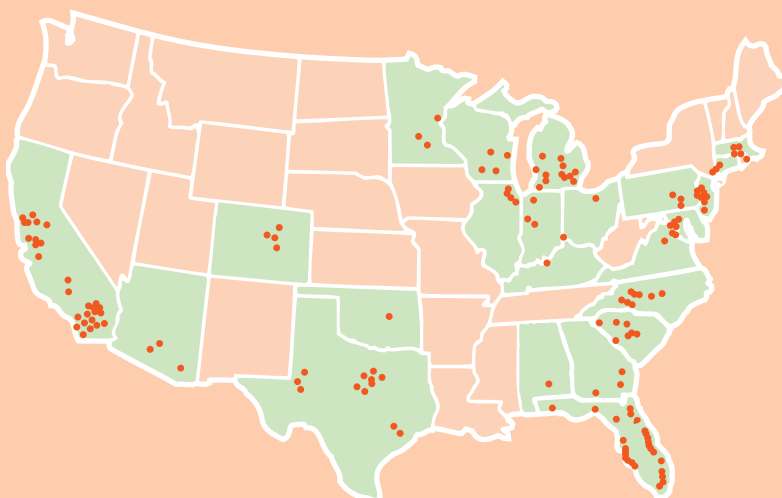
FinishMaster, Inc., is the leading national independent distributor of automotive paints, coatings and related accessories to the \$2.5 billion U.S. automotive paint refinishing market. FinishMaster offers its collision repair, automotive dealership, and fleet operator customers a full line of brand-name and private-label refinishing products. These high quality products are from leading manufacturers such as BASF, DuPont, 3M and PPG.

The Company provides its customers with local value-added services—just-in-time delivery, technical support, computerized color matching, and environmental compliance reporting—backed by strong national expertise in technology, warehouse distribution and supply chain management.

Founded with a single outlet in 1969, FinishMaster has grown to 158 sales outlets and three major distribution centers in 24 states. Headquartered in Indianapolis, Indiana, FinishMaster employs 1,500 associates throughout its national network of sales outlets and distribution centers.

Company Locations

Alabama 1	Illinois 4	North Carolina 6
Arizona 3	Indiana 3	Ohio 2
California 29	Kentucky 1	Oklahoma 1
Colorado 4	Maryland 3	Pennsylvania 4
Connecticut 3	Massachusetts 4	South Carolina 7
Delaware 1	Michigan 11	Texas 13
Florida 38	Minnesota 3	Virginia 3
Georgia 3	New Jersey 7	Wisconsin 4



Financial Highlights

Year ended december 31 2002 2001 2000

(in thousands, except per share data)

Statements of Operations Data

Net sales	\$	342,803	\$	332,154	\$	336,204
Gross margin	\$	111,171	\$	105,895	\$	104,422
Income from operations	\$	28,301	\$	21,695	\$	19,572
Net income before extraordinary loss	\$	12,897	\$	6,703	\$	3,727
Net income	\$	12,897	\$	6,208	\$	3,727
EBITDA ⁽¹⁾	\$	33,400	\$	32,114	\$	30,210

Per Share Data—Diluted

Income per share before extraordinary loss	\$	1.64	\$	0.88	\$	0.49
Income per share	\$	1.64	\$	0.81	\$	0.49
Weighted average shares outstanding		7,856		7,648		7,551

Balance Sheet Data

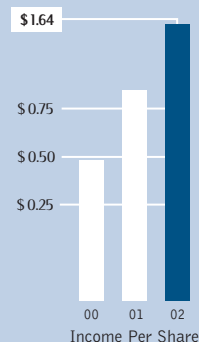
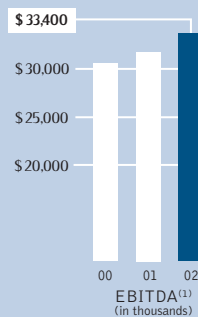
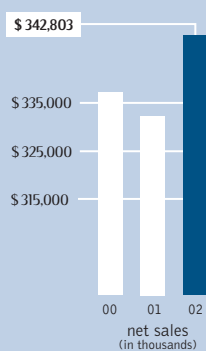
(as of december 31)

Net working capital	\$	61,271	\$	33,087	\$	35,209
Total assets	\$	205,627	\$	202,036	\$	218,317
Long-term debt	\$	88,726	\$	77,868	\$	90,652
Shareholders' equity	\$	76,380	\$	62,535	\$	56,806

Stock Price Data

(as of year end)

Stock price per share	\$	11.650	\$	10.250	\$	5.625
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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 Management, Inc.

David N. Shane, Vice Chairman, FinishMaster, Inc., and President and Chief Operating Officer, LDI Management, Inc.

Thomas U. Young, Vice Chairman, FinishMaster, Inc.

J.A. Lacy, President and Chief Operating Officer, FinishMaster, Inc.

Margot L. Eccles, Vice President, LDI Management, Inc.

Peter L. Frechette, Chairman, President 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

David N. Shane, Vice Chairman

Thomas U. Young, Vice Chairman

J.A. Lacy, President and Chief Operating Officer

Daniel A. Courtney, Senior Vice President, Operations

Robert R. Millard, Senior Vice President, Finance and Chief Financial Officer

Chuck VanSlaars, Senior Vice President, Marketing

Shareholder Information

FinishMaster's common stock trades on **The NASDAQ Stock Market**[®] under the symbol **FMST**. For investor relations, please write Robert R. Millard at FinishMaster's corporate office. For more information on FinishMaster via the Internet, visit FinishMaster's website at **www.finishmaster.com** or Corporate News on the Net at **www.businesswire.com/companyspecific/**.

Annual Report

FinishMaster's Annual Report on Form 10-K accompanies this investment brief. Please refer to Form 10-K for further information on 2002 results.

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