R&B, INC. 2000
Annual Report

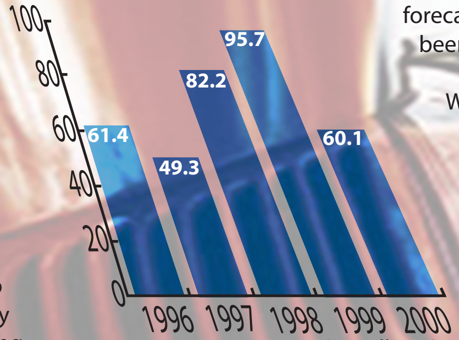
Positioning

R&B is the dominant supplier of hard-to-find parts, fasteners and household hardware to the automotive aftermarket, home center and general merchandise markets. Providing products to both professional installers and do-it-yourselfers, R&B's widespread distribution channels include traditional wholesalers, retailers, and special markets such as parts manufacturers, national service dealers, salvage yards, car dealers, and specialty rebuilders. As a valued supplier to all market segments, R&B distinguishes itself through industry-leading packaging, new product development, and attentive customer service.

Letter to the Shareholder

A little more than a year ago, we embarked on a new direction for our Company. Our goal was to rebuild R&B as a smaller, but stronger and intensely focused business with more consistent performance. Despite the continued weakness in the automotive aftermarket, and the current economic uncertainty, Steven and I are pleased to report that we are on track, and in many cases, even ahead of schedule in meeting our goal.

We eliminated literally thousands of unproductive products from our inventories, and focused our new product development and investment on our core business of hard-tofind parts and fasteners. We improved our focus on working capital management and reduced selling, general and administrative costs to more appropriate levels. The result has been dramatic. Over the last year, debt was reduced by nearly $30 million, borrowings under our revolving credit facility were eliminated, and we have more than $7 million in the bank. Importantly, our general, selling and administrative expenses were reduced by more than $8 million, bringing us to appropriate levels for long-term growth.



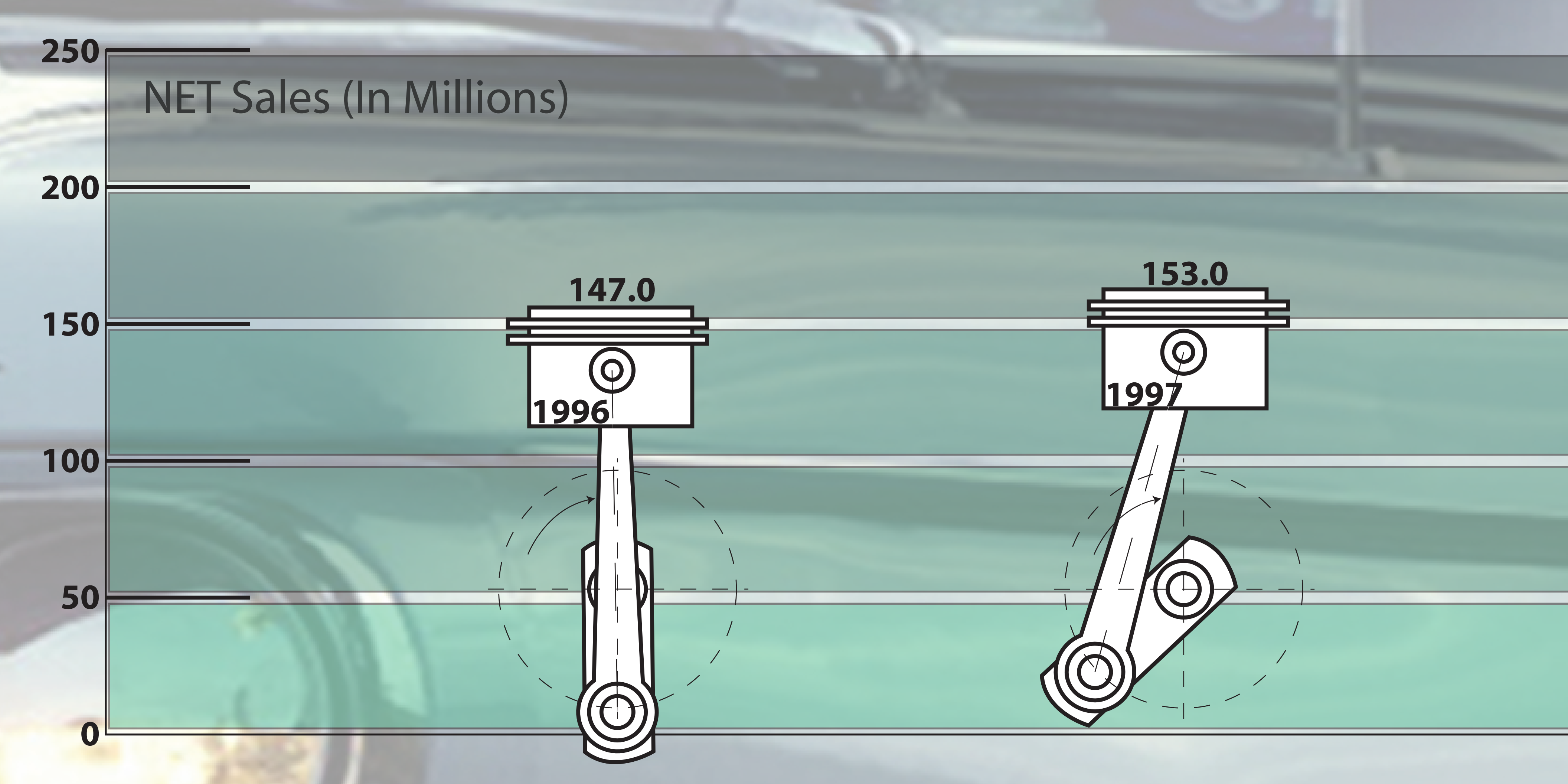
DEPT, NET OF CASH (In Millions)

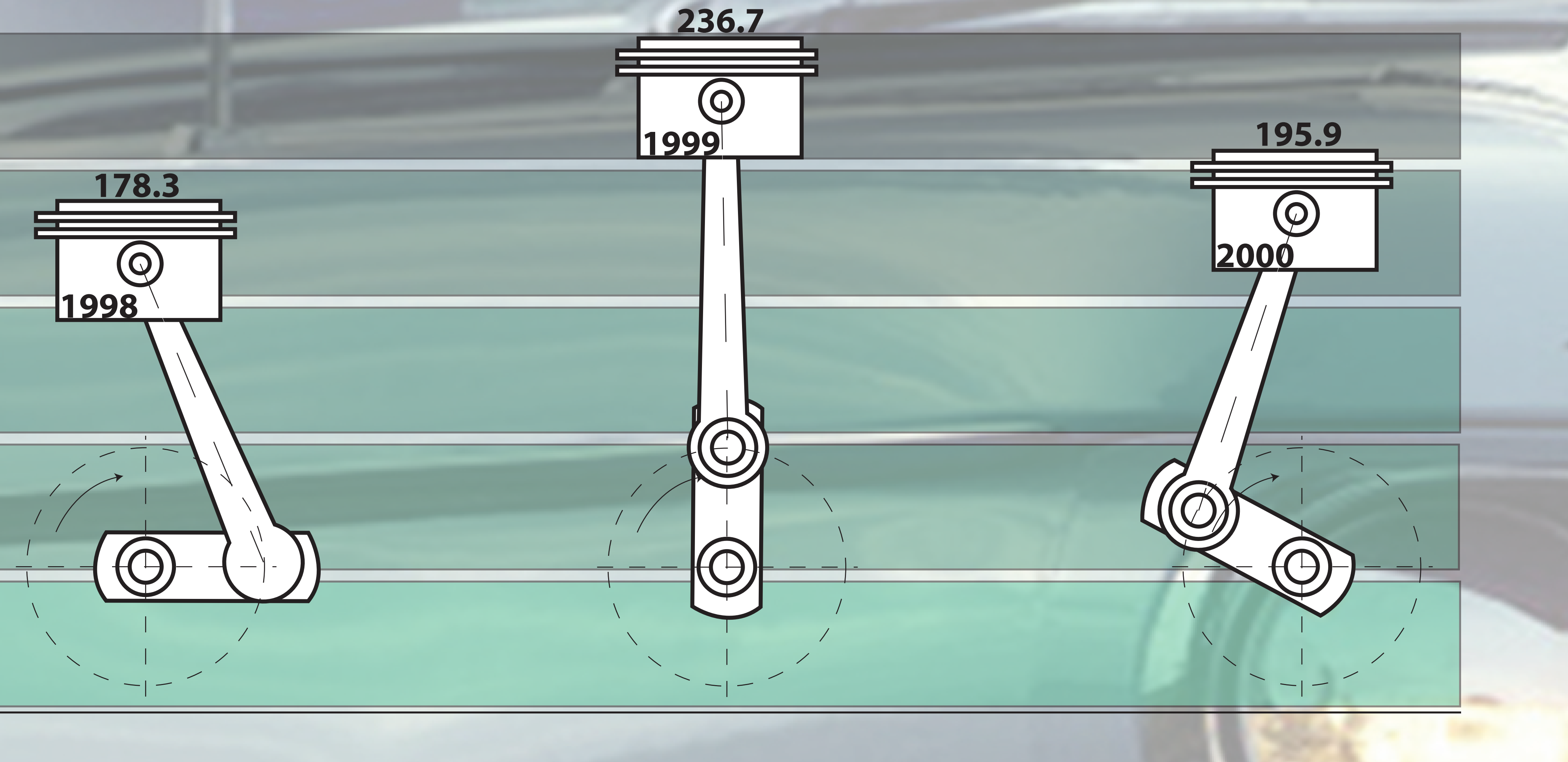
Our efforts have demonstrated that we have the right plans in place to achieve continuous and consistent improvement in our performance. We must continue to view our business as one organization by doing a better job of leveraging our selling, general and administrative costs across all of the divisions. While the market will continue to present many challenges, our improved position will allow us to exploit new opportunities when they are presented. And what does this mean for our customers? When we reap the benefits of our efforts ₱so do our customers. Ultimately what is good business for R&B is good business for our customers. Our product fill rates, forecasting and overall service levels have never been better.

We have great expectations as well as challenges in the year ahead:

* Current inventory levels within the entire supply chain are still too high and will continue to require considerable effort and cost to resolve.
* Retail shelf space continues to be limited so new product introductions will go to those companies with the best programs offering the highest return on investment.
* New car quality, extensive warranties and overall parts proliferation continue to take demand out of the aftermarket.

* Recent new product launches, such as manifolds and harmonic balancers, have been well received with strong financial performance.
* Several programs are in place to rejuvenate key product lines, such as our Help! merchandisers and Dorman fastener systems.
* Recent investments in our infrastructure, such as our information systems, are now being leveraged across all of the divisions.
* International growth will continue by broadening our product offering and growing the customer base. Over the past three years R&B has invested over $22 million in new systems and equipment designed to improve customer service levels, quality and efficiency. Looking forward to 2001, we will leverage these investments across all divisions. Our goal is to improve earnings per share a minimum of 15% annually in the upcoming years. We will continue to focus on managing the balance sheet and cash flow to further reduce our leverage and strengthen the business. We have demonstrated that having a plan isn₱ enough. You have to have the right plan in place with the flexibility to change as the market changes as well as the stability to withstand the changes of the market. Our results over the last year have confirmed that we are on the right track but we can₱ do it alone. Yes! We are surviving in a tough, turbulent market but we are doing it together. We would like to thank our R&B contributors for their continued support and talents. We would also like to reaffirm our commitment to our customers and shareholders to build the business from strength as well as constantly improve and deliver results. R&B has demonstrated its continued success is dependent on the right plan carried out by the right people dedicated to seeing it through.


NET Sales (In Millions)
250
200
150
100
50
0
147.0
1996
153.0
1997


178.3
1998
236.7
1999
195.9
2000

General

Over the periods presented, the Company has focused its efforts on providing an expanding array of new product offerings and strengthening its relationships with its customers. To that end, the Company has made significant investments to increase market penetration, primarily in the form of product development, customer service, customer credits and allowances. The Company calculates its net sales by subtracting credits and allowances from gross sales. Credits and allowances include costs for co-operative advertising, product returns, discounts given to customers who purchase new products for inclusion in their stores, and the cost of competitors X products that are purchased from the customer in order to induce a customer to purchase new product lines from the Company. The credits and allowances are designed to increase market penetration and increase the number of product lines carried by customers by displacing competitorsX products within customersX stores and promoting consolidation of customersX suppliers. The Company may experience significant fluctuations from quarter to quarter in its results of operations due to the timing of orders placed by the CompanyXs customers. Generally, the second and third quarters have the highest level of customer orders, but the introduction of new products and product lines to customers may cause significant fluctuations from quarter to quarter. The Company operates on a fifty-two, fifty-three week period ending on the last Saturday of the calendar year. Results for the fiscal year ended December 30, 2000 include fifty-three weeks, while the results for the fiscal years ended December 25, 1999 and December 26, 1998 include fifty-two weeks. In the fourth quarter of fiscal 2000, the Company adopted the provisions of Emerging Issues Task Force (EITF) Issue No. 00-10, TAccounting for Shipping and Handling Fees and Costs,У by reclassifying freight expense from selling, general and administrative expense to cost of sales in all periods presented. The adoption of EITF 00-10 increased cost of sales and reduced selling,general and administrative expenses in 1999 and 1998 by $7.1 million and $4.7 million, respectively. In January 1998, the Company acquired Scan-Tech USA/Sweden A.B. and related entities (TScan-TechУ). Headquartered in Stockholm, Sweden, Scan-Tech is a global distributor of replacement automotive parts, primarily Volvo and Saab. In September 1998, the Company began its acquisition of selective assets of the Service Line Division (TChampУ) of Standard Motor Products, Inc. Champ includes the Champ Service Line, Pik-A-Nut and Everco. The acquisition was completed in stages with the final stage (Everco) occurring in January 1999. In October 1998, the Company acquired the assets of Allparts, Inc. Headquartered in Louisiana, Missouri, Allparts is a leading supplier of automotive hydraulic brake parts to the automotive aftermarket. In the fourth quarter of fiscal 1999, the Company recorded a restructuring charge of $11.4 million ($7.5 million after tax or $0.90 per share) to reflect costs primarily related to inventory write downs associated with the elimination of a significant number of underperforming products, as well as the closing of a warehouse and production facility in Carrollton, Georgia, and a work force reduction of 158 people. A total of $9.8 million, representing inventory write downs, was charged to cost of sales and $1.6 million was charged to selling, general and administrative expenses. A total of $7.6 million in costs were incurred and charged against restructuring reserves during fiscal 2000. The Company believes that restructuring reserves as of December 30, 2000 are adequate to cover remaining costs to be incurred. ACQUISITIONS RESTRUCTURING CHARGES

Consolidated Statements of Operations

(in thousands, except per share data)	53 Weeks Ended December 30, 2000	52 Weeks Ended December 25, 1999	December 26, 1998
Net Sales	$ 201,390	$ 236,689	$178,301
Cost of goods sold	132,621	168,730	112,596
Gross profit	68,769	67,959	65,705
Selling, general and administrative	56,461	66,326	49,286
Income from operations	12,308	1,633	16,419
Interest expense, net	6,032	6,961	4,629
Income (loss) before taxes	6,276	(5,328)	11,790
Provision (benefit) for taxes	2,181	(1,726)	4,234
Net Income (loss)	$ 4,095	$ (3,602)	$ 7,556
Earnings (Loss) Per Share:			
Basic	$ 0.49	$ (0.43)	$ 0.91
Diluted	$ 0.48	$ (0.43)	$ 0.90
Weighted Average Shares Outstanding:			
Basic	8,439	8,375	8,330
Diluted	8,523	8,375	8,421

Consolidated Balance Sheets

(in thousands, except share data)	December 30, 2000	December 25, 1999
Assets		
Current Assets:		
Cash and cash equivalents	$ 7,553	$ 1,467
Accounts receivable, less allowance for doubtful accounts and customer credits of $10,334 and $8,764	36,322	49,979
Inventories	50,765	70,272
Deferred income taxes	4,896	4,574
Prepaids and other current assets	2,665	2,543
Total current assets	102,201	128,835
Property, Plant and Equipment, net	23,332	22,919
Intangible Assets, net	31,358	33,212
Other Assets	2,988	3,038
Total	$159,879	$188,004
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt	$ 2,583	$ 11,910
Accounts payable	8,159	12,867
Accrued compensation	3,580	2,820
Other accrued liabilities	4,617	4,626
Total current liabilities	18,939	32,223
Long-Term Debt	65,066	85,283
Deferred Income Taxes	3,490	2,264
Commitments and Contingencies (Note 11)		
Shareholders' Equity:		
Common stock, par value $.01; authorized 25,000,000 shares; issued 8,481,517 and 8,393,796	85	84
Additional paid-in capital	34,229	33,517
Cumulative translation adjustments	(839)	(181)
Retained earnings	38,909	34,814
Total shareholders' equity	72,384	68,234
Total	$159,879	$188,004

	Common Stock					
(in thousands, except share data)	Shares Issued	Par Value	Additional Paid-In Capital	Cumulative Translation Adjustment	Retained Earnings	Total
Balance at December 27,1997	8,066,543	$81	$30,221	$ -	$30,860	$61,162
Common stock issued for purchase of Scan-Tech USA/Sweden AB (Note 5)	250,000	2	2,668	-	-	2,670
Common stock issued to Employee Stock Purchase Plan	5,631	-	42	-	-	42
Common stock issued to 401(k) Retirement Plan	17,251	-	170	-	-	170
Shares issued under Incentive Stock Plan	4,657	-	32	-	-	32
Comprehensive Income:						
Net income	-	-	-	-	7,556	7,556
Currency translation adjustments	-	-	-	(18)	-	(18)
Total comprehensive income						7,538
Balance at December 26, 1998	8,344,082	83	33,133	(18)	38,416	71,614
Common stock issued for purchase of Scan-Tech USA/Sweden AB (Note 5)	3,479	-	29	-	-	29
Common stock issued to Employee Stock Purchase Plan	11,505	-	73	-	-	73
Common stock issued to 401(k) Retirement Plan	34,268	1	277	-	-	278
Shares issued under Incentive Stock Plan	462	-	5	-	-	5
Comprehensive Income:						
Net (loss)	-	-	-	-	(3,602)	(3,602)
Currency translation adjustments	-	-	-	(163)	-	(163)
Total comprehensive (loss)						(3,765)
Balance at December 25, 1999	8,393,796	84	33,517	(181)	34,814	68,234
Common stock issued for purchase of Scan-Tech USA/Sweden AB (Note 5)	11,188	-	30	-	-	30
Common stock issued to Employee Stock Purchase Plan	32,791	-	97	-	-	97
Common stock issued to 401(k) Retirement Plan	43,742	1	204	-	-	205
Shares issued and cost of Incentive Stock Plan	-	-	381	-	-	381
Comprehensive Income:						
Net income	-	-	-	-	4,095	4,095
Currency translation adjustments	-	-	-	(658)	-	(658)
Total comprehensive income						3,437
Balance at December 30, 2000	8,481,517	$85	$34,229	$(839)	$38,909	$72,384

Impact of Inflation

The Company has not generally been adversely affected by inflation. The Company believes that price increases resulting from inflation generally could be passed on to its customers, since prices charged by the Company are not set by long-term contracts.

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